



SUNLIGHT (1977) HOLDINGS LIMITED

日光(1977)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8451

SHARE OFFER



Sole Sponsor



Joint Bookrunners and Joint Lead Managers



IMPORTANT

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



SUNLIGHT (1977) HOLDINGS LIMITED

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(Incorporated in the Cayman Islands with limited liability)

LISTING ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	:	200,000,000 Shares
Number of Public Offer Shares	:	20,000,000 Shares (subject to reallocation)
Number of Placing Shares	:	180,000,000 Shares (subject to reallocation)
Offer Price	:	Not more than HK\$0.30 per Offer Share and expected to be not less than HK\$0.25 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)
Nominal Value	:	HK\$0.01 per Share
Stock Code	:	8451

Sole Sponsor



Giraffe Capital Limited

Joint Bookrunners and Joint Lead Managers



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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by 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 and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is currently expected to be fixed by an agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about Tuesday, 3 April 2018, or such later date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters). If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on Tuesday, 10 April 2018, the Share Offer will not become unconditional and will lapse immediately.

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

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

The Joint Bookrunners, may, with our consent, reduce the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.sunlightpaper.com.sg not later than the morning of the day which is the last day for lodging applications under the Public Offer. Details of the arrangement will then be announced by us as soon as practicable. For further information, see "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares".

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Joint Bookrunners (on behalf of the Public Offer Underwriters) if certain grounds arise prior to 8:00 a.m. (Hong Kong time) on the Listing Date. See "Underwriting — Public Offer Underwriting Arrangements and Expenses — The Public Offer Underwriting Agreement — Grounds for termination" for further details.

27 March 2018

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM listed issuers.

EXPECTED TIMETABLE

Our Company will publish an announcement on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.sunlightpaper.com.sg if there is any change in the following expected timetable of the Public Offer.

2018⁽¹⁾

Latest time to complete electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Tuesday, 3 April
Application lists of the Public Offer open ⁽³⁾	11:45 a.m. on Tuesday, 3 April
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Tuesday, 3 April
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Tuesday, 3 April
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, 3 April
Application lists of the Public Offer close ⁽³⁾	12:00 noon on Tuesday, 3 April
Expected Price Determination Date ⁽⁵⁾	Tuesday, 3 April
(i) Announcement of: <ul style="list-style-type: none">● the final Offer Price;● the level of indication of interest in the Placing;● the level of applications in the Public Offer; and● the basis of allocation of the Public Offer Shares to be published on our Company's website at www.sunlightpaper.com.sg and the Stock Exchange's website at www.hkexnews.hk on or before	Friday, 13 April
(ii) Results of allocation in the Public Offer (with identification document numbers or business registration numbers of successful applicants, where applicable) to be available at through a variety of channels (see "How to Apply for Public Offer Shares — 11. Publication of results") from	Friday, 13 April
(iii) A full announcement of the Public Offer containing (i) and (ii) above will be on our Company's website at www.sunlightpaper.com.sg and the Stock Exchange's website at www.hkexnews.hk from	Friday, 13 April

EXPECTED TIMETABLE

2018⁽¹⁾

Results of allocations in the Public Offer will be available at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID Number/Business Registration Number” function from Friday, 13 April

Despatch/collection of share certificates or deposit of share certificates into CCASS in respect of wholly or partially successful applicants pursuant to the Public Offer on or before ⁽⁶⁾⁽⁷⁾ Friday, 13 April

Despatch/collection of refund cheques in respect of wholly or partially successful applicants if the Offer Price is less than the price payable on applications (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before ⁽⁷⁾ Friday, 13 April

Despatch of **White Form** e-Refund payment instructions and refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Public Offer on or before ⁽⁷⁾⁽⁸⁾ Friday, 13 April

Dealings in Shares on GEM expected to commence at 9:00 a.m. on Monday, 16 April

Notes:

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
2. You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment 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 signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 3 April 2018, the application lists will not open on that day. For details, see “How to Apply for Public Offer Shares — 10. Effect of bad weather on the opening of the application lists”.
4. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should see “How to Apply for Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS”.
5. The Price Determination Date is expected to be on or around Tuesday, 3 April 2018 (or such later date as agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters)). If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on Tuesday, 10 April 2018, the Share Offer will not become unconditional and will lapse.
6. Share certificates for the Offer Shares are expected to be issued on or before Friday, 13 April 2018, but will only become valid certificates of title provided that the Share Offer becomes unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

EXPECTED TIMETABLE

7. Applicants who have applied on **WHITE** Application Forms or through **White Form eIPO** service for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques and share certificates (as applicable) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 13 April 2018 or such other date as notified by our Company at the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques. Individual applicants who are eligible for personal collection may not authorise any other person to make collection on their behalf. Corporate applicants who are eligible for personal collection may arrange for collection by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Share Registrar.

Applicants who have applied with **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques (where relevant) in person but may not collect their share certificates, as such share certificates will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC should see “How to Apply for Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” for further details.

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

Applicants who have applied for less than 1,000,000 Public Offer Shares, any uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in “How to Apply for Public Offer Shares — 14. Despatch/Collection of share certificates and refund monies”.

8. e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price per Public 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 for refund purpose. 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 or may invalidate your refund cheque.

Investors may obtain a printed copy of this prospectus, free of charge, during normal business hours from any of the designated branches of the receiving bank and the designated offices of the Sole Sponsor as set out in “How to Apply for Public Offer Shares”. An electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Stock Exchange at www.hkexnews.hk under the section headed “HKExnews > Listed Company Information > Latest Listed Company Information” and our Company at www.sunlightpaper.com.sg.

Distribution of this prospectus into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

EXPECTED TIMETABLE

For details of the structure of the Share Offer, including the conditions of the Share Offer, and the procedures for application for the Public Offer Shares, you should read “Structure and Conditions of the Share Offer” and “How to Apply for Public Offer Shares”, respectively.

If the Public Offer does not become unconditional or is terminated in accordance with its terms, the Public Offer will not proceed. In such case, our Company will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. 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 to make your investment decision. Our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters 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 nor contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers, agents, representatives or affiliates of any of them or any other persons or parties involved in the Share Offer.

The contents of our Company's website at www.sunlightpaper.com.sg do 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. Because this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors”. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used herein are defined in “Definitions” and “Glossary of Technical Terms”.

OVERVIEW

We are a leading tissue products supplier for corporate customers in Singapore. We are the fifth largest tissue products supplier in Singapore in the overall tissue products market in terms of sales revenue with a market share of approximately 6.8% in 2016, and the second largest tissue products supplier in the tissue products market for corporate customers in terms of sales revenue with a market share of approximately 11.7% in 2016, according to the CIC Report. Established in 1977, we have around 40 years of presence in the tissue products market for corporate customers in Singapore.

We provide comprehensive services to our customers, from advising our customers on the types and specifications of tissue products, to sourcing suitable products, conducting quality control, delivery to customers through our fleet of delivery trucks and providing after-sales services. We also provide advice to our customers in relation to other related products, such as tissue dispensers and hygiene-related products.

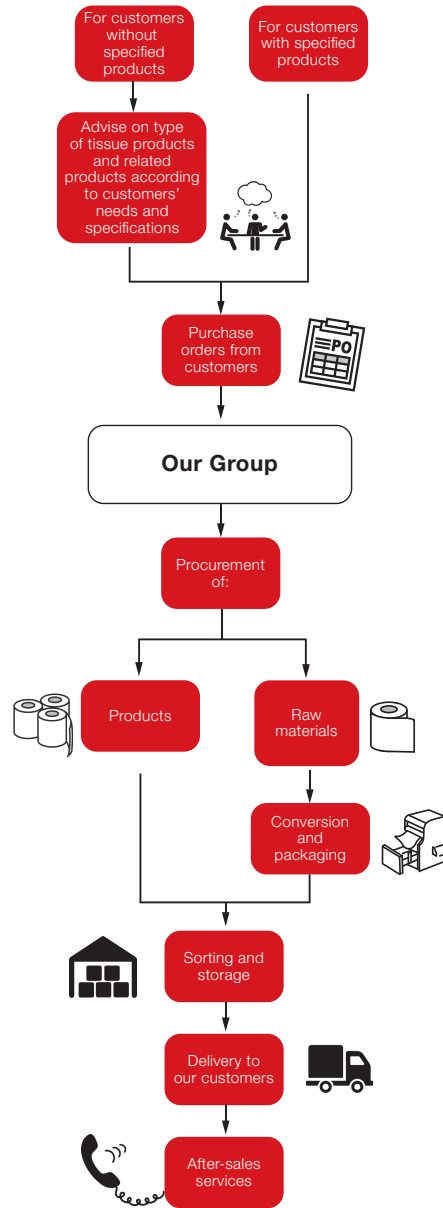
In addition to sourcing products from our suppliers, we have our own conversion facilities in Singapore to convert material reels of tissue paper into jumbo roll tissues. This gives us a competitive edge over our competitors as it guarantees our commitment to deliver a reliable and stable supply of jumbo roll tissues. We are the first and only jumbo roll tissue converter in Singapore, according to the CIC Report.

With our long history of operation and industry expertise, our customers are across various industries, including but not limited to facilities management and cleaning, hotel and leisure, and food and beverage. Our major customers encompass subsidiaries of listed companies, such as (i) a Fortune 500 company, which is the leading global developer of integrated resorts and casino operator; (ii) City Developments Limited, an international real estate operating company with a global presence, and one of Singapore’s largest companies by market capitalisation; and (iii) UEM Edgenta Berhad, a leader in total asset solutions.

SUMMARY

OUR BUSINESS MODEL

The following illustrates our business model:



We generate our revenue by selling and supplying tissue products and other related products to corporate customers. We also provide advice to our customers in various aspects relating to our products. We source some of our products, such as jumbo roll tissues, hand towels, napkins, facial tissues, hygiene-related products and tissue dispensers, from our suppliers in the PRC and Malaysia. We source the principal raw materials used in the production of jumbo roll tissues from our suppliers located in Malaysia, and convert the material reels of tissue paper into jumbo roll tissues at our conversion facilities in Singapore. Our products are sorted and stored in our warehouse before they are delivered to our customers via our delivery trucks. We provide after-sales services, such as following up with our customers as to the quality of our products.

SUMMARY

OUR PRODUCTS

Our products include: (i) tissue products; (ii) hygiene-related products; and (iii) others, mainly comprising tissue dispensers. Tissue products include (a) toilet tissues, comprising jumbo roll tissues and conventional roll tissues; (b) hand towels; (c) napkins; and (d) facial tissue. Hygiene-related products include (a) hygiene wipes; (b) hygiene gloves; and (c) industrial wipes.

The following table sets forth our revenue, average selling price, sales volume, gross profit and gross profit margin by each of our products:

Product	Year ended 30 September											
	2016						2017					
	Revenue	% of total revenue	Average selling price	Sales volume	Gross profit	Gross profit margin	Revenue	% of total revenue	Average selling price	Sales volume	Gross profit	Gross profit margin
<i>(S\$'000)</i>		<i>(S\$)</i>	<i>Carton'000</i>	<i>(S\$'000)</i>	<i>%</i>	<i>(S\$'000)</i>		<i>(S\$)</i>	<i>Carton'000</i>	<i>(S\$'000)</i>	<i>%</i>	
Tissue products												
— Jumbo roll tissues	5,215	42.3	23.0	227	1,008	19.3	5,222	42.8	22.6	231	1,085	20.8
— Hand towels	4,267	34.5	27.0	158	1,392	32.6	3,900	32.0	26.8	145	1,452	37.2
— Others ^(Note 1)	1,870	15.2	28.5	66	511	27.3	1,908	15.7	27.4	70	591	31.0
	11,352	92.0	25.2	451	2,911	25.6	11,030	90.5	24.7	446	3,128	28.4
Hygiene-related products	891	7.2	33.8	26	346	38.8	971	8.0	33.3	29	363	37.4
Others^(Note 2)	100	0.8	Note (2)	Note (2)	1.0	1.0	185	1.5	Note (2)	Note (2)	2.0	1.1
Total	<u>12,343</u>	<u>100.0</u>	N/A	N/A	<u>3,258</u>	<u>26.4</u>	<u>12,186</u>	<u>100.0</u>	N/A	N/A	<u>3,493</u>	<u>28.7</u>

Notes:

- (1) Others under tissue products comprise napkins, conventional roll tissues and facial tissues.
- (2) Others mainly comprise tissue dispensers. During the Track Record Period, the average selling prices and sales volume of tissue dispensers were S\$10.3 and S\$10.7, and approximately 8,100 pieces and 10,800 pieces, respectively.

During the Track Record Period, our revenue was relatively stable, except for the decrease in sales of hand towels mainly due to one of our major facility management customers reduced its orders from us. Our gross profit margin increased mainly attributable to the increase in gross profit margin for hand towels and other tissue products due to lower purchase price. Our gross profit margin for jumbo roll tissues remained stable. Our gross profit margin for hygiene-related products decreased slightly mainly due to lower prices offered to new customers in order to pursue new businesses. For details, see “Financial Information — Description of selected items in the combined statements of profit or loss”.

SUMMARY

OUR CONVERSION FACILITIES

Our Group had one conversion line, comprising a tissue rewinder and a log cutter, for the conversion of material reels of tissue paper into jumbo roll tissues, and to cover any sudden or unexpected increase in orders and/or urgent orders from customers for jumbo roll tissues. The following table sets forth a summary of our optimal production capacity and efficiency rates during the Track Record Period:

Product	Year ended 30 September					
	2016			2017		
	Optimal production capacity	Actual production volume	Approximate efficiency rate	Optimal production capacity	Actual production volume	Approximate efficiency rate
	<i>(Note 1)</i> <i>(cartons)</i>	<i>(cartons)</i>	<i>(Note 2)</i> <i>(%)</i>	<i>(Note 1)</i> <i>(cartons)</i>	<i>(cartons)</i>	<i>(Note 2)</i> <i>(%)</i>
Jumbo roll tissues	36,000	24,000	66.7%	36,000	21,500	59.7%

Notes:

1. The optimal production capacity refers to the number of cartons of jumbo roll tissues produced in one year operated at the optimum level, which is calculated based on the following assumptions for illustrative purpose only: (i) there were 220 working days per year (excluding public holidays, weekends, factory closure and factory and machine maintenance days); (ii) our conversion facilities are operated for 5.5 hours per working day; and (iii) there was no major machinery breakdown. The optimal production capacity was estimated taking into account the ages of our machineries, their remaining useful lives and their current conditions.
2. The efficiency rate is calculated based on the actual output for the relevant financial year divided by the optimal production capacity during the corresponding financial year on an annual basis.

OUR CUSTOMERS AND SUPPLIERS

Our customers mainly include companies in the industries of facilities management and cleaning, sourcing, hotel and leisure, food and beverage, industrial, school and education and hospital and health care located in Singapore. Companies in the facilities management and cleaning industry generally provide management services, including but not limited to cleaning services, building maintenance services and security services, to commercial buildings, residential buildings or other venues. Companies in the sourcing industry source suitable products for their customers based on their customers' specification of the products, and supply products accordingly. Our major customers encompass subsidiaries of listed companies. For details, see "Business — Customers". For the year ended 30 September 2016 and 2017, our five largest customers in aggregate accounted for approximately 37.8% and 34.7% of our total revenue, respectively, and sales to our largest customer accounted for

SUMMARY

approximately 12.9% and 14.2% of our total revenue, respectively, during the same periods. The following table sets forth a breakdown of our revenue by the industry of our customers for the years indicated:

	Year ended 30 September			
	2016		2017	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Facilities management and cleaning	5,400	43.7	4,822	39.6
Sourcing	2,059	16.7	2,251	18.5
Hotel and leisure	2,003	16.2	2,008	16.5
Food and beverage	924	7.5	1,031	8.4
Industrial	792	6.4	768	6.3
School and education	428	3.5	486	4.0
Hospital and health care	414	3.4	446	3.6
Others	323	2.6	374	3.1
	<u>12,343</u>	<u>100.0</u>	<u>12,186</u>	<u>100.0</u>

Our suppliers mainly include suppliers of tissue products and material reels of tissue paper. For the year ended 30 September 2016 and 2017, purchases from our five largest suppliers accounted for approximately 98.7% and 96.1% of our total purchases, respectively, and purchases from our largest supplier accounted for approximately 66.1% and 58.4% of our total purchases, respectively. To our Directors' best knowledge, information and belief, none of our suppliers are involved in logging, while certain of our ultimate suppliers are involved in logging. Based on the measures taken by our Group to ensure suppliers (including ultimate suppliers) comply with applicable laws and regulations, none of the ultimate suppliers fails to fulfil the applicable laws and regulations with regards to their logging activities.

OUR RELATIONSHIP WITH DOUBLE CLASS

Double Class, together with its group companies, was our largest supplier during the Track Record Period and as at the Latest Practicable Date, and an Independent Third Party. We had been and are in an alliance with Double Class to strengthen our relationship. As part of our alliance with Double Class, (i) Sunlight Paper and Double Class formed an alliance to project a regional image; (ii) Double Class established new and bigger conversion facilities in Shenzhen, China to target customers of larger scale; (iii) we waived all fees payable by Double Class for the use of the Sunlight trademark in Hong Kong, we agreed that Double Class shall not be required to pay license fee for sales under the Sunlight brand in China under the Agreement on Trademark Licence, and we authorised Double Class and its group companies to use the Sunlight trademark in Macau and charged licence fee from such sales; and (iv) we nominated a representative to monitor the quality control and production capacity of the Sunlight products, in order to maximise our control over the quality of Sunlight products produced by Double Class and its group companies. We have no intention to enter into the Hong Kong, Macau or China tissue product markets in the short to medium term on our own. We purchased finished products from Double Class and Double Class did not and does not assist our Group in the conversion of our tissue products, and we do not intend to require Double Class to assist our Group in the conversion of our tissue products in the future. For details, see "Business — Suppliers — Our relationship with Double Class".

SUMMARY

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success to date and will continue to promote our expansion:

- we are a leading tissue products supplier for corporate customers in Singapore with a long history of operation and brand recognition;
- we focus on providing a reliable and stable supply of products to our customers with consistent quality;
- we have a diversified portfolio of tissue products and other related products to meet customers' needs;
- we have well-established and long term relationships with our major customers, and a broad customer base; and
- we have an experienced and committed management team.

OUR BUSINESS STRATEGIES

We plan to further grow our business and expand our presence in the tissue products industry for corporate customers in ASEAN countries. Our strategies for achieving our goals are as follows:

- upgrade our conversion line for the production of jumbo roll tissues;
- acquire a new conversion line for the production of hand towels;
- invest in an additional factory building in Singapore to be used as our warehouse;
- strengthen our workforce and our sales and marketing effort; and
- expand our product portfolio.

SHAREHOLDER INFORMATION

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), 72.00% of our Company's issued share capital will be owned by YJH Group, which was owned as to approximately 37.93% by Mr. LS Chua, 17.24% by Ms. Chua, 17.24% by Mr. LC Chua and 27.59% by Mr. Pang as at the Latest Practicable Date. For the purpose of the GEM Listing Rules, Mr. LS Chua, Ms. Chua, Mr. LC Chua, Mr. Pang and YJH Group are a group of controlling shareholders. Mr. Pang is one of the founders of our Group and Mr. LS Chua, Ms. Chua and Mr. LC Chua are our executive Directors, and they have been and will be acting in concert in accordance with the deed of concert parties arrangement dated 11 October 2017. For details, see "History, Reorganisation and Corporate Structure — Concert parties arrangement". None of our Controlling Shareholders had any interest in any business apart from the business of our Group, which competes or may compete, either directly or indirectly, with our business which would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules as at the Latest Practicable Date.

SUMMARY

For details of the shareholding structure of our Company, see “History, Reorganisation and Corporate Structure — Shareholding and corporate structure”.

PRE-IPO INVESTMENT

On 11 October 2017, YJH Group entered into a sale and purchase agreement with Ultimate Joy in relation to its pre-IPO investment in our Group, pursuant to which YJH Group agreed to transfer and Ultimate Joy agreed to acquire 23,200 Shares at a consideration of S\$500,000. Ultimate Joy was incorporated in the BVI with limited liability on 12 June 2017, which is wholly owned by Mr. Tan Song Kwang and is an investment holding company. Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), Ultimate Joy will be interested in 3.00% of the enlarged issued share capital of our Company. For details of pre-IPO investment, see “History, Reorganisation and Corporate Structure — Pre-IPO Investment”.

SELECTED KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth, for the periods indicated, selected operational and financial data from our combined financial information. For details on the financial information, see the Accountants’ Report in Appendix I to this prospectus.

Summary of combined statements of profit or loss

	Year ended 30 September			
	2016		2017	
	<i>S\$’000</i>	<i>HK\$’000</i> <i>(Note 2)</i>	<i>S\$’000</i>	<i>HK\$’000</i> <i>(Note 2)</i>
Revenue	12,343	73,441	12,186	72,507
Gross profit	3,258	19,385	3,493	20,783
Profit before taxation	1,513	9,002	1,008	5,998
Profit for the year	1,267	7,539	740	4,403
Profit for the year excluding Listing expenses ^(Note 1)	<u>1,267</u>	<u>7,539</u>	<u>1,464</u>	<u>8,711</u>

Notes:

- (1) “Profit for the year excluding Listing expenses” is a non-IFRSs measure which is not defined in IFRSs or presented in the Accountants’ Report in Appendix I in this prospectus.
- (2) For illustration purpose only, the above amounts denominated in S\$ have been translated to HK\$ at the exchange rate of S\$1.00 to HK\$5.95.

Our revenue was relatively stable, except for the decrease in sales of hand towels mainly due to one of our major facility management customers reduced its orders from us. Our gross profit increased mainly due to decreased purchase prices. Our profit for the year decreased mainly due to Listing expenses of S\$0.7 million incurred, which was partly offset by the increase in our gross profit.

SUMMARY

Summary of combined statements of financial position

	As at 30 September			
	2016		2017	
	S\$'000	HK\$'000 <i>(Note)</i>	S\$'000	HK\$'000 <i>(Note)</i>
Non-current assets	8,034	47,802	7,420	44,149
Current assets	7,553	44,940	5,963	35,480
Current liabilities	4,841	28,804	4,294	25,549
Net current assets	2,712	16,136	1,669	9,931
Non-current liabilities	1,223	7,276	1,048	6,236
Total equity	<u>9,523</u>	<u>56,662</u>	<u>8,041</u>	<u>47,844</u>

Note: For illustration purpose only, the above amounts denominated in S\$ have been translated to HK\$ at the exchange rate of S\$1.00 to HK\$5.95.

Summary of combined statements of cash flows

	Year ended 30 September			
	2016		2017	
	S\$'000	HK\$'000 <i>(Note 1)</i>	S\$'000	HK\$'000 <i>(Note 1)</i>
Cash flows from operating activities before changes in working capital ^{<i>(Note 2)</i>}	1,904	11,329	1,364	8,116
Net cash from operating activities	1,101	6,551	714	4,248
Net cash (used in)/from investing activities	(955)	(5,682)	3,022	17,981
Net cash from/(used in) financing activities	<u>329</u>	<u>1,957</u>	<u>(2,553)</u>	<u>(15,190)</u>
Net increase in cash and cash equivalents	475	2,826	1,183	7,039
Cash and cash equivalents at beginning of year	1,437	8,550	1,912	11,376
Cash and cash equivalents at end of year	<u>1,912</u>	<u>11,376</u>	<u>3,095</u>	<u>18,415</u>

Notes:

- For illustration purpose only, the above amounts denominated in S\$ have been translated to HK\$ at the exchange rate of S\$1.00 to HK\$5.95.
- Our Group's cash flows from operating activities before changes in working capital excluding the Listing expenses amounted to S\$1.9 million and S\$2.1 million (equivalent to approximately HK\$11.3 million and HK\$12.5 million) for the year ended 30 September 2016 and 2017, respectively.

Key financial ratios

	Year ended 30 September	
	2016	2017
Gross profit margin ^{<i>(Note 1)</i>}	26.4%	28.7%
Net profit margin ^{<i>(Note 2)</i>}	10.3%	6.1%
Return on equity ^{<i>(Note 3)</i>}	14.1%	8.4%
Return on total assets ^{<i>(Note 4)</i>}	8.5%	5.1%
Interest coverage ^{<i>(Note 5)</i>}	<u>217.1 times</u>	<u>101.8 times</u>

SUMMARY

Our gross profit margin increased mainly due to decreased purchase prices. Our net profit margin, return on equity and return on total assets decreased mainly due to Listing expenses incurred, which was partly offset by the increase in our gross profit margin. Our interest coverage decreased primarily due to the decrease in our profit before interest and tax.

	As at 30 September	
	2016	2017
Current ratio ^(Note 6)	1.6 times	1.4 times
Quick ratio ^(Note 7)	1.4 times	1.2 times
Gearing ratio ^(Note 8)	<u>3.1%</u>	<u>1.7%</u>

Our current ratio and quick ratio decreased primarily due to our declaration of dividends during the year ended 30 September 2017, and the decrease in cash and cash equivalents as a result of our payment of amounts due to directors. During the Track Record Period, our gearing ratio remained low because we had no bank borrowings and our indebtedness represented finance lease liabilities. We had net cash positions as at 30 September 2016 and 2017.

For details, see “Financial Information”.

Notes:

- (1) Gross profit margin for each of the year ended 30 September 2016 and 2017 was calculated based on gross profit divided by revenue for the respective year.
- (2) Net profit margin for each of the year ended 30 September 2016 and 2017 was calculated based on net profit divided by revenue for the respective year.
- (3) Return on equity for each of the year ended 30 September 2016 and 2017 was calculated based on net profit of the respective year divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.
- (4) Return on total assets for each of the year ended 30 September 2016 and 2017 was calculated based on net profit of the respective year divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.
- (5) Interest coverage for each of the year ended 30 September 2016 and 2017 was calculated based on profit before interest and tax divided by finance costs of the respective year.
- (6) Current ratios as at 30 September 2016 and 2017 were calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.
- (7) Quick ratios as at 30 September 2016 and 2017 were calculated based on the total current assets less inventories and divided by the total current liabilities as at the end of the respective year.
- (8) Gearing ratios as at 30 September 2016 and 2017 were calculated based on total debts (being total finance lease liabilities) divided by total equity as at the end of the respective year and multiplied by 100%.

SUMMARY

RISK FACTORS

There are certain risks relating to our operations, some of which are beyond our control. A summary of these risk factors is set forth below. This summary should be read together with “Risk Factors” in its entirety. Some of the major risks include: (i) we have a concentrated supplier base and any interruption to the business dealings between our Group and our major suppliers would materially and adversely affect our business and results of operations; (ii) our Group may be unable to retain or replace our major customers; (iii) the sales of some of our products may be adversely affected by the increasing popularity or emergence of substitutes; (iv) a significant portion of our revenue during the Track Record Period was derived from sales to companies in the facilities management and cleaning industry in Singapore and any material change in this industry may adversely affect our performance; and (v) we may be unable to pass the increase in costs to our customers as we enter into agreements with fixed unit prices with some of our customers.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Our sales experienced stable growth since 30 September 2017 and up to the Latest Practicable Date. Our business operation remained stable after the Track Record Period and up to the Latest Practicable Date and there had been no change to our general business model and no new contract of material nature has been entered into by our Group. We experienced an increase in purchase price of tissue products and expect to transfer such increase to our customers gradually, which our Directors do not expect to have any material adverse impact on our operation and financial performance. To our Directors’ best knowledge, information and belief, up to the date of this prospectus, save for the effect of the Listing expenses as disclosed below, there are no material changes to the market condition which would materially affect the operation or performance of our principal business.

Assuming an Offer Price of HK\$0.275 per Share, being the mid-point of the indicative Offer Price range of HK\$0.25 to HK\$0.30 per Share, the total estimated Listing expenses in connection with the Share Offer (including underwriting commission) was HK\$25.0 million (equivalent to approximately S\$4.2 million). For the year ended 30 September 2016 and 2017, Listing expenses of nil and S\$0.7 million, respectively, were charged to our profit or loss. For the year ending 30 September 2018, we estimate that the Listing expenses of S\$1.9 million will be charged to profit or loss and S\$1.6 million will be accounted for as a deduction from equity upon successful Listing under relevant accounting standards. In addition, we expect the professional fees after Listing to increase by approximately HK\$2.8 million per annum due to our status as a listed company, such as audit and legal fees for providing annual legal services. As a result, our financial performance for the year ending 30 September 2018 is expected to be adversely affected by the expenses as mentioned in the foregoing. In particular, it is expected that our net results for the year ending 30 September 2018 would be significantly lower than that of the year ended 30 September 2017.

Our Directors confirmed that, up to the date of this prospectus, save for the impact of Listing expenses, there has been no material adverse change in our financial or trading position or prospect of our Company or its subsidiaries since 30 September 2017, being the end of the reporting period in the Accountants’ Report set out in Appendix I to this prospectus, and there has been no event since 30 September 2017 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer), assuming an Offer Price of HK\$0.275 per Share, being the mid-point of the indicative Offer Price range of HK\$0.25 to HK\$0.30 per Share, will be approximately HK\$30.0 million. To implement the abovementioned business strategies, we intend to apply such net proceeds from the Share Offer as follows:

	For the six months ending					Approximate % of the total net proceeds
	From the Latest Practicable date to 31 March 2018 (HK\$ million)	30 September 2018 (HK\$ million)	31 March 2019 (HK\$ million)	30 September 2019 (HK\$ million)	Total (HK\$ million)	
	Upgrade our conversion line for the production of jumbo roll tissues	Nil	1.8	4.4	Nil	
Acquire a new conversion line for the production of hand towels	Nil	1.3	Nil	Nil	1.3	4.3%
Invest in an additional factory building in Singapore to be used as our warehouse and purchase delivery trucks and lifting equipment	Nil	Nil	19.5	Nil	19.5	65.0%
Working capital and other general corporate purposes	Nil	1.0	1.0	1.0	3.0	10.0%
Total:	<u>Nil</u>	<u>4.1</u>	<u>24.9</u>	<u>1.0</u>	<u>30.0</u>	<u>100.0%</u>

We intend to use approximately 65.0% of our total estimated net proceeds from the Share Offer, being approximately HK\$19.5 million, to finance the investment in, and acquisition of, an additional factory building in Singapore to be used as our warehouse, and purchase of delivery trucks and lifting equipment. In anticipation of the increase in our production of jumbo roll tissues and hand towels following the upgrade of our conversion line for the production of jumbo roll tissues and acquisition of a new conversion line for the production of hand towels, the growing demand for our products and the expansion in our product portfolio, we expect our inventory level to increase. We therefore intend to acquire an additional factory building to increase our overall space to cope with the increase in scale of production and improve our logistics and delivery efficiency.

For details, see “Future Plans and Use of Proceeds” and “Business — Our business strategies”.

PROPERTY VALUATION

AVISTA has valued the leasehold factory building held and occupied by our Group in Singapore as at 31 January 2018. Our Group has the legal rights to transfer the relevant property subject to the prior written consent of JTC, the lessor of the land on which the property is situated. To our Directors’ best knowledge, information and belief, there would be no material impediment in obtaining the prior written consent from JTC for such transfer. Accordingly, AVISTA has not attributed commercial value to the property since the property can only be transferred in the market after obtaining the consent from JTC. However, AVISTA is of the opinion that the value of the property as at 31 January 2018 would be S\$6,580,000, assuming the property could be freely transferred. The texts of its letter and valuation certificate are set out in Appendix III to this prospectus.

SUMMARY

DIVIDENDS

During the year ended 30 September 2017, Sunlight Paper declared dividends of approximately S\$2.0 million to its then shareholders and was fully settled as at the Latest Practicable Date.

We do not have a fixed dividend policy. The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus funds, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to constitutional documents, any applicable laws and regulations, including the Cayman Companies Law, and the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

LITIGATION AND LEGAL COMPLIANCE

Our Directors confirm that we had complied with applicable laws and regulations in material respects in Singapore (being the principal jurisdiction in which we operate) during the Track Record Period and up to the Latest Practicable Date.

OFFER STATISTICS^(Note 1)

	Based on the maximum Offer Price of HK\$0.30 per Share	Based on the minimum Offer Price of HK\$0.25 per Share
Market capitalisation of our Shares ^(Note 2)	HK\$240 million	HK\$200 million
Unaudited pro forma adjusted net tangible assets per Share ^(Note 3)	HK\$0.11	HK\$0.10

Notes:

1. All statistics in this table are based on the assumption that no options are granted under the Share Option Scheme.
2. The calculation of the market capitalisation of the Shares is based on the respective Offer Price of HK\$0.30 and HK\$0.25 per Share and on the assumption that 800,000,000 Shares will be in issue immediately after completion of Capitalisation Issue and the Share Offer.
3. The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in Appendix II headed "Unaudited Pro Forma Financial Information" to this prospectus and on the basis of a total of 800,000,000 Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer.

DEFINITIONS

In this prospectus, the following expressions shall have the meanings sets out below unless the context requires otherwise.

“Accountants’ Report”	the accountants’ report set out in Appendix I to this prospectus
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), individually or collectively, as the context may require
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 21 March 2018 with effect from the Listing Date, a summary of which is set out in Appendix IV to this prospectus, and as amended or supplemented from time to time
“ASEAN”	the Association of Southeast Asia Nations, established on 8 August 1967, the member states of which comprise Brunei Darussalam, the Kingdom of Cambodia, the Republic of Indonesia, Lao People’s Democratic Republic, Malaysia, the Republic of the Union of Myanmar, the Republic of the Philippines, Singapore, the Kingdom of Thailand and the Socialist Republic of Vietnam
“AVISTA”	AVISTA Valuation Advisory Limited, an independent property valuer commissioned by us to prepare the property valuation report set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of our Board
“Board of Directors” or “Board”	the board of Directors of our Company
“Business Day(s)” or “business day(s)”	any day(s) (excluding Saturday(s), Sunday(s) or public holiday(s) in Hong Kong) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, the year-on-year growth rate over a specified period of time

DEFINITIONS

“Capitalisation Issue”	the allotment and issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company, as referred to in “A. Further information about our Company — 4. Resolutions in writing of our Shareholders passed on 21 March 2018” in Appendix V 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
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CG Code”	principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules
“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“CIC”	China Insights Industry Consultancy Limited, an independent research consultant commissioned by us to prepare the CIC Report
“CIC Report”	the industry report commissioned by us and prepared by CIC for the purpose of this prospectus
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, consolidated or supplemented from time to time

DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or modified from time to time
“Companies (WUMP) Ordinance” or “Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or modified from time to time
“Company”, “our Company”, “we” or “us”	Sunlight (1977) Holdings Limited (日光 (1977) 控股有限公司), an exempted company incorporated in the Cayman Islands on 21 September 2017 with limited liability
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and unless the context requires otherwise, refers to Mr. LS Chua, Ms. Chua, Mr. LC Chua, Mr. Pang and YJH Group. Mr. LS Chua, Ms. Chua, Mr. LC Chua, Mr. Pang and YJH Group are a group of controlling shareholders
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 21 March 2018 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries) to provide certain indemnities, further details of which are set out in “F. Other information — 1. Tax and other indemnity” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 21 March 2018 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), further details of which are set out in “Relationship with our Controlling Shareholders — Deed of Non-competition”
“Director(s)”	the director(s) of our Company
“Double Class”	Double Class Company Limited 德保加有限公司 (formerly known as Double Class Company Limited 連維有限公司), a private limited company incorporated in Hong Kong on 22 July 1986, which is an Independent Third Party and a supplier of our Group
“ERP”	enterprise resource planning
“GDP”	gross domestic products
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“GFA”	gross floor area
“GREEN Application Form(s)”	the application form(s) to be completed by White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires, with respect to the period before which our Company became the holding company of our current subsidiaries, our Company’s current subsidiaries or the businesses operated by such subsidiaries or their predecessors (as the case may be)
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong dollars” or “HK\$”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“IFRSs”	International Financial Reporting Standards
“Independent Third Party(ies)”	party(ies) which are not connected person(s) of our Company
“Joint Bookrunners” or “Joint Lead Managers”	Pacific Foundation Securities Limited, Ruibang Securities Limited and Aristo Securities Limited
“JTC”	JTC Corporation (formerly known as Jurong Town Corporation)
“Latest Practicable Date”	19 March 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which the Shares are listed and from which dealings therein are permitted to take place on GEM commence, which is expected to be on or about Monday, 16 April 2018
“Macau”	the Macau Special Administrative Region of the PRC

DEFINITIONS

“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company conditionally adopted on 21 March 2018 with effect from the Listing Date, a summary of which is set out in Appendix IV to this prospectus, and as amended or supplemented from time to time
“Mr. LC Chua”	Mr. Chua Liang Chui (蔡良书先生), an executive Director, one of our Controlling Shareholders, the younger brother of Ms. Chua and Mr. LS Chua and uncle of Mr. WH Chua
“Mr. LS Chua”	Mr. Chua Liang Sie (蔡良聲先生), an executive Director, chairman of our Board and chief executive officer of our Company and one of our Controlling Shareholders, the younger brother of Ms. Chua and elder brother of Mr. LC Chua, and the father of Mr. WH Chua
“Mr. Pang”	Mr. Pang Fook Kiau (alias Ang Fook Tiam) (彭福添先生), one of the founders of our Group and one of our Controlling Shareholders
“Mr. WH Chua”	Mr. Chua Wenhao (alias Cai Wenhao) (蔡文浩先生), an executive Director, the son of Mr. LS Chua and the nephew of Ms. Chua and Mr. LC Chua
“Ms. Chua”	Ms. Chua Joo Gek (蔡瑜玉女士), an executive Director, one of our Controlling Shareholders, the elder sister of Mr. LS Chua and Mr. LC Chua and the aunt of Mr. WH Chua
“Nomination Committee”	the nomination committee of our Board
“Offer Price”	the price for each Offer Share of not more than HK\$0.30 per Share and expected to be not less than HK\$0.25 per Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy) and to be fixed on the Price Determination Date
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Placing”	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company for cash at the Offer Price as described in “Structure and Conditions of the Share Offer”
“Placing Shares”	the 180,000,000 new Shares being offered at the Offer Price for subscription pursuant to the Placing subject to the terms and conditions as described in “Structure and Conditions of the Share Offer”
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement

DEFINITIONS

“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing and expected to be entered into by our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters, as further described in “Underwriting — Placing”
“Price Determination Date”	the date on which the final Offer Price is to be determined by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), which is expected to be on or about 3 April 2018, or such later date as may be agreed by our Company and Joint Bookrunners (for themselves and on behalf of the Underwriters), and in any event not later than 10 April 2018
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription to the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) as described in “Structure and Conditions of the Share Offer” and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Public Offer Shares”	the 20,000,000 new Shares offered by our Company for subscription at the Offer Price pursuant to the Public Offer, as further described in “Structure and Conditions of the Share Offer”
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer named in “Underwriting — Underwriters — Public Offer Underwriters”
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 26 March 2018 relating to the Public Offer entered into by our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, as further described in “Underwriting — Public Offer underwriting arrangements and expenses” in this prospectus
“Regulation S”	Regulation S under the US Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in “History, Reorganisation and Corporate Structure — Reorganisation”

DEFINITIONS

“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to the Directors by our Shareholders, further details are set out in “A. Further information about the Company — 6. Repurchase of the Shares” in Appendix V to this prospectus
“Renminbi” or “RMB”	the lawful currency of the PRC
“SFC” or the “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “the Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“S\$” or “SGD”	Singapore dollar(s), the lawful currency of Singapore
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Shares
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 21 March 2018, a summary of principal terms of which is set out in “E. Share Option Scheme” in Appendix V to this prospectus
“Singapore”	the Republic of Singapore
“Singapore Legal Advisers”	Virtus Law LLP, legal advisers to our Company as to Singapore law
“Sole Sponsor”	Giraffe Capital Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity
“SPP Investments”	SPP Investments Limited, a company incorporated in BVI with limited liability on 6 October 2017 and a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules

DEFINITIONS

“Sunlight Paper”	Sunlight Paper Products Pte. Ltd., a company incorporated in Singapore with limited liability on 8 July 1977 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers and Share Buy-backs, as amended modified and supplemented from time to time
“Track Record Period”	the year ended 30 September 2016 and 2017
“Ultimate Joy”	Ultimate Joy Worldwide Limited, a company incorporated in BVI with limited liability on 12 June 2017 and is wholly owned by Mr. Tan Song Kwang, as our pre-IPO investor
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“USD” or “US\$”	United States dollars, the lawful currency of the United States
“US Securities Act”	the United States Securities Act of 1933, as amended
“ WHITE Application Form(s)”	the application form(s) for use by the public who require such Public Offer Shares to be issued in the applicant’s own name(s)
“ White Form eIPO ”	the application of the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.eipo.com.hk
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require such Public Offer Shares to be deposited directly in CCASS
“YJH Group”	YJH Group Limited, a company incorporated in BVI with limited liability on 31 August 2017, one of our Controlling Shareholders, and is owned as to approximately 37.93% by Mr. LS Chua, 17.24% by Ms. Chua, 17.24% by Mr. LC Chua and 27.59% by Mr. Pang
“%”	per cent

DEFINITIONS

Unless expressly stated or the context requires otherwise:

- *amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items;*
- *all data contained in this prospectus are as at the Latest Practicable Date; and*
- *solely for your convenience, this prospectus contain translations of certain amounts in Singapore dollars into Hong Kong dollars at specified rates. You should not construe these translations as representations that the amounts in Singapore dollars could actually be, or have been, converted into Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translations of amounts in Singapore dollars into Hong Kong dollars have been made at the rate of S\$1.00 to HK\$5.95, respectively.*

* *For identification purposes only*

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

“airlaid napkin”	napkin made from fluff pulp with good water absorption properties
“conventional roll tissue”	toilet tissue that is commonly used at home
“jumbo roll tissue”	toilet tissue that is commonly used in public toilet cubicles of commercial buildings
“pulp”	paper pulp used to produce tissue paper, which includes recycle pulp, soft wood pulp, hard wood pulp, virgin pulp, fluff pulp and mixed pulp

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds”. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed in “Risk Factors”, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- our ability to identify and successfully take advantage of new business development opportunities; and
- the regulatory environment and industry outlook for the industry and markets in which our Group operate.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of Singapore relating to any aspect of our business or operations;
- general economic, market and business conditions in Singapore;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events 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 we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in “Risk Factors”.

RISK FACTORS

You should carefully consider all information set out in this prospectus, including the risks and uncertainties described below before making an investment in our Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands.

Our business, financial condition and results of operations could be materially and adversely affected by the occurrence of any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS

We have a concentrated supplier base. Any interruption to the business dealings between our Group and our major suppliers would materially and adversely affect our business and results of operations.

For the year ended 30 September 2016 and 2017, our five largest suppliers, in aggregate, accounted for approximately 98.7% and 96.1% of our Group's total purchases, respectively. In particular, for the same period, (i) our largest supplier accounted for approximately 66.1% and 58.4% of our Group's total purchases, respectively; and (ii) our two largest suppliers, in aggregate, accounted for approximately 92.8% and 89.9% of our Group's total purchases, respectively.

We do not enter into long-term contract with supply obligations with our suppliers. There is no guarantee that we will not suffer from any shortage of supplies in the future. Should our largest supplier and/or any other major suppliers reduce the volume supplied to us or cease to supply to us, we will need to find alternative suppliers on similar sales terms and conditions. If we fail to do so in a timely manner, our operation and conversion process will be interrupted. Our business, financial conditions, results of operations and growth prospects may therefore be materially and adversely affected.

Furthermore, we are affected by the stability of operations and business strategy of our largest suppliers. Any material disruption to their operations due to nature or other causes, such as bad weather, riots, natural disaster, fire or other technical or mechanical problems could adversely affect our procurement process. If that occurs, our business and results of operations could be adversely affected. If any one of our largest suppliers or all of them change its business strategies substantially, it/they could reduce its/their volume of supply to us or cease its/their business relationships with us, which could in turn materially affect our volume of sales and results of operations.

Our Group may be unable to retain or replace our major customers.

For the year ended 30 September 2016 and 2017, our five largest customers in aggregate accounted for approximately 37.8% and 34.7% of our total revenue, respectively, and sales to our largest customer accounted for approximately 12.9% and 14.2% of our total revenue, respectively. We cannot assure that our revenue generated from our major customers will reach or exceed historical levels in the future. Loss of business could harm our profitability and financial performance.

RISK FACTORS

In addition, our sales to major customers are based on purchase orders received and we do not enter into long-term agreements with purchase obligations with our customers. Our customers may cancel or defer their purchase orders placed with us. Our customers' purchase orders may also vary. There is no assurance that they will continue to place purchase orders with us in the future in the same quantities, or at the same price, as compared to prior periods, or at all. In the event that this happens, there is no assurance that we will be able to locate alternative customers to place purchase orders with us, in the same quantities, or at the same price, or at all. As such, our results of operations may vary and fluctuate in the future.

The sales of some of our products may be adversely affected by the increasing popularity or emergence of substitutes.

The sales of some of our products, such as hand towels and napkins, may be adversely affected by the increasing popularity or emergence of substitutes. For instance, the use of hand towels may be substituted by hand dryers. If building owners or facilities management companies decide to install hand dryers in their properties or the properties they manage (as the case may be) instead of providing hand towels, our sales of hand towels will be adversely affected. Our sales of napkins may also be affected if cloth napkins become increasingly popular, and our customers in the hotel and leisure industry with different food and beverage outlets, and customers in the food and beverage industry decide to substitute airlaid napkins and/or tissue napkins with cloth napkins. The sales of our products may also be affected if other substitutes emerge in the market. In these events, our sales may be adversely affected, causing a decrease in our revenue and results of operations.

As a significant portion of our revenue during the Track Record Period was derived from sales to companies in the facilities management and cleaning industry in Singapore, any material change in this industry may adversely affect our performance.

During the Track Record Period, a significant portion of our revenue, accounting for 43.7% and 39.6% for the year ended 30 September 2016 and 2017, respectively, was derived from sales to companies in the facilities management and cleaning industry in Singapore. For details, see "Business — Customers". Any significant changes to the way the facilities management and cleaning industry operates, such as changes in their procurement by setting up their own conversion facilities, may adversely affect our performance. Our business and results of operations may be affected as a result.

We enter into agreements with fixed unit prices with some of our customers.

During the Track Record Period, we entered into agreements stipulating fixed unit prices of our products with three of our five largest customers, namely (i) CBM Pte Ltd for the duration of one year; (ii) UEMS Solutions Pte Ltd for the duration of two years; and (iii) Customer B for the duration of around five years. The revenue derived from sales to customers with which unit prices are fixed accounted for 29.3% and 30.2% of our total revenue for the year ended 30 September 2016 and 2017, respectively. For details, see "Business — Customers". In the event of any increase in procurement cost for products stipulated in these agreements, we may not be able to pass the increase in costs to such customers. Our profitability and results of operations may be materially and adversely affected as a result.

RISK FACTORS

Our business depends heavily on our reputation and customers' perception of the quality of our products, and any harm to our reputation, failure to maintain and/or enhance our reputation, or failure to deal with customers' feedback may materially and adversely affect our business, financial condition and results of operations.

We believe that our reputation and customers' perception of the quality of our products are critical to our business. Maintaining and enhancing our reputation depends on the quality and consistency of our services and products. If customers do not perceive (i) our supply of products to be reliable and stable, or (ii) our products to be of consistent quality, our brand image may be harmed. If we are unable to maintain and further enhance our reputation, our ability to attract and retain customers may be impeded. In the event that we fail to deal with customers' feedback satisfactorily, we may lose such customers. Our business prospects may be materially and adversely affected.

We are exposed to risks associated with the licensing of the Sunlight trademark.

During the Track Record Period, we licensed the use of the Sunlight trademark to Double Class in Hong Kong and Macau. For details, see "Business — Suppliers — Our relationship with Double Class". There is no assurance that Double Class will continue to produce and sell Sunlight products of a consistent quality. If Double Class does any act which tarnishes the Sunlight brand name, our reputation and results of operations may be adversely affected.

We may be adversely affected by disruptions to our supply due to the failure by our suppliers and/or ultimate suppliers to comply with applicable laws and regulations relating to logging.

The success of our business depends on our ability to obtain quality tissue products and material reels of tissue paper at acceptable prices and terms and in a timely manner. We may therefore be adversely affected by disruptions to our supply due to the failure by our suppliers and/or ultimate suppliers to comply with applicable laws and regulations in relation to logging. In the event that our existing major suppliers, and/or our ultimate suppliers cease to be compliant with applicable laws and regulations in relation to logging, and we fail to secure new suppliers which are compliant with applicable laws and regulations in a timely manner, our delivery schedules will be interrupted, and our operations, business and results of operations will be adversely affected.

We may not be able to adequately protect our intellectual property rights.

Our tissue products are marketed under the "Sunlight" brand. Although we have registered this trademark in Singapore, Hong Kong and Malaysia, unauthorised use of our trademark may damage our brand and reputation. For details of our intellectual property rights, see "B. Further information about the business of our Group — 2. Intellectual property rights — (i) Trademark" in Appendix V to this prospectus. We are not aware of any infringement of our intellectual property rights in the past but there is no assurance that there will not be any infringement in the future. In the event that any infringement occurs, we may have to protect our intellectual property rights or other rights through litigations which may be costly and could have adverse impact on our business and results of operations.

RISK FACTORS

Any price increase in pulp may increase our procurement cost and reduce our profit margins.

Although our principal raw materials for our conversion process are material reels of tissue paper and paper cores, increases in prices of pulp (being the main raw material for the production of tissue paper) may increase our procurement cost since our suppliers may pass a portion, or the whole, of the increase in their procurement costs to us. The availability and price of pulp may be affected by a number of factors, such as environmental and conservation regulations, and import and export regulations. There is no assurance that we can pass increased costs resulting from increases in pulp prices to our customers without affecting demand. Accordingly, we may be unable to adjust the prices of our products to fully recover increases in procurement cost due to increases in pulp prices, which could adversely affect our financial condition and results of operations. Any sustained increases in pulp prices could reduce our profit margins.

We are subject to credit risk in respect of trade and other receivables.

The credit period we granted to our customers was generally 30 days after the end of the month, up to 60 days. Our trade and other receivables as at 30 September 2016 and 30 September 2017 were S\$1.9 million and S\$1.9 million, which accounted for 12.3% and 14.1% of our total assets, respectively, and our allowance for impairment loss on trade receivables was S\$4,000 and nil for the year ended 30 September 2016 and 2017, respectively. In the event that a significant number of our customers fail to settle the trade receivables in full for any reason, our financial conditions and profitability could be adversely affected.

We face the risk of obsolescence for our inventory.

Our operation involves storage of tissue products. For the year ended 30 September 2016 and 2017, we had written-down nil and S\$6,000 of inventories, respectively. Our inventory faces obsolescence risks in the event of any goods damaged during storage or otherwise, or where there are sudden and material changes in our customers' product requirements and specifications, decreased demand and overstocking of particular products may be resulted. In such events, our results of operations would be adversely affected.

The success of our business depends on the dedicated efforts of key members of our management team and other key personnel, any loss of their services may impair our ability to manage our business and adversely affect our operation.

We believe that the success of our Group is dependent on the contribution and dedication of our executive Directors and other key personnel. In particular, we rely on the experience of our executive Directors, Mr. LS Chua, Ms. Chua and Mr. LC Chua, who each has over 30 years of experience in the tissue product industry for corporate customers in Singapore, and play pivotal roles in leading our business in the industry and managing the business operation of our Group. Members of our senior management team have an average of over 20 years of experience in their areas of expertise. They have also contributed to our continued success. For details of their experience, see "Directors and Senior Management".

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There is no assurance that the services of these personnel will continue to be available and that we will be able to find suitable and qualified replacement promptly or at all. If any of our key personnel ceases to serve us in the future, our business operations may be disrupted, adversely affecting the financial condition and results of operations of our Group.

We are exposed to risks associated with our staff.

The operations of our Group require sufficient staff. There is no guarantee that the labour cost in Singapore will not significantly increase in the future. If there is a significant increase in our Group's labour cost, our cost of business operations will increase and our profitability may be adversely affected.

Furthermore, some of our employees are from outside Singapore. If there is a reduction in the number of foreign workers that we are permitted to hire, we will need to divert management and financial resources to recruit other suitable staff. There is no assurance that we will be able to recruit comparable staff in a timely manner and with similar costs. If such restrictions are imposed, our financial condition and results of operations could be adversely affected.

We are exposed to disruptions to the delivery of our products and raw materials.

We believe our success is contributed by the timely and accurate delivery of our products and raw materials from our suppliers, and our products to our customers. We deliver our finished products to our customers through our in-house logistics team. There is no guarantee that our products and raw materials will be delivered smoothly and without delay. Disruptions to deliveries may be caused for reasons beyond our control, including but not limited to natural disasters, unfavourable weather conditions and labour strikes. If there is any prolonged disruption to the deliveries of products and raw materials from our suppliers, our production and deliveries to customers may be adversely affected. If our products are not delivered to our customers on time, or are damaged during the course of delivery, our reputation could be adversely affected.

The revaluation of property, plant and equipment is subject to uncertainties in accounting estimates which may affect our financial performance.

The revaluation of property, plant and equipment is subject to uncertainties in accounting estimates due to the application of significant unobservable inputs to adjust market comparables such as (i) the remaining lease tenure; (ii) timing of such transactions; and (iii) location of comparable properties. Any change in the accounting estimates will affect the valuation. Any increase in revaluation amount is credited to the revaluation reserve unless it offsets a previous decrease in value of the same asset that was recognised in profit or loss; a decrease in value is recognised in profit or loss when it exceeds the increase previously recognised in the revaluation reserve. If the revaluation of property, plant and equipment results in a decrease in value which affect our profit or loss, our financial performance may be adversely affected.

Our declaration or distribution of dividends will be subject to various factors and there can be no assurance that we will declare or distribute any dividends in the future.

During the year ended 30 September 2017, Sunlight Paper declared dividends of approximately S\$2.0 million to its then shareholders and was fully settled as at the Latest Practicable Date.

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No assurance can be given that dividends of similar amounts or at all will be paid in the future. We do not have a fixed dividend policy. The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus funds, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to constitutional documents, any applicable laws and regulations, including the Cayman Companies Law, and the approval of our Shareholders. As a result, there is no reference as the basis for forecasting the amount of dividends payable in the future. The past distribution record should not be used as a reference of the amount of dividends payable in the future and the historical dividend distributions are not indicative of our future dividend distributions.

Disruption to our conversion facilities and liability in connection with industrial accidents during our conversion process could adversely affect our business.

Our operations at our conversion facilities and warehouse are subject to operational risks. These risks include but are not limited to breakdown or failure of our machinery, disruption of power supply, natural disasters and industrial accidents, which could result in temporary, permanent, partial or complete shut-downs of our operations. As a result, our operations and financial results could be adversely affected.

In addition, as our conversion process involves the operation of equipment and machinery, industrial accidents resulting in injuries or even deaths may occur. There is no assurance that these industrial accidents, whether due to malfunctions of machinery or other reasons, will not occur in the future. In such event, we may be liable for personal injury or death and monetary losses suffered by our employees, fines or penalties or other legal liability arising from violation of applicable Singapore law and regulation. We may also be subject to disruptions to our business caused by equipment and/or equipment shutdown for investigation or implementation of safety measures.

We depend on the proper performance of our ERP system and any serious disruption of such system could adversely impact our business.

We rely on our ERP system which centralises our business data, allowing us to manage and facilitate our day-to-day operations, such as maintaining information of our customers for customer relationship management, monitoring our inventory level and issuing delivery orders and invoices to customers. Any disruption to or a breakdown of our ERP system may result in a slowdown in operational and management efficiency, causing disruption to our business operations and adversely affecting our ability to meet delivery schedules.

Our insurance coverage may not be adequate and potential losses borne by us could adversely affect our cash flow.

Our Group has purchased various insurance policies, including work injury and hospitalisation compensation for our employees, insurance for the transit of goods in Singapore, property all risks and fire insurance for equipment and operation site. See "Business — Insurance" for further details of our insurance coverage.

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There is no assurance that the coverage of the insurance policies taken would be adequate to fully compensate for the full extent of the losses suffered by us. Furthermore, any compensation is quantified and assessed in accordance with the terms and conditions of the relevant insurance policies. There is no guarantee that our losses will be compensated in full or in part in any given case. In the event that we incur losses which are not covered by our insurance coverage, we would have to bear the entire loss or the difference (as the case may be) ourselves and our cash flow and liquidity could be adversely affected.

We may be affected by unfavourable exchange rate fluctuations.

We are exposed to risks relating to exchange rate fluctuations, as our purchases are mainly from the PRC and Malaysia. We have not adopted any arrangement to hedge our foreign currency exposure. Any fluctuation in Renminbi and/or Malaysian ringgit may affect our cost of purchases. In addition, proceeds from the Share Offer will be received by us in HK\$, whereas our Group's primary reporting and functional currency is in S\$. In case of a material depreciation of HK\$, our financial position and liquidity position may be adversely affected. Unfavourable exchange rate fluctuations may have a material adverse effect on our business, financial condition and results of operations.

Our future capital expenditure may result in increase in depreciation expenses and future expansion plans are subject to uncertainties and risks.

We intend to invest in an additional factory building in Singapore to be used as our warehouse, upgrade our conversion line for the production of jumbo roll tissues and acquire a new conversion line for the production of hand towels with the net proceeds from the Share Offer. We also intend to expand our fleet of delivery trucks and purchase lifting equipment for our new warehouse. As a result, it is expected that our depreciation expenses will increase after the implementation of our strategies by approximately S\$360,000 per year.

Our growth depends on the implementation of our future plans in connection with our business as mentioned above. See "Future Plans and Use of Proceeds" for further information of our future plans.

The continued expansion of our business may place significant strain on our managerial, operational and financial resources. We may not be able to successfully manage the growth of our business despite adopting various measures and strategies to do so. Therefore, there is no assurance that the intended growth of our business can be achieved or that our business will continue to be profitable. Whether our future plans can be implemented successfully may be affected by various factors which are beyond our control, such as our ability to employ sufficient and competent staff for the expansion in our conversion capabilities and increase in costs and other capital expenditure relating to the investment in an additional factory building in Singapore to be used as our warehouse. There is no assurance that we will be successful in our expansion plans. If we fail to project accurately the time, labour and costs required for implementing our expansion plans, or if there is insufficient demand for our products after the expansion, our business and results of operations may be adversely affected.

Our business and future expansion plans can also be affected by major natural disasters, or widespread outbreaks of infectious diseases in Singapore and other parts of the world. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to the economy of Singapore. For instance, in 2003, certain Asian countries and regions, including Singapore, encountered an outbreak of Severe Acute Respiratory Syndrome, or SARS, a highly contagious form of

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atypical pneumonia. In 2009, Singapore encountered the H1N1 influenza pandemic. More recently, the Zika virus, which is transmitted by the female Aedes mosquito, similar to dengue, broke out in Singapore. Recurrence of SARS, the H1N1 influenza and/or the Zika virus in Singapore may cause disruption of economic activities, therefore reducing demand for our products, and in turn may materially and adversely affect our business, results of operations and financial condition. Any natural disasters, war, acts of terrorism or other instability in Singapore or other parts of the world could also result in disruption to our business or the businesses of our customers.

RISKS RELATING TO OUR INDUSTRY

Our Group faces intense competition from other suppliers supplying tissue products for corporate customers in Singapore.

Our Group faces intense competition in the tissue products market for corporate customers in Singapore. According to the CIC Report, a number of international and domestic players compete in the market as there is no regulatory barrier in this industry to constrain foreign companies, and international players have captured increasing market share in Singapore given their stronger pricing advantages, which usually reflect better economies of scale and more well-established brand reputation. A change in the number of competitors, our competitors' pricing policies, or other changes in the competitive environment in the tissue products market for corporate customers in Singapore could cause a reduction in demand for our products and in our market share, and could consequently lead to a decline in our revenue, which could have a material adverse effect on our business, financial condition, results of operations and prospects. There is no assurance that we will be able to compete successfully against our competitors in the future. If we are unable to keep up with or stay in the face of intense competition, our business operations and financial performance will be materially and adversely affected.

A majority of our supplies during the Track Record Period were procured from overseas and we are subject to changes in restrictions of import trade.

During the Track Record Period, a majority of our supplies were procured from the PRC and Malaysia. Any changes in restrictions of import and export trades in countries relating to our business such as regulatory restrictions, industry-specific quotas, tariffs, non-tariff barriers and taxes, could materially and adversely affect our business, financial condition and results of operations.

Furthermore, as some of our products and raw materials are sourced from overseas, the price, quality and supply of our products may be influenced by a number of factors which are beyond our control, including but not limited to prices of raw materials and the imposition of import or export tariff or sales tax. These factors may impact on the price, quality and supply of our product, which could materially and adversely affect our business and results of operations.

Our Group's business operations depends on the macroeconomic situation in Singapore.

The performance of our operations is related to the macroeconomic conditions in Singapore. In the event of a significant economic downturn, our customers, especially those in the facilities management and cleaning industry, may reduce their purchases from us due to a reduction in human traffic in the facilities managed or cleaned by them. Our customers in the hotel and leisure industry may also reduce

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their purchases from us if tourism in Singapore is also significantly affected. If the economy of Singapore deteriorates and our Group is unable to divert its business to other sources, our revenue, profitability and business prospects may be adversely affected.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares and an active trading market may not develop after the Share Offer.

Prior to the Listing, there has been no public market for the Shares. The initial Offer Price range to the public was determined as a result of negotiations between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company. The Offer Price may differ significantly from the market price of our Shares following the Share Offer. We have applied for the listing of and permission to deal in our Shares on GEM. However, even if approved, being listed on GEM does not guarantee that an active trading market for our Shares will develop following the Share Offer or that our Shares will always be listed and traded on GEM. We cannot assure you that an active trading market will develop or be maintained following the completion of the Share Offer, nor that the market price of our Shares will not decline below the Offer Price.

The potential volatility in price and trading volume of the Offer Shares may cause substantial losses.

The trading price of the Offer Shares is susceptible to significant fluctuations in response to a wide range of factors, which include without limitation:

- variations of our operating results;
- unfavourable changes in the estimates and forecast of our financial performance by securities analysts and agents;
- our competitors' announcement of material acquisitions, mergers, joint ventures or strategic alliances;
- material change in the composition of our key management personnel;
- loss of our major customers or suppliers;
- material defaults by our customers or suppliers;
- changes in pricing made by us or our competitors;
- our involvement in material litigation or disputes with our suppliers, customers, employees or third parties;
- unfavourable development in the tissue paper market and industry in general;
- negative changes in investors' perception of our Company and the investment environment in general;

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- the liquidity of the market for the Shares; and
- general economic and stock market conditions.

Investors for our Offer Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

One of the benefits to our Company upon Listing is the access to the capital market and our Group may raise additional funds to finance future expansion of our business, operations or acquisitions. Our Company will comply with Rule 17.29 of the GEM Listing Rules, which specifies that no further Shares or securities convertible into equity securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from the Listing Date. Upon expiry of such six-month period, our Group may raise additional funds by issuing new equity or equity-linked securities of our Company and such fund-raising exercises may not be conducted on a pro rata basis to our then existing Shareholders. As such, the shareholding of our then Shareholders may be reduced or diluted and subject to the terms of the issue of the new securities, the new securities may confer rights and privileges that have priority over those conferred by the issued Shares.

In addition, we may consider offering and issuing additional Shares in the future for expansion of our business or to the extent that our ordinary shares are issued upon the exercise of share options under the Share Option Scheme. In this regard, you may experience further dilution in the net tangible asset book value per Share if we issue additional Shares in the future at a price which is lower than the net tangible book value per Share.

The interests of our Controlling Shareholders may not always coincide with the interests of our Group and those of our other Shareholders.

Upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), our Controlling Shareholders will own, in aggregate, approximately 72.00% of our Shares. Our Controlling Shareholders will therefore have significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our Group's business to pursue strategic objectives that conflict with the interests of other Shareholders, the interests of our Group or of those other Shareholders may be adversely affected as a result.

You may experience difficulties in protecting your interests under Cayman Islands law.

Our Company is incorporated in the Cayman Islands and its affairs are governed by, among others, our Memorandum of Association and Articles of Association, 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 company law on protection of minority Shareholders is set out in Appendix IV to this prospectus.

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RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Forward-looking information included in this prospectus may not be accurate and are subject to risks and uncertainties.

The use of terminology in this prospectus such as “anticipate”, “expect”, “believe”, “consider”, “intend”, “going forward”, “plan”, “project”, “seek”, “may”, “ought to”, “should”, “would”, “will” and other similar expressions, are intended to signify forward-looking statements. Such forward-looking statements are made on the basis of certain assumptions and beliefs of our management according to the information currently available to us, and are only reflective of the current views of our management of our future developments which are subject to change. Therefore, they may not materialise as any or all of the assumptions on which they are based could prove to be inaccurate. Investors should read the forward-looking statements included in this prospectus in light of the risk factors set out in this section and with reasonable caution. In addition, unless required under the GEM Listing Rules or otherwise by the Stock Exchange, we do not intend to publicly update or otherwise revise any of the forward-looking statements in this prospectus should there be a change of facts or circumstances in the future. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement and are not intended to be representations or warranties by us.

Statistics and industry information contained in this prospectus may not be accurate and should not be unduly relied upon.

Certain facts, statistics and data presented in “Industry Overview” and elsewhere in this prospectus relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. In addition, certain information and statistics set out in that section have been extracted from a market research report commissioned by us and prepared by CIC. We believe that the sources of the information are appropriate sources for such information, and the Sole Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Company, our Directors, the Sole Sponsor, nor any parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

Investors should avoid placing any reliance on any information contained in press articles or other media coverage on our Company or the Share Offer.

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, our Directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were

RISK FACTORS

prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe for the Offer Shares. You should only rely on the information contained in this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

In preparation of the Listing, our Company has sought the following waiver from strict compliance with the relevant provisions of the GEM Listing Rules:

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 5.14 and 11.07(2) of the GEM Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Pursuant to Note (1) to Rule 5.14 of the GEM Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note (2) to Rule 5.14 of the GEM Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he or she played;
- (b) familiarity with the GEM Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, Companies Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 5.15 of the GEM Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Our Company appointed Mr. Choy Tuck Leong (“**Mr. Choy**”) and Ms. Yeung, Josephine Yan (“**Ms. Yeung**”) as joint company secretaries of our Company on 4 October 2017. Ms. Yeung has been admitted as a member and fellow of the Hong Kong Institution of Certified Public Accountants since February 2008 and October 2017, respectively and is a practicing certified public accountant in Hong Kong, and therefore meets the qualification requirements under Note 1 to Rule 5.14 of the GEM Listing Rules and is in compliance with Rule 11.07(2) of the GEM Listing Rules.

Mr. Choy has served as our chief financial officer since July 2017. He has extensive knowledge about the business operations, internal control systems and corporate culture of our Group. He is also familiar with financial and accounting regulatory requirements of Singapore. Our Directors consider that these are important qualities of a company secretary. He has also attended the training offered by our Company’s Hong Kong legal advisers, in relation to regulatory obligations of our Company and his responsibilities as a joint company secretary. Our Directors further believe that Mr. Choy by virtue of his knowledge and experience in handling corporate administrative and financial matters is capable of discharging his function as joint company secretary.

WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

Accordingly, while Mr. Choy does not possess the formal qualifications required of a company secretary under Rule 5.14 of the GEM Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 5.14 and 11.07(2) of the GEM Listing Rules such that Mr. Choy can be appointed as a joint company secretary of our Company.

The waiver has been granted for a three-year period on the condition that Ms. Yeung, as a joint company secretary of our Company, will work closely with, and provide assistance to, Mr. Choy in the discharge of his duties as a joint company secretary and in gaining the relevant experience as required under Rule 5.14 of the GEM Listing Rules.

The waiver will be revoked immediately if Ms. Yeung ceases to provide assistance to Mr. Choy as the joint company secretary for the three-year period after the Listing. In addition, Mr. Choy will comply with the annual professional training requirement under Rule 5.15 of the GEM Listing Rules and will enhance his knowledge of the GEM Listing Rules during the three-year period from the Listing. Our Company will further ensure that Mr. Choy has access to the relevant training and support that would enhance his understanding of the GEM Listing Rules and the duties of a company secretary of an issuer listing on the Stock Exchange. Prior to the end of the three-year period, the qualifications and experience of Mr. Choy and the need for on-going assistance of Ms. Yeung will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Mr. Choy, having benefited from the assistance of Ms. Yeung for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 5.14 of the GEM Listing Rules, or alternatively our Company will appoint a person as the company secretary who fully meets the requirements under Rule 11.07(2) of the GEM Listing Rules, such that an extension of this waiver from Rule 11.07(2) of the GEM Listing Rules will not be necessary.

Mr. Choy will continue to be assisted by the compliance adviser and the Hong Kong legal adviser engaged by our Company, particularly in relation to Hong Kong corporate governance practices and compliance issues, on matters concerning our Company's ongoing compliance with the GEM Listing Rules and the applicable laws and regulations.

See "Directors and Senior Management" for further information regarding the qualifications of Mr. Choy and Ms. Yeung.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to us. 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;
- there are no other matters the omission of which would make any statement herein or in this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INFORMATION AND REPRESENTATION

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers, agents, representatives or affiliates of any of them or any other persons or parties involved in the Share Offer. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or that implies that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

INFORMATION ON THE SHARE OFFER

Issuer	Sunlight (1977) Holdings Limited (日光 (1977) 控股有限公司)
Share Offer	The Share Offer of (i) 20,000,000 new Shares for subscription by the public in Hong Kong (subject to reallocation) under the Public Offer and (ii) initially 180,000,000 new Shares (subject to reallocation) for professional or institutional investors under the Placing.
Offer Price range	Not more than HK\$0.30 per Share and not less than HK\$0.25 per Share
Conditions of the Public Offer	Details of the conditions of the Public Offer are set out in “Structure and Conditions of the Share Offer — Conditions”.
Lock-up undertakings by our Company and our Controlling Shareholders	See “Underwriting — Undertakings”.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Restrictions on sale of Offer Shares in Hong Kong

Each person acquiring the Offer Shares will be required to confirm or will be deemed by his/her acquisition of the Offer Shares to confirm that he/she is aware of the restrictions on the offering of the Offer Shares described in this prospectus and that he/she is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions. Save as mentioned above, no action has been taken in any jurisdiction other than in Hong Kong to permit an offering or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Share Offer in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Share Register and stamp duty

Dealings in the Shares registered on our Company's Hong Kong Share Registrar (i.e. Computershare Hong Kong Investor Services Limited) be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

Transfers of the Shares registered on our principal share register in the Cayman Islands (i.e. Conyers Corporate Services (Cayman) Limited) will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.

Our Company's Hong Kong branch share register will be maintained by the Hong Kong Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, whereas our principal share register will be maintained in the Cayman Islands by Conyers Corporate Services (Cayman) Limited.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Professional tax advice recommended	Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications in relation to subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attaching to them). It is emphasised that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers, agents, representatives or affiliates of any of them or any other persons or parties involved in the Share Offer accepts responsibility for any tax affairs or liabilities of any person resulting from the subscription for, purchase, holding or disposing of, dealing in our Shares, or the exercise of any rights attaching to our Shares.
Application for listing on the Stock Exchange	Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer (including the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme). No part of the share or loan capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission of dealing is being or is proposed to be sought.
Eligibility for CCASS	<p>Subject to the approval of the listing of, and permission to deal in, our Shares on GEM and the compliance with the stock admission requirements of HKSCC, our 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.</p> <p>All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.</p> <p>All necessary arrangements have been made for our Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangements and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.</p>
Rounding of figures	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.
Commencement of dealing in the Shares	Dealings in our Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on 16 April 2018. Shares will be traded in board lots of 10,000 Shares each.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Chua Liang Sie (蔡良聲先生)	Block 551 Jurong West Street 42 #07-245 Singapore 640551	Singaporean
Ms. Chua Joo Gek (蔡瑜玉女士)	Block 551 Jurong West Street 42 #08-247 Singapore 640551	Singaporean
Mr. Chua Liang Chui (蔡良书先生)	Block 549 Jurong West Street 42 #08-203 Singapore 640549	Singaporean
Mr. Chua Wenhao (alias Cai Wenhao) (蔡文浩先生)	Block 551 Jurong West Street 42 #07-245 Singapore 640551	Singaporean
<i>Independent non-executive Directors</i>		
Mr. Teo Beng Fwee (張明輝先生)	21 Sunset Close Singapore 597535	Malaysian
Mr. Yeo Hai Thong Michael (楊海通先生)	19 Lorong Ong Lye Fengli Gardens Singapore 536382	Singaporean
Mr. Law Kin Ho (羅健豪先生)	Flat E, 8th Floor, Block 6 Mount Haven 3 Liu To Road Tsing Yi New Territories Hong Kong	Chinese

See “Directors and Senior Management” for further information on the profile and background of our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Giraffe Capital Limited

A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
22/F, China Hong Kong Tower
8–12 Hennessy Road
Hong Kong

Joint Bookrunners and Joint Lead Managers

Pacific Foundation Securities Limited

11th Floor
New World Tower II
16–18 Queen's Road Central
Hong Kong

Ruibang Securities Limited

9th Floor
Sang Woo Building
227–228 Gloucester Road
Wanchai
Hong Kong

Aristo Securities Limited

Room 101, 1st Floor
On Hong Commercial Building
145 Hennessy Road
Wanchai
Hong Kong

Co-Managers

Yellow River Securities Limited

Unit D, 4/F, Trust Tower
68 Johnston Road
Wanchai
Hong Kong

Frontpage Capital Limited

26th Floor, Siu On Centre
188 Lockhart Road
Wanchai
Hong Kong

Legal advisers to our Company

As to Hong Kong Law

Stephenson Harwood

18th Floor
United Centre
95 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

As to Singapore Law

Virtus Law LLP

1 Raffles Place #18-61 Tower 2
Singapore 048616

As to Cayman Islands Law

Appleby

2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

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

As to Hong Kong Law

Deacons

5th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

As to Singapore Law

Loo & Partners LLP

143 Cecil Street, Level Ten
GB Building
Singapore 069542

Auditor

KPMG LLP

Public Accountants and Chartered Accountants

16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Joint reporting accountants

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

KPMG LLP

Public Accountants and Chartered Accountants

16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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Industry consultant

China Insights Industry Consultancy Limited
10th Floor, Tomorrow Square
399 West Nanjing Road
Huangpu District
Shanghai
China 200003

Property valuer

AVISTA Valuation Advisory Limited
23rd Floor
Siu On Centre
No. 188 Lockhart Road
Wan Chai
Hong Kong

Receiving bank

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Central
Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Singapore	11 Tuas South Street 5 Singapore 637590
Principal place of business in Hong Kong	13/F, Wah Yuen Building 149 Queen's Road Central Central Hong Kong
Joint company secretaries	Ms. Yeung, Josephine Yan (楊昕女士) (<i>F CPA</i>) (<i>practising</i>) 13/F, Wah Yuen Building 149 Queen's Road Central Central Hong Kong Mr. Choy Tuck Leong (蔡德良先生) (<i>FCA-Singapore, F CPA-Australia</i>) 11 Tuas South Street 5 Singapore 637590
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Chua Wenhao (蔡文浩先生) Block 551 Jurong West Street 42 #07-245 Singapore 640551 Mr. Choy Tuck Leong (蔡德良先生) (<i>FCA-Singapore, F CPA-Australia</i>) 11 Tuas South Street 5 Singapore 637590
Compliance officer	Mr. Chua Wenhao (蔡文浩先生)
Audit Committee	Mr. Law Kin Ho (羅健豪先生) (<i>Chairman</i>) Mr. Teo Beng Fwee (張明輝先生) Mr. Yeo Hai Thong Michael (楊海通先生)
Remuneration Committee	Mr. Teo Beng Fwee (張明輝先生) (<i>Chairman</i>) Mr. Chua Liang Sie (蔡良聲先生) Mr. Yeo Hai Thong Michael (楊海通先生)

CORPORATE INFORMATION

Nomination Committee	Mr. Chua Liang Sie (蔡良聲先生) (<i>Chairman</i>) Mr. Teo Beng Fwee (張明輝先生) Mr. Yeo Hai Thong Michael (楊海通先生)
Cayman Islands principal share register and transfer office	Conyers Corporate Services (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen’s Road East Wan Chai Hong Kong
Compliance adviser	Giraffe Capital Limited <i>A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO</i> 22/F, China Hong Kong Tower 8–12 Hennessy Road Hong Kong
Principal bank	DBS Bank Ltd. 12 Marina Boulevard Marina Bay Financial Centre Tower 3 Singapore 018982
Company’s website	www.sunlightpaper.com.sg <i>(the information contained in this website does not form part of this prospectus)</i>

INDUSTRY OVERVIEW

The information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report, commissioned by us and independently prepared by the CIC, in connection with the Share Offer, or the CIC Report. In addition, certain information is based on, or derived or extracted from, among other sources, publications of government authorities and internal organisations, market data providers, communications with various government agencies or other independent third party sources unless otherwise indicated. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any fact has been omitted that would render such information and statistics false or misleading. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the CIC Report which may qualify, contradict or adversely impact the quality of the information in this section. None of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers (except CIC), agents, representatives or affiliates of any of them or any other persons or parties involved in the Share Offer have independently verified such information and statistics and no representation has been given as to their accuracy. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

We commissioned CIC, an independent market research and consulting company, to conduct an analysis of, and to report on the tissue and hygiene related products industry in Singapore. The CIC Report has been prepared by CIC independent of our influence. The fee payable to CIC for preparing the CIC Report is HK\$380,000, which we consider it as reflecting market rates for similar services. CIC is a consulting firm founded in Hong Kong. It provides professional industry consulting across multiple industries. CIC's services include industry consulting service, commercial due diligence, strategic consulting, etc.

Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the CIC Report and CIC is an independent professional market research company with extensive experience in their profession. The information and data collected by CIC have been analysed, assessed and validated using CIC's in-house analysis models and techniques. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources, such as Singapore Department of Statistics. The methodology used by CIC is based on information gathered from multiple levels and allows such information to be cross-referenced for reliability and accuracy. On such basis, we consider the data and statistics set forth in this section to be reliable.

The CIC Report contains a variety of market projections, which were produced based on the following key assumptions: (i) Singapore's economy is likely to maintain a steady growth trend into the next decade; (ii) relevant industry key drivers are likely to drive the growth of Singapore's tissue products market in the forecast period, such as continuous development of commercial buildings, strong economy, government support of public sanitation, expanding tourism industry, ageing population and increasing downstream application scenarios; and, (iii) there is no extreme force majeure or industry regulation by which the market may be affected dramatically or fundamentally. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumptions and factors. CIC has given its consent for us to quote from the CIC Report and to use information contained in the CIC Report in this prospectus.

The CIC Report mainly focuses on the Singapore market, being the main jurisdiction in which our businesses are located. Our Directors confirm that after taking reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the CIC Report which may qualify, contradict or have an impact on the information in this section.

Except otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report.

INDUSTRY OVERVIEW

OVERVIEW OF TISSUE PRODUCTS MARKET IN SINGAPORE

Definition and categorisation of tissue products

Tissue products for corporate customers are specially made for businesses and industry. They are available in a wide range of styles and can be designed/produced according to individual client's requirements.

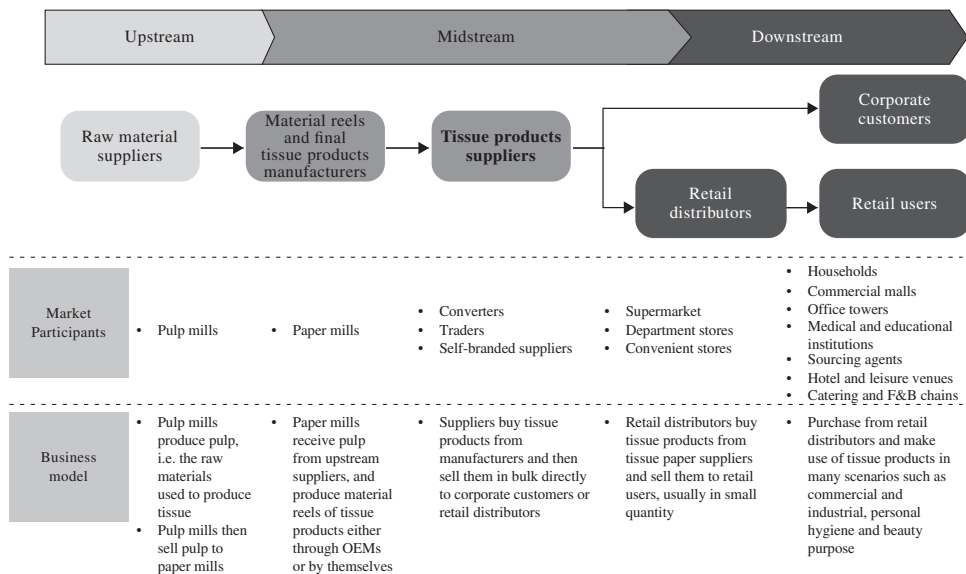
Consumer tissue products are usually available in a wide variety in terms of colours and packaging. Consumers use tissue products for household, personal hygiene, beauty, fluid absorption and many other sanitary purposes.

Product types	<ul style="list-style-type: none"> Toilet tissue Hand towel Napkins Facial tissue
Application scenario	<ul style="list-style-type: none"> Household use Personal hygiene Beauty purposes Medical institutions Educational institutions Office towers Commercial malls Hotels and leisure venues Sourcing agents F&B stores
End users	<ul style="list-style-type: none"> Consumer Corporate customers

Source: CIC

Value chain analysis for tissue products market

Upstream of tissue products market is raw material suppliers, also known as pulp mills which produce pulp and sell to paper mills. Paper mills and tissue products suppliers, including converters, traders and self-branded suppliers, together comprise midstream of the tissue products market. Paper mills produce material reels of tissue paper and then pass them to converters to produce the final products. Traders and self-branded suppliers are responsible for tissue products distribution. Downstream of tissue products market consist of retail distributors and end users.



Source: CIC

INDUSTRY OVERVIEW

The main raw materials used for tissue products are pulp, including wood pulp and non-wood pulp, which includes straw pulp, bagasse pulp, bamboo pulp, waste pulp etc. The main difference between wood pulp and non-wood pulp is whether the cellulose fibers are separated from wood. Other raw materials include paper chemicals, dyes, balms, surfactants, additives, packing, printing materials etc. Machines that produce tissue products can be customised based on a tissue products supplier's individual requirements, with these machines usually comprised of conversion machines, drying machines, sheet cutters, rewinders, and packaging and wrapping machines.

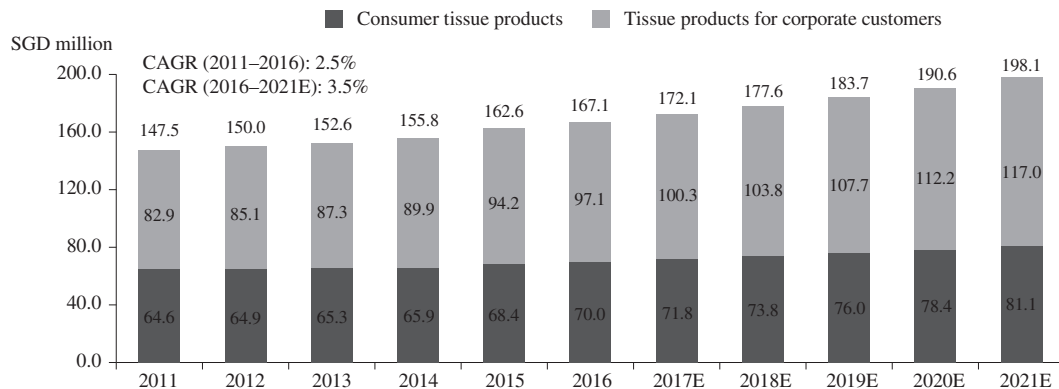
DEMAND AND SUPPLY FOR TISSUE PRODUCTS IN SINGAPORE

Overall consumption value for tissue products in Singapore

The consumption value for tissue products in Singapore continued to increase at a CAGR of 2.5% between 2011 and 2016, having increased from SGD147.5 million in 2011 to SGD167.1 million in 2016, which indicates a stable and smooth growth pattern. Singapore's well-developed infrastructure and active public support for health and sanitation have led to the wide application of tissue products in public places, making tissue products easily available in almost every public venue. As a result, the consumption value for tissue products, has outpaced the consumption value for consumer tissue products. The consumption value for tissue products for corporate customers accounted for 58.1% of the total consumption value for tissue products in Singapore in 2016.

It is expected that the consumption value for tissue products in Singapore will continue to grow steadily at a CAGR of 3.5% to reach SGD198.1 million by 2021, with the total consumption value for tissue products for corporate customers expected to account for over 59% of the market by that time. It is expected that the consumption value for tissue products for corporate customers will continue to grow at a CAGR of 3.8% from 2016 to 2021, reaching SGD117.0 million by 2021.

Consumption value for tissue products, Singapore, 2011–2021E



Source: CIC

Consumption value for tissue products for corporate customers in Singapore

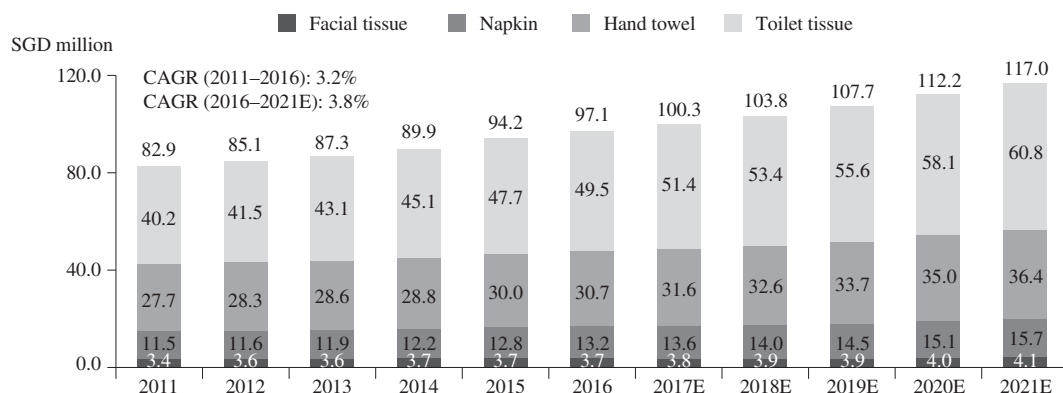
Among the four product types, toilet tissues are the most significant segment of tissue products for corporate customers due to their wide application, accounting for over 50% of the market's total consumption value as of 2016. The consumption value for toilet tissue increased from SGD40.2 million in 2011 to SGD49.5 million in 2016, representing a CAGR of 4.2% between 2011 and 2016.

Meanwhile, the consumption value for hand towels increased at a CAGR of 2.1% between 2011 and 2016, from SGD27.7 million in 2011 to SGD30.7 million in 2016, with hand towels comprising the second largest segment of tissue products for corporate customers. The consumption value for napkins and facial tissues increased from SGD11.5 million and SGD3.4 million in 2011, respectively, to SGD13.2 million and SGD3.7 million in 2016, respectively, having achieved respective CAGR of 2.7% and 1.9% over this period.

INDUSTRY OVERVIEW

With the Singapore government's continuing efforts to improve public health and sanitation, including a focus on maintaining the cleanliness of public toilets, it is expected that toilet tissues will continue to gain an increasingly large share of the market. The consumption value for toilet tissues is thus anticipated to account for as much as 52.0% of the market's total consumption value by 2021, with this segment expanding at a CAGR of 4.2% between 2016 and 2021. The consumption values for hand towels, napkins, and facial tissues are meanwhile expected to continue growing at respective CAGR of 3.5%, 3.6% and 2.0% during this period.

Consumption value for tissue products for corporate customers, Singapore, 2011–2021E



Source: CIC

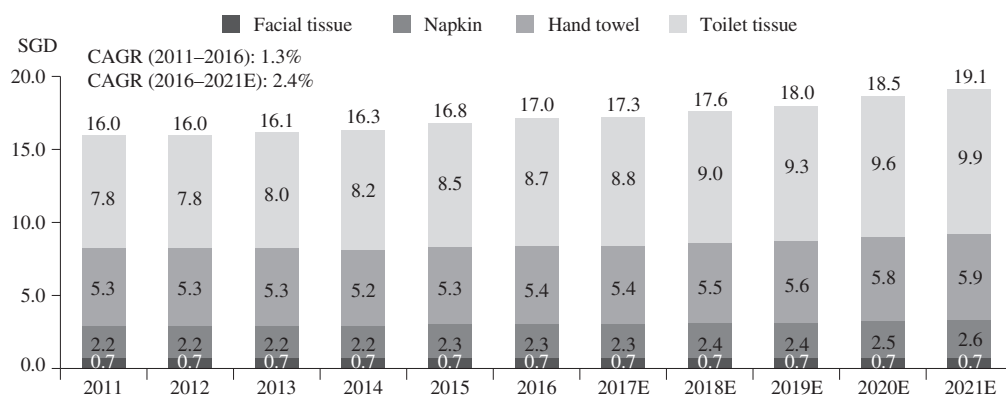
Per capita consumption value for tissue products for corporate customers in Singapore

The per capita consumption value for tissue products for corporate customers increased at a CAGR of 1.3% between 2011 and 2016, from SGD16.0 in 2011 to SGD17.0 in 2016, a trend which has been supported by an increasing public awareness for health and sanitation in Singapore. The per capita consumption value for tissue products for corporate customers in Singapore is much higher than the consumption values in other ASEAN countries, indicating a more developed market and a stronger awareness in health and sanitation by the public.

The per capita consumption value for toilet tissues recorded the highest growth rate not only as a result of their wider application but also due to Singapore government's efforts in improving public health and sanitation conditions. The per capita consumption value for toilet tissues increased from SGD7.8 in 2011 to SGD8.7 in 2016, representing a CAGR of 2.2%.

It is expected that increasing public awareness for health and sanitation will further continue to drive up the demand and the per capita consumption value for tissue products for corporate customers. Per capita consumption value for tissue products for corporate customers is expected to increase at a CAGR of 2.4%, reaching SGD19.1 by 2021. Apart from fast growth in the toilet tissue segment, a promising tourism and service industry in Singapore will also promote faster growth for hand towels, napkins and facial tissues segments.

Per capita consumption value for tissue products for corporate customers, Singapore, 2011–2021E



Source: CIC

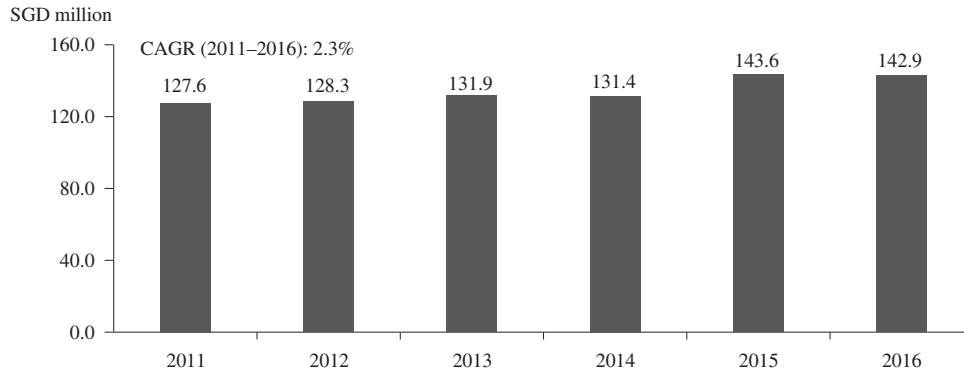
INDUSTRY OVERVIEW

Overall import value for tissue products in Singapore

In general, tissue product suppliers import products from surrounding Asian countries, where labour costs are lower and cargo transportation is more convenient.

Singapore's import value for tissue products has grown at a low pace over the past five years, increasing from SGD127.6 million in 2011 to SGD142.9 million in 2016, representing a CAGR of 2.3%.

Import value for tissue products, Singapore, 2011–2016



Source: United Nations Statistics Division

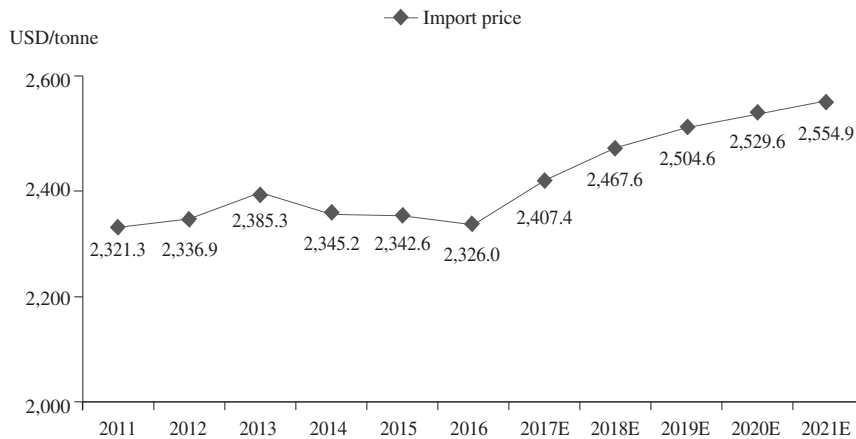
Import price of tissue products in Singapore

Import price is a significant reference and determinant of selling prices set by tissue products suppliers in Singapore as they usually sell products to customers at a mark up based on import price paid to overseas suppliers.

From 2011 to 2016, average import price of tissue products for tissue products suppliers in Singapore increased from USD2,321.3 per tonne in 2011 to USD2,326.0 per tonne in 2016.

Between 2017 and 2021, the increasing demand is expected to drive the average import price of tissue products in Singapore to increase from USD2,407.4 per tonne in 2017 to USD2,554.9 per tonne in 2021.

Average import price of tissue products, Singapore, 2011–2021E



Source: United Nations Statistics Division, CIC

INDUSTRY OVERVIEW

Drivers of Singapore's tissue products market for corporate customers

- (i) **Continuous development of commercial buildings:** The commercial buildings areas in Singapore increased from 12.8 million square metres in 2011 to 13.8 million square metres in 2016, representing a CAGR of 1.5%. It is expected that the trend will continue in the future due to economic growth. The continuous economic development in Singapore has led to an increase in downstream application scenarios for tissue products for corporate customers, such as commercial buildings, and therefore benefitting our Group's key customer group, namely facilities management and cleaning companies, since more commercial buildings may require their services. This will further drive the growth of tissue products market for corporate customers in Singapore. For details on the business nature of facilities management and cleaning companies, see "Business — Customers".
- (ii) **Strong economy:** Singapore's per capita nominal GDP grew from SGD66,873.1 in 2011 to SGD73,167.5 in 2016, representing a CAGR of 1.8%. Meanwhile, median monthly household income increased from SGD7,037 to SGD8,846 over this time period, which represents a CAGR of 4.7%. A prudent economy together with an increasing awareness of higher public health and sanitation standards lead to higher standard of living, which in turn spurs on the consumption of tissue products for corporate customers in Singapore.
- (iii) **Government support for public health and sanitation:** Singapore government has actively promoted its "Sanitation for All" campaign, which aims at improving health and sanitation conditions in public shops and restaurants, as well as hygiene in public restrooms. The Singapore government's proactive approach to public health and hygiene has gone a long way to encourage the development of the tissue products market for corporate customers in Singapore.
- (iv) **Expanding tourism industry:** Arrivals of international visitors increased from 13.2 million in 2011 to 16.4 million in 2016, having increased at a CAGR of 4.4% during this time period. An increasing number of visitors has provided an added stimulus for the hotel and catering industry as well as other related service industries, which has likewise increased the demand of tissue products used in these venues, ultimately leading to the increased consumption of these products.
- (v) **Ageing population:** Singapore's population has undergone a greying trend in recent years. Local residents aged 65 and over amounted to 487,600 as of 2016, having accounted for 12.4% of the total population that year, which remains a marked increase from 9.3% of the total population in 2011. The ageing society has led to an increase in total hospital admissions in Singapore. Tissue products used in hospitals and elderly care residences are likely to be consumed at increasingly higher rates given this ageing population trend.

Future trends of Singapore's tissue products market for corporate customers

- (i) **Continuous improvements in product quality:** With the economic recovery expected to continue and with a sustainable increase in income levels, corporate customers of tissue products have tended to place higher requirements on tissue products in terms of brand name and quality so as to meet the public's increasing demand for improved public health and sanitation conditions.

In the future, tissue products suppliers for corporate customers in Singapore will have a stricter standard when selecting both overseas and local suppliers while also demanding continuous improvements in the quality of tissue products.

- (ii) **Increasing consumption relating to expanding tourism:** Singapore's favourable climate, pleasant tropical scenery, well-developed economy and well-established public security make it a popular tourism destination in the region. Given the increasing purchasing power of international tourists, Singapore's tourism industry is likely to benefit from an increasingly promising future. As a result, hotels, catering providers, and operators in the retail industry will also obtain a further boost from Singapore's expanding tourism industry.

In the future, the tissue products used in hotels, shopping malls and catering venues will be consumed at increasingly higher rates, spurred on by increasing number of international tourists.

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- (iii) **Increasing significance of toilet tissues:** Singapore government has placed a great deal of emphasis on tackling the issue of public health and sanitation, having prioritised hygiene in public restrooms. The government has decided that Singapore will become the first country in the world to have spotless public restroom facilities that maintain the highest standards, which suggests that there remains much to be done to improve health and sanitation in public venues.

As a fundamental requirement for maintaining proper hygiene standards in public restrooms, toilet tissues are likely to benefit from the government's efforts and will hence gain an added significance among all the different types of tissue products.

Threats and restraints of Singapore's tissue products market for corporate customers

- (i) **Heavy reliance on suppliers:** Since there are relatively few or no manufacturing sites located in Singapore, the sustainability of overseas suppliers is of vital importance to Singapore's tissue products market for corporate customers. Unexpected supply shortages may occur in the future and such shortages may potentially jeopardise the relationship between Singapore's tissue products suppliers and their clients.
- (ii) **Exchange rate fluctuation:** Given the heavy reliance of Singapore's tissue products market for corporate customers on import, Singapore's tissue products suppliers for corporate customers usually purchase from overseas suppliers and then resell these products to domestic clients. As a result, Singapore's tissue products suppliers are faced with certain risks associated with exchange rate fluctuations and may have no choice but to take on additional costs at the expense of sales revenues if SGD depreciates.
- (iii) **Emergence of substitutes:** Existing buyers of hand towels may instead choose to install electric hand dryers given their comparative sustainability (usually with a lifetime of 10 years or more) and given increased support for environmental protection.

COMPETITIVE LANDSCAPE OF THE OVERALL TISSUE PRODUCTS MARKET AND TISSUE PRODUCTS MARKET FOR CORPORATE CUSTOMERS IN SINGAPORE

Overview of the competitive landscape and top five overall tissue products companies in Singapore

Singapore's tissue products market is relatively concentrated with the top five participants in aggregate accounting for 60.2% of market share in terms of sales revenue in 2016. Company A, a well-known international tissue products company, ranked the first with a total sales revenue of approximately SGD39.5 million and an overall market share of 23.6% in 2016, followed by Company B, Company C and Company D, which generated sales revenues of SGD19.2 million, SGD18.2 million and SGD12.3 million, respectively. Our Company is the third largest domestic market participant in the overall tissue products market with a sales revenue of approximately SGD11.4 million in 2016, representing approximately 6.8% of market share in the overall tissue products market in terms of sales revenue of 2016.

Rank	Company	Sales revenue (SGD million), 2016	Market share	International/ domestic player	Business coverage
1	Company A	39.5	23.6%	International	Corporate customer and consumer
2	Company B	19.2	11.5%	Domestic	Corporate customer and consumer
3	Company C	18.2	10.9%	International	Corporate customer and consumer
4	Company D	12.3	7.4%	Domestic	Consumer
5	Our Company (Note)	11.4	6.8%	Domestic	Corporate customer

Note: Revenue for the year ended 30 September 2016

Source: CIC

INDUSTRY OVERVIEW

Overview of the competitive landscape and top three tissue products suppliers for corporate customers in Singapore

Competition within Singapore's tissue products market for corporate customers is very intense. A number of international and domestic players compete in the market as there are no regulatory barriers in this industry to constrain foreign companies. International players, such as Company A, have captured increasing market share in Singapore given their stronger pricing advantage, which usually reflects better economies of scale and a more well-established brand reputation. Domestic players can also successfully compete in the market given their strong local distribution channels and customised customer service.

Singapore's tissue products market for corporate customers is relatively concentrated with the top three participants in aggregate accounting for 39.1% of market share in terms of sales revenue in 2016. Our Company is the largest domestic market participant and the second largest market participant in the tissue products market for corporate customers with a sales revenue of approximately SGD11.4 million in 2016, representing approximately 11.7% of market share, followed by Company B which generated a sales revenue of SGD7.2 million in 2016.

Rank	Company	Sales revenue (SGD million), 2016	Market share	International/ domestic player	Business coverage	Product type
1	Company A	19.3	19.9%	International	Corporate customer and consumer	Facial tissue, napkin, hand towel, toilet tissue
2	Our Company <i>(Note)</i>	11.4	11.7%	Domestic	Corporate customer	Facial tissue, napkin, hand towel, toilet tissue
3	Company B	7.2	7.5%	Domestic	Corporate customer and consumer	Facial tissue, napkin, hand towel, toilet tissue

Note: Revenue for the year ended 30 September 2016

Source: CIC

Entry barriers of Singapore's tissue products market for corporate customers

- (i) **Availability of high quality products:** Since Singapore's tissue products market for corporate customers relies heavily on import, most participants in Singapore's tissue products market are distributors that purchase products from overseas suppliers, which are mainly based in Malaysia, China, and other Asian countries nearby. There are thousands of tissue manufacturers in these countries with product quality often varying to a great degree and the number of new tissue products suppliers is about to grow in the forthcoming years in China and Malaysia. Consumers in Singapore meanwhile have had continuously higher requirements in terms of product quality. New entrants may thus find it difficult to develop partnerships with a sufficient number of suppliers which are capable of maintaining a high standard in terms of product quality and consistency.
- (ii) **Relationship with clients:** In most circumstances, tissue products suppliers for corporate customers sell products directly to hotels, schools, hospitals, shopping malls, and businesses in other industries. As a result, such suppliers that have already developed a positive and stable relationship with a large client base are more likely to enjoy repeat business from these clients. New entrants may be in a relatively disadvantageous position as existing suppliers have already taken up most of the market.
- (iii) **Track record and brand recognition:** Given Singapore's high requirements in terms of hygiene and sanitation standards in public venues, as well as a higher awareness among Singapore's consumers in terms of health and sanitation, corporate customers of tissue products in Singapore prefer higher quality products with a trustworthy brand name. Those tissue products suppliers for corporate customers with stronger brand recognition and a sufficient proven track record may therefore find it easier to develop their business. Consequently, new entrants may find it difficult to win the trust they need from clients quickly because they lack an established track record indicating an excellent past performance.

INDUSTRY OVERVIEW

DEMAND OF TISSUE PRODUCTS IN ASEAN

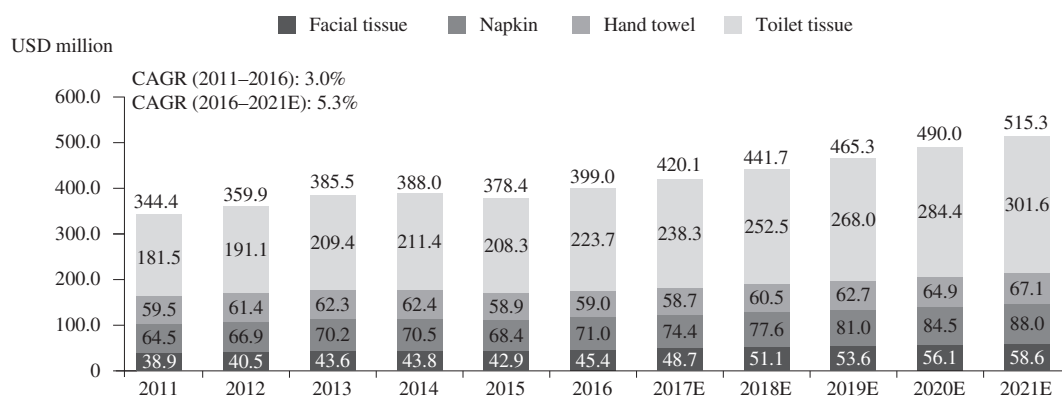
Consumption value of tissue products for corporate customers in ASEAN

The consumption value of tissue products for corporate customers in ASEAN increased from USD344.4 million in 2011 to USD399.0 million in 2016, with a CAGR of 3.0%. The booming tourism in Singapore and the opening of hospitality and leisure locations such as new shopping centres and hotels, combined with residents' increasing consumption power which promotes restaurant dining, have enhanced the performance of the tissue products industry for corporate customers in ASEAN over the past few years. However, this positive performance was partially hindered by currency exchange rate fluctuations.

Toilet tissue comprised the largest segment among all the different types of tissue products for corporate customers. Its consumption value increased from USD181.5 million in 2011 to USD223.7 million in 2016 with a CAGR of 4.3%, which was the best performance compared with the CAGRs of other product types. In terms of consumption value for 2016, toilet tissue accounted for more than 50% of the total tissue products market for corporate customers. Napkin and hand towel were the second and third largest segment in the tissue products market for corporate customers, respectively, both with relatively lower growth levels in terms of their consumption values.

Driven by continuous economic and business development in ASEAN, along with residents' improving acceptance for tissue products and a stable exchange rate, the consumption value of tissue products for corporate customers is likely to continue expanding at a strengthened pace, reaching USD515.3 million by 2021 at a CAGR of 5.3% between 2016 and 2021. Toilet tissue will continue to dominate the market. It is projected that the consumption value of toilet tissue products will rise to more than USD300 million by 2021.

Consumption value for tissue products for corporate customers, ASEAN, 2011–2021E



Source: CIC

OVERVIEW OF HYGIENE RELATED PRODUCTS MARKET IN SINGAPORE

Hygiene related products refer to sanitation care products that help maintain health and prevent the spread of bacteria and disease. Hygiene products are used in a wide variety of scenarios, including at home, hospitals, industries, and other public places. Moreover, hygiene products used in different scenarios may have different specified functions and product standards. In this research, hygiene related products consist of three categories of disposable hygiene related products: wipes, gloves, and masks.

DEMAND OF HYGIENE RELATED PRODUCTS IN SINGAPORE

Consumption value of hygiene related products in Singapore

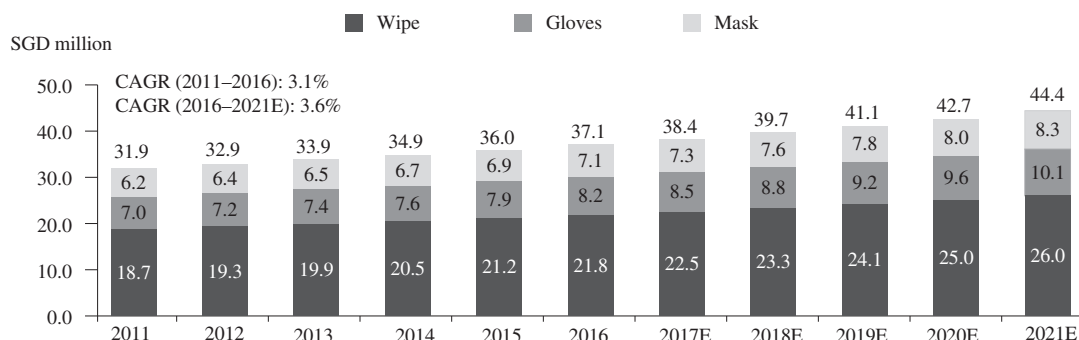
The consumption value for Singapore's hygiene related products increased from SGD31.9 million in 2011 to SGD37.1 million in 2016 at a CAGR of 3.1%. An increasing awareness in health and hygiene and a stronger overall purchasing power for consumers have contributed to the relatively fast growth in Singapore's hygiene related products market.

Wipes are the largest segment in Singapore's hygiene related products market given their wide application and a long-established habit of daily use. The consumption value of wipes in Singapore increased from SGD18.7 million in 2011 to SGD21.8 million in 2016, accounting for over half of the total market size of hygiene related products in Singapore. Consumption values for gloves and mask increased from SGD7.0 million and SGD6.2 million in 2011 to SGD8.2 million and SGD7.1 million in 2016, respectively.

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It is expected that the fast growth rate will continue in the near future due to increasing demand and increasingly more diversified downstream applications, with the total consumption value expected to reach SGD44.4 million by 2021, achieving a CAGR of 3.6% between 2016 and 2021.

Consumption value of hygiene related products, Singapore, 2011–2021E



Source: CIC

OUTLOOK AND INDUSTRY LANDSCAPE OVERVIEW OF SINGAPORE'S HYGIENE-RELATED PRODUCTS MARKET

Outlook of Singapore's hygiene-related products market

- (i) **Increasing penetration:** With the continued increase in purchasing power and with increased public awareness in terms of health and sanitation, more and more people will appreciate the health advantages of using disposable hygiene-related products over reusable ones. As a result, everyday usage of hygiene-related products, as well as demand for these products by both consumers and industries, will continue to increase in the future.
- (ii) **More downstream applications:** Currently, industrial applications are limited to industries with high health and sanitation requirements, including food production and healthcare industries. With the transformation and upgrading of industries, hygiene-related products will be of daily use to an increasing number of industries.
- (iii) **Improvements in manufacturing techniques:** Improvements in raw materials is set to become a key trend in the hygiene-related products market in order to better protect the environment and enhance health and safety. In addition, optimisation of the manufacturing process will help increase the penetration rate for automation and reduce defective rates. All of these improvements will improve the quality of hygiene-related products produced and/or sold in the Singapore market.

COMPETITIVE LANDSCAPE OVERVIEW OF SINGAPORE'S HYGIENE RELATED PRODUCTS MARKET

Singapore's hygiene-related products market is relatively fragmented with the top five participants in aggregate accounting for 19.3% of market share in terms of sales revenue in 2016. Company E, a well-known worldwide hygiene, sanitation care and skin care company, ranked first with sales revenue of approximately SGD2.3 million and market share of 6.1% in 2016, followed by Company F, Company G and Company D, which generated sales revenues of approximately SGD1.6 million, SGD1.4 million and SGD1.0 million, respectively. Our Company was the fifth largest participant and recorded a sales revenue of approximately SGD0.9 million in 2016, representing 2.4% of market share of the hygiene-related products market.

Rank	Company	Sales revenue (SGD million), 2016	Market share	International/Domestic player	Market segment
1	Company E	2.3	6.1%	International	Wipes
2	Company F	1.6	4.3%	International	Wipes
3	Company G	1.4	3.8%	International	Wipes
4	Company D	1.0	2.7%	Domestic	Wipes and gloves
5	Our Company (Note)	0.9	2.4%	Domestic	Wipes and gloves

Note: Revenue for the year ended 30 September 2016

Source: CIC

REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATING TO OUR BUSINESS IN SINGAPORE

During the Track Record Period, the business activities of our Group were principally based in Singapore. Below is a summary of salient Singapore legal and regulatory provisions relating to our business in Singapore.

(I) Workplace safety and health and laws and regulations relating to our Group's premises

Workplace Safety and Health Act

The Workplace Safety and Health Act (Chapter 354A) of Singapore (the “**WSHA**”) provides that every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include: (i) providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work; (ii) ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees; (iii) ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer; (iv) developing and implementing procedures for dealing with emergencies that may arise while the employees are at work; and (v) ensuring that the employees at work have adequate instruction, information, training and supervision as is necessary for them to perform their work. More specific duties imposed by the Ministry of Manpower of Singapore (“**MOM**”) on employers are laid out in the Workplace Safety and Health (General Provisions) Regulations (“**WSHR**”). Some of these duties include taking effective measures to protect persons at work from the harmful effects of any exposure to any biohazardous material which may constitute a risk to their health.

Pursuant to the WSHR, the following equipment, inter alia, are required to be tested and examined by an examiner (“**Authorised Examiner**”), who is authorised by the Commissioner for Workplace Safety and Health (“**CWSH**”), before they can be used in a factory and thereafter, at specified intervals: hoist or lift; lifting gears; and lifting appliances and lifting machines.

Upon examination, the Authorised Examiner will issue and sign a certificate of test and examination, specifying the safe working load of the equipment. Such certificate of test and examination shall be kept available for inspection. Under the WSHA, it is the duty of the owner of the equipment/occupier of the factory to ensure that the equipment complies with the provisions of the WSHA and to keep a register containing the requisite particulars with respect to the lifting gears, lifting appliances and lifting machines.

Under the WSHA, the CWSH may serve a remedial order or a stop-work order in respect of a workplace if he is satisfied that (i) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any work or process carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of the persons at work; (ii) any person has contravened any duty imposed by the WSHA; or (iii) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work. The remedial order shall direct the person served with the order to take such measures, to the satisfaction of the CWSH, to, amongst others, remedy any danger so as to enable the work or

REGULATORY OVERVIEW

process in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work, whilst the stop-work order shall direct the person served with the order to immediately cease to carry on any work or process indefinitely or until such measures as are required by the CWSH have been taken, to the satisfaction of the CWSH, to remedy any danger so as to enable the work in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work, and specify the date on which it is to take effect.

Any person who fails to comply with a remedial order shall be liable on conviction to a fine not exceeding S\$50,000 and/or to imprisonment for a term not exceeding 12 months, and in the case of a continuing offence, to a further fine not exceeding S\$5,000 for every day or part thereof during which the offence continues after conviction. Any person who fails to comply with a stop-work order shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$500,000 and/or to imprisonment for a term not exceeding 12 months, and in the case of a continuing offence, to a further fine not exceeding S\$20,000 for every day for part thereof during which the offence continues after conviction. For other breaches of duty not expressly provided for under the WSHA (excluding that under the WSHR), such breaching person shall be guilty of an offence and shall be liable on conviction, in the case of a body corporate, to a fine not exceeding S\$500,000, and if the contravention continues after the conviction, be guilty of a further offence and shall be liable to a fine not exceeding S\$5,000 for every day or part thereof during which the offence continues after conviction. For repeat offenders, where a person has on at least one (1) previous occasion been convicted of an offence under the WSHA that causes the death of any person and is subsequently convicted of the same offence that causes the death of another person, the court may, in addition to any imprisonment if prescribed, punish the person, in the case of a body corporate, with a fine not exceeding S\$1 million and, in the case of a continuing offence, with a further fine not exceeding S\$5,000 for every day or part thereof during which the offence continues after conviction.

The Workplace Safety and Health Council has approved codes of practice for the purpose of providing practical guidance with respect to the requirements of the WSHA relating to safety, health and welfare at the workplace. The CWSH may appoint inspectors under the WSHA to inspect any workplace and any machinery, equipment, plant or installation at any workplace. Such examination or enquiry helps to ascertain whether the provisions of the WSHA are complied with. Samples of any material or substance found in a workplace or being discharged from a workplace are collected for the purpose of test or analysis.

Workplace Safety and Health (Registration of Factories) Regulations

Any person who desires to occupy or use any premises as a factory falling within the class of factories described within the First Schedule of the Workplace Safety and Health (Regulation of Factories) Regulations 2008 (“**WSH Factories Regulations**”) is required to register the premises (or worksite) as a “factory” with the CWSH pursuant to the WSH Factories Regulations.

Any person who desires to occupy or use any premises as a factory not falling within the classes of factories described within the First Schedule of the WSH Factories Regulations, shall, before the commencement of operation of the factory, submit a notification to the CWSH informing the CWSH of his intention to occupy or use those premises as a factory. The notification is not subject to any renewal requirements.

REGULATORY OVERVIEW

However, in the event that the CWSH is of the view that the factory in respect of which a notification has been submitted poses or is likely to pose a risk to the safety, health and welfare of persons at work in the factory, the CWSH may, by notice in writing, (i) specify the date from which the notification shall cease to be valid; and (ii) direct the occupier of the factory to register the factory notwithstanding that the factory does not fall within any of the classes of the factories described in the First Schedule of the WSHA.

Workmen's compensation

Work injury compensation is governed by the Work Injury Compensation Act (Chapter 354) of Singapore (“WICA”), and is regulated by the MOM. The WICA applies to employees across all industries engaged under a contract of service or apprenticeship, regardless of their level of earnings. The WICA does not cover self-employed persons, independent contractors, domestic workers or uniformed personnel. The WICA lets employees make claims for work-related injuries or diseases without having to file a civil suit under common law. It is a low-cost and quicker alternative to common law for settling of compensation claims.

The WICA provides that if in any employment, personal injury by accident arising out of and in the course of the employment is caused to an employee, the employer is liable to pay compensation in accordance with the provisions of the WICA. An injured employee is entitled to claim medical leave wages, medical expenses and lump sum compensation for permanent incapacity or death, subject to certain limits stipulated in the WICA.

Further, the WICA provides that, amongst others, where any person (referred to as the principal) in the course of or for the purpose of his trade or business contracts with any other person (referred to as the employer) for the execution by the employer of the whole or any part of any work undertaken by the principal, the principal shall be liable to pay to any employee employed in the execution of the work any compensation which he would have been liable to pay if that workman had been immediately employed by the principal.

Under the WICA, every employer is required to insure and maintain insurance under approved policies with an insurer against all liabilities which he may incur under the provisions of the WICA in respect of all employees employed by him, unless specifically exempted. For further details of our Group's insurance policies, see “Business — Insurance”.

Employers are required to maintain work injury compensation insurance for two (2) categories of employees engaged under contracts of service, unless exempted. The first category includes all employees doing manual work. The second category includes all non-manual employees earning S\$1,600 or less a month. Failure to do so is an offence punishable by a maximum fine of S\$10,000 and/or imprisonment of up to 12 months.

Environmental laws and regulations

The Environmental Public Health Act (Chapter 95) of Singapore (“EPHA”) regulates, amongst others, the disposal and treatment of industrial waste and public nuisances. Under the EPHA, the Director-General of Public Health may, on receipt of any information respecting the existence of a nuisance liable to be dealt with summarily under the EPHA and if satisfied of the existence of a nuisance, serve a nuisance order on the person by whose act, default or sufferance

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the nuisance arises or continues, or if the person cannot be found, on the owner or occupier of the premises on which the nuisance arises. Some of the nuisances which are liable to be dealt with summarily under the EPHA include any factory or workplace which is not kept in a clean state and any place where there exists or is likely to exist any condition giving rise, or capable of giving rise to the breeding of flies or mosquitoes, any place where there occurs, or from which there emanates noise or vibration as to amount to a nuisance and any machinery, plant or any method or process used in any premises which causes a nuisance or is dangerous to public health and safety.

The Environmental Protection and Management Act (Chapter 94A) of Singapore seeks to control the levels of pollution in Singapore by regulating the activities of various industries and regulates, amongst others, air pollution, water pollution, land pollution and noise control.

Under the Environmental Protection and Management (Boundary Noise Limits for Factory Premises) Regulations, the owner or occupier of factory premises, or any building or any part within the factory premises, shall ensure that the level of noise emitted from his premises shall not exceed the maximum permissible noise levels prescribed in such Regulations.

(II) Employment matters

Employment Act

The Employment Act (Chapter 91) of Singapore (“EA”) is administered by the MOM and sets out the basic terms and conditions of employment and the rights and responsibilities of employers as well as employees who are covered under the EA. The EA covers employees who are under a contract of service with an employer and includes, among others, a workman (as defined under the EA). However, the EA generally does not cover persons who are employed in a managerial or executive position and are in receipt of salaries exceeding S\$4,500 a month.

In particular, Part IV of the EA sets out requirements for rest days, hours of work and other conditions of service for workmen who receive salaries not exceeding S\$4,500 a month and employees (other than workmen) who receive salaries not exceeding S\$2,500 a month.

Section 38(8) of the EA provides that an employee is not allowed to work for more than 12 hours in any one (1) day except in specified circumstances, such as where the work is essential to the life of the community, defence or security. In addition, Section 38(5) of the EA limits the extent of overtime work that an employee can perform to 72 hours a month.

Employers must seek the prior approval of the Commissioner for Labour (“CL”) for exemption if they require an employee or class of employees to work for more than 12 hours a day or more than 72 hours a month. The CL may, after considering the operational needs of the employer and the health and safety of the employee or class of employees, by order in writing exempt such employees from the overtime limits subject to such conditions as the CL thinks fit. Where such exemptions have been granted, the employer shall display the order or a copy thereof conspicuously in the place where such employees are employed.

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An employer who breaches any of the above provisions shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000, and for a second or subsequent offence to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 12 months or to both.

Employment of Foreign Manpower Act

The employment of foreign workers in Singapore is governed by the Employment of Foreign Manpower Act (Chapter 91A) of Singapore (“**EFMA**”) and regulated by the MOM.

In Singapore, under Section 5(1) of the EFMA, no person shall employ a foreign employee unless he has obtained in respect of the foreign employee a valid work pass from the MOM, which allows the foreign employee to work for him. Any person who fails to comply with or contravenes Section 5(1) of the EFMA shall be guilty of an offence and shall:

- (i) be liable on conviction to a fine of not less than S\$5,000 and not more than S\$30,000 or to imprisonment for a term not exceeding 12 months or to both; and
- (ii) on a second or subsequent conviction:
 - (1) in the case of an individual, with a fine of not less than S\$10,000 and not more than S\$30,000 and with imprisonment for a term of not less than one (1) month and not more than 12 months; or
 - (2) in any other case, be punished with a fine of not less than S\$20,000 and not more than S\$60,000.

Under the Employment of Foreign Manpower (Levy) Order 2011 (“**Levy Order**”), the employment of foreign workers is also subject to the payment of levies.

Section 5 of the Levy Order provides that the levy payable by an employer in respect of every month or part thereof shall be due and payable on the first day of the following month and shall be paid no later than the 14th day of that following month. An employer shall be liable to pay penalty for any unpaid levy but the total penalty for any unpaid levy shall not exceed 30% of the amount of levy outstanding.

The Central Provident Fund Act

The Central Provident Fund (“**CPF**”) is a social security savings scheme funded by contributions from employers and employees formed pursuant to the Central Provident Fund Act (Chapter 36) of Singapore (“**CPF Act**”). It enables working Singapore citizens and permanent residents to set aside funds for retirement. It also addresses healthcare, home ownership, family protection and asset enhancement.

Under the CPF Act, both employers and employees make monthly CPF contributions on the amount of wages at the rates set out in the CPF Act. Such contributions go into three accounts, namely the (i) ordinary account, which is primarily for housing, insurance, investment and education, (ii) special account, which is for old age and investment in retirement-related financial

REGULATORY OVERVIEW

products, and (iii) medisave account, which is for hospitalisation expenses and approved medical insurance. CPF contributions are due at the end of the month and an employer has a grace period of 14 days to pay it. The employer must pay both the employer's and employee's share of the monthly CPF contribution. However, the employer can recover the employee's share by deducting it from their wage when the contributions are paid for that month.

Section 7(3) of the CPF Act provides that any employer who has recovered any amount from the monthly wages of an employee in accordance with the CPF Act and fails to pay the contributions to the CPF within such time as may be prescribed, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding seven (7) years or to both.

Section 9 of the CPF Act provides that, where the amount of the contributions which an employer is liable to pay in respect of any month is not paid within the prescribed period for payment, the employer shall be liable to pay interest on the amount for every day the amount remains unpaid commencing from the first day of the month succeeding the month in respect of which the amount is payable and the interest shall be calculated at the rate of 1.5% per month or the sum of S\$5.00, whichever is the greater.

The CPF Act provides that in general if any person convicted of an offence under the CPF Act for which no penalty is provided shall be liable on conviction to pay a fine not exceeding S\$5,000 or to imprisonment for a term not exceeding six (6) months or both, and if that person is a repeat offender for the same offence, to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 12 months or both.

(III) Taxation

The Goods and Services Tax Act

Goods and Services Tax ("GST") is a broad-based consumption tax levied pursuant to the Goods and Services Tax Act (Chapter 117A) of Singapore on the import of goods, as well as nearly all supplies of goods and services in Singapore at a prevailing rate of 7%.

GST exemptions apply to the provision of most financial services, the sale and lease of residential properties, and the importation and local supply of investment precious metals. Goods that are exported and international services are zero-rated.

The Income Tax Act (Chapter 134) of Singapore

The corporate tax rate in Singapore is currently 17%. In addition, 75% of up to the first S\$10,000, and 50% of up to the next S\$290,000, of a company's chargeable income otherwise subject to normal taxation is exempt from corporate tax. The remaining chargeable income (after the tax exemption) will be fully taxable at the prevailing corporate tax rate. Furthermore, companies will be granted a corporate income tax rebate of 50% of the tax payable for years of assessment 2016 to 2017, subject to a cap of S\$20,000 for year of assessment 2016 and S\$25,000 for year of assessment 2017. The Singapore Government announced in the Singapore Budget 2018 that in order to ease business costs and support restructuring by companies, the corporate income

REGULATORY OVERVIEW

tax rebate will be raised to 40% of the tax payable subject to a cap of S\$15,000 for year of assessment 2018, from the 20% of the tax payable subject to a cap of S\$10,000 as announced in the Singapore Budget 2017.

Dividend Distributions

Singapore adopts the one-tier corporate taxation system, under which the tax collected from corporate profits is a final tax and the after-tax profits of the company resident in Singapore can be distributed to the shareholders as tax-exempt dividends. Such dividends are tax-exempt in the hands of the shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

Singapore does not impose withholding tax on dividends paid to resident or non-resident shareholders.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR HISTORY AND DEVELOPMENT

Our history can be traced back to 1977 with the incorporation of Sunlight Paper which was founded by Mr. Chua Ngak Hee (the father of Mr. LS Chua, Ms. Chua and Mr. LC Chua, and the grandfather of Mr. WH Chua), Mr. Pang and an Independent Third Party. The principal business of our Group was conversion and sale of tissue products in Singapore.

At the beginning of our business, Sunlight Paper owned and operated its conversion facilities for the production of conventional roll tissues. At that time, our major product was conventional roll tissues, which were sold in the retail market and to commercial customers in Singapore. In 1980s, the public was concerned about the level of hygiene in their public toilets as a result of the “Keep Public Toilets Clean” campaign launched by the Ministry of Environment of Singapore. In 1990s, relevant legislation was enacted to require public toilets to be provided with adequate toilet paper, clean towels and other basic toilet amenities. The public had generally required a better quality and ample supply of toilet tissues. We therefore imported new machinery then to produce jumbo roll tissues at our conversion facilities. We also commenced to launch jumbo roll tissues under “Sunlight” brand and marketed our tissue products under the “Sunlight” brand. Our Directors consider that the public awareness of hygiene and the legislation had contributed to the growth of Sunlight Paper.

In early 2000s, we started purchasing tissue products from Double Class to take advantage of the lower production costs in China. See “Business — Suppliers — Our relationship with Double Class” for further details of our relationship with Double Class.

Our Directors consider that with years of operations, we had established a reputation in the tissue product industry for corporate customers in Singapore and also offered a diversified portfolio and stable supply of tissue products. In 2010, we started our business relationship with an integrated resort and casino operator in Singapore, which had been one of our major customers during the Track Record Period and up to the Latest Practicable Date. In 2016, we also secured a three-year framework agreement for the supply of our tissue products to the largest international airport in Singapore.

With around 40 years of operations, our Group becomes a leading tissue products supplier for corporate customers in Singapore. We are the fifth largest tissue products supplier in Singapore in the overall tissue products market in terms of sales revenue with a market share of approximately 6.8% in 2016, and the second largest tissue products supplier in the tissue products market for corporate customers in terms of sales revenue with a market share of approximately 11.7% in 2016, according to the CIC Report.

OUR KEY BUSINESS MILESTONES

The following events are the key business and corporate development milestones of our Group:

Year	Event
1977	Establishment of Sunlight Paper and operation of its own conversion facilities
1991	We launched jumbo roll tissues under “Sunlight” brand

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Event
1993	We secured a customer which was one of our five largest customers during the Track Record Period which principally engages in the provision of building maintenance, security, cleaning and related services to commercial and residential buildings
1999	We began to sell our tissue products to a medical centre
2002	We moved our conversion facilities to the current location
2003	We began our business relationship with our largest customer which principally engages in the provision of cleaning services and textile services
2010	We began our business relationship with one of our five largest customers which is an integrated resort and casino operator in Singapore
2014	We secured a contract for the supply of our tissue products to a newspaper publisher listed on the Singapore Stock Exchange Limited
2015	We received a supplier excellence award from one of our largest customers which is an integrated resort and casino operator in Singapore
2016	We secured a three-year framework agreement for the supply of our tissue products to the largest international airport in Singapore

OUR CORPORATE DEVELOPMENTS

We set out below the corporate history and the major changes in shareholding of the members of our Group:

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 September 2017. The initial authorised share capital of our Company is HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the same day, our Company allotted and issued one fully paid Share at par to an initial subscriber who is an Independent Third Party which was subsequently transferred to YJH Group at par.

As part of the Reorganisation, on 11 October 2017, Mr. LS Chua, Ms. Chua, Mr. LC Chua and Mr. Pang transferred their entire interest in Sunlight Paper to SPP Investments at a consideration of S\$8,537,600 which was satisfied by way of allotment and issue of an aggregate 579,999 Shares, credited as fully paid up in the capital of our Company. For further details, see “Reorganisation — 3. Acquisition of Sunlight Paper by SPP Investments”.

On 11 October 2017, YJH Group entered into a sale and purchase agreement with Ultimate Joy, pursuant to which YJH Group agreed to transfer and Ultimate Joy agreed to acquire 23,200 Shares at a consideration of S\$500,000. For further details, see “Pre-IPO investment” below. As at the Latest Practicable Date, our Company was owned by YJH Group as to 96.00% and Ultimate Joy as to 4.00%.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Our Company is an investment holding company and not currently engaged in any business activity.

SPP Investments

SPP Investments was incorporated in BVI as a limited liability company on 6 October 2017. Upon its incorporation, SPP Investments was authorised to issue up to a maximum of 50,000 ordinary shares of a single class with par value of S\$1.00. On the same day, SPP Investments allotted and issued one share to our Company credited as fully paid. Since then and up to the Latest Practicable Date, our SPP Investments was wholly owned by our Company.

SPP Investments is an investment holding company and not currently engaged in any business activity.

Sunlight Paper

Sunlight Paper was incorporated in Singapore on 8 July 1977 as a private limited company. Upon its incorporation, Sunlight Paper had an issued share capital of S\$3.00 divided into three shares of S\$1.00 each, all of which were credited as fully paid and were held in equal proportions by Mr. Chua Ngak Hee, Mr. Pang and an Independent Third Party.

On 4 August 1977, 29,999 shares, 19,999 shares, 9,999 shares and 10,000 shares of S\$1.00 each in Sunlight Paper were allotted, issued and credited as fully paid at par to Mr. Chua Ngak Hee, Mr. Pang and Ms. Chua and an Independent Third Party, respectively. Upon completion of the said allotment and issue, the issued share capital of Sunlight Paper was increased to S\$70,000 divided into 70,000 shares of S\$1.00 each, and Sunlight Paper was owned as to approximately 42.85% by Mr. Chua Ngak Hee, 14.29% by Ms. Chua, 28.57% by Mr. Pang and 14.29% by an Independent Third Party.

Subsequent to series of transfers by the then shareholders of Sunlight Paper at the relevant time between 8 October 1979 to 1 August 2007, as at 1 August 2007, Sunlight Paper was owned as to approximately 51.72% by Mr. Chua Ngak Hee, 6.90% by Mr. LS Chua, 6.90% by Ms. Chua, 6.90% by Mr. LC Chua, 13.79% by Mr. Pang and 13.79% by Ms. Kho Yoke Teng (the spouse of Mr. Pang), respectively.

On 1 March 2016, 300,000 shares in Sunlight Paper held by the deceased Mr. Chua Ngak Hee were transferred to the estate of the deceased Mr. Chua Ngak Hee, of which 180,000 shares were transferred to Mr. LS Chua, 60,000 shares to Mr. LC Chua and 60,000 shares to Ms. Chua. Upon completion of the said share transfers, Sunlight Paper was owned as to approximately 37.93% by Mr. LS Chua, 17.24% by Ms. Chua, 17.24% by Mr. LC Chua, 13.79% by Mr. Pang and 13.79% by Ms. Kho Yoke Teng.

On 13 September 2017, 80,000 shares in Sunlight Paper held by the deceased Ms. Kho Yoke Teng were transferred to her spouse, Mr. Pang. Upon completion of the said share transfer, Sunlight Paper was owned as to approximately 37.93% by Mr. LS Chua, 17.24% by Ms. Chua, 17.24% by Mr. LC Chua and 27.59% by Mr. Pang.

Sunlight Paper is principally engaged in conversion and sale of tissue products for corporate customers in Singapore.

REORGANISATION

We reorganised our corporate structure in preparation for, and in connection with the Listing. Following completion of the Reorganisation, our Company becomes the holding company of our Group. The steps of Reorganisation are set out below:

1. Incorporation of our Company by YJH Group

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 September 2017. As at the date of incorporation, our Company was wholly owned by YJH Group.

2. Incorporation of SPP Investments

SPP Investments was incorporated in BVI as a limited liability company on 6 October 2017. As at the date of incorporation, SPP Investments was wholly owned by our Company.

3. Acquisition of Sunlight Paper by SPP Investments

On 11 October 2017, Mr. LS Chua, Ms. Chua, Mr. LC Chua and Mr. Pang transferred their respective interests, 220,000 shares, 100,000 shares, 100,000 shares and 160,000 shares in Sunlight Paper, in aggregate representing the entire issued share capital of Sunlight Paper, to SPP Investments at a consideration of S\$8,537,600. The consideration was determined with reference to the net asset value of Sunlight Paper as at 30 September 2017. The consideration for the acquisitions was satisfied by allotment and issue of and crediting as fully paid a total of the following Shares:

- (i) 219,999 Shares to YJH Group for the acquisition from Mr. LS Chua;
- (ii) 100,000 Shares to YJH Group for the acquisition from Ms. Chua;
- (iii) 100,000 Shares to YJH Group for the acquisition from Mr. LC Chua; and
- (iv) 160,000 Shares to YJH Group for the acquisition from Mr. Pang.

The acquisition was legally completed and settled on 11 October 2017. Upon completion of the said acquisitions, Sunlight Paper became a wholly-owned subsidiary of SPP Investments.

4. Pre-IPO investment

See “— Pre-IPO investment” for further details.

5. Increase in the authorised share capital of our Company

On 21 March 2018, the authorised share capital of our Company shall be increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares of nominal value of HK\$0.01 each by creation of an additional of 9,962,000,000 Shares.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

6. Capitalisation Issue and Share Offer

Conditional upon the granting of the listing approval by the Stock Exchange for the listing and permission to deal in the Shares on the GEM of the Stock Exchange and the share premium account of our Company being credited with the proceeds of the Share Offer, our Company will capitalise all or a portion, as the case may be, of the balance of the share premium account and applying such sum in paying up in full at nominal value a total of 575,443,200 Shares and 23,976,800 Shares for allotment and issue to YJH Group and Ultimate Joy, respectively, being the existing shareholders of our Company, and the Shares to be issued pursuant to the Capitalisation Issue shall carry the same rights in all respects as the existing Shares. Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), YJH Group, Ultimate Joy and the public holders of Shares will hold 72.00%, 3.00% and 25.00%, respectively, of the enlarged issued share capital of our Company.

CONCERT PARTIES ARRANGEMENT

On 11 October 2017, Mr. LS Chua, Ms. Chua, Mr. LC Chua and Mr. Pang entered into a deed of concert parties arrangement, whereby, among other things, (i) in respect of Sunlight Paper, from the time they became interested in and possessed voting rights (whether direct or indirect) in Sunlight Paper, each of them has been cooperating with each other and acting in concert, with an aim to achieving consensus and taking concerted action on all major affairs relating to Sunlight Paper; and (ii) in respect of YJH Group, they agree that, (a) during such time as he/she shall remain as a shareholder in YJH Group, whether presently or in the future, to vote in any general meetings of YJH Group in accordance with the intention and direction of each other; and (b) any transfer of interest by Mr. Pang is subject to a pre-emptive right of other shareholders, namely Mr. LS Chua, Ms. Chua and Mr. LC Chua and that such pre-emptive right shall be conferred and take effect to benefit of these shareholders and their respective successors in title.

PRE-IPO INVESTMENT

On 11 October 2017, YJH Group entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) with Ultimate Joy, pursuant to which YJH Group agreed to transfer and Ultimate Joy agreed to acquire 23,200 Shares at a consideration of S\$500,000. Completion of the transfer took place on 11 October 2017, upon which and as at the Latest Practicable Date, our Company is owned as to 96.00% by YJH Group and 4.00% by Ultimate Joy. Set out below is a summary of the details of the pre-IPO investment:

Name of investor	:	Ultimate Joy
Date of Sale and Purchase Agreement	:	11 October 2017
Number of shares transferred	:	23,200 Shares
Consideration	:	S\$500,000
Date of full payment of the consideration	:	11 October 2017

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Basis of determination of consideration	:	Arm's length commercial negotiation, taking into consideration the timing of the transfer, the liquidity of the shares of our Company with reference to the historical performance and price to earning ratio of our Group as a private company when the parties entered into the Sale and Purchase Agreement
Investment cost per Share	:	Approximately S\$0.02 (equivalent to approximately HK\$0.12)
Discount to the Offer Price	:	A discount of approximately 56.4% (assuming the being the mid-point of the indicative Offer Price range, and without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme)
Number of shares subscribed and approximate percentage of shareholding of our Company immediately after pre-IPO investment	:	23,200 Shares (representing 4.00% of the issued share capital of our Company immediately after the pre-IPO investment)
Number of Shares and approximate percentage of shareholding upon Listing <i>(Note 1)</i>	:	24,000,000 Shares (representing approximately 3.0% of the issued share capital our Company upon the Listing)
Lock-up undertakings	:	Pursuant to the Sale and Purchase Agreement, Ultimate Joy undertakes not to dispose any shares in our Company for 180 days from the Listing Date
Strategic benefits	:	Having considered the corporate finance experience of the beneficial owner of Ultimate Joy, our Directors consider that Ultimate Joy will be able to help us in strategic development and operations of our Group and in improving our internal control and management as we can benefit from the relevant investment experience. Furthermore, with the strong business connection network of Ultimate Joy, our Directors believe that Ultimate Joy can assist our Group to explore potential business opportunities. Our Directors further believe that the introduction of Ultimate Joy will broaden our shareholder base and the relationship between our Company and Ultimate Joy will assist us to achieve an effective long-term growth

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Special right that will survive after the Listing	:	There were no special rights granted to Ultimate Joy
Public float for the purposes of Rule 11.23 of the GEM Listing Rules:	:	All Shares held by Ultimate Joy will be considered as part of public float
Call option (Note 2)	:	If the Listing does not take place on or before 30 June 2018 (or such other date as agreed between the parties in writing), YJH Group has the right to request Ultimate Joy to sell, and Ultimate Joy thereafter shall sell its interest in 23,200 Shares to YJH Group at the consideration of S\$500,000

Notes:

1. For illustration only, on the basis of our enlarged issued capital immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme).
2. The call option granted to YJH Group shall cease to have any effect immediately upon Listing.

Background of Ultimate Joy

Ultimate Joy was incorporated in the BVI with limited liability on 12 June 2017, which is wholly owned by Mr. Tan Song Kwang and is an investment holding company. Mr. Tan has experience in corporate finance matters. Mr. Tan has been a director of the financial advisory department of Stratus Capital Pte Ltd., an asset/portfolio management company, since 2005 and an independent non-executive director of Creative China Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8368), which provides program production covering the television and online broadcasting program content and event organisation in the PRC, since November 2015. From February 2004 to November 2016, he served as an independent director of Oriental Group Ltd., a company listed on the Singapore Exchange Limited (SGX:5FI), which manufactures, procures and supplies metal products for use in industrial and construction industries in the PRC. From May 2012 to January 2014, he served as an independent non-executive director of China Paper Holdings Limited, a company listed on the Singapore Exchange Limited (SGX:C71), which was a vertically integrated paper company equipped with in-house production facilities for manufacturing wheat pulp, paper and paper chemicals.

We acquainted with Ultimate Joy and Mr. Tan through Mr. LC Chua. Mr. Tan was introduced to Mr. LC Chua through one of their common friends.

To the best knowledge and belief of our Directors, Mr. Tan invested in our Company as he is interested in and optimistic about the business prospects of our Group. The consideration for the pre-IPO investment by Ultimate Joy was funded by the personal savings of Mr. Tan.

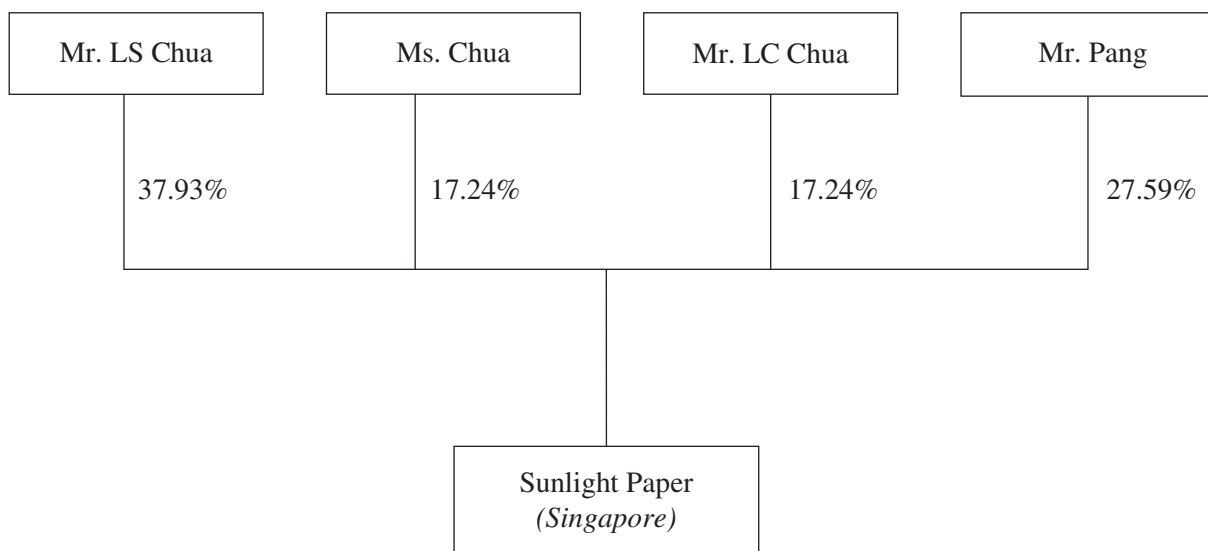
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Confirmation from the Sole Sponsor

After reviewing the terms of the Sale and Purchase Agreement and given that (i) our Directors confirmed that the terms of the pre-IPO investment (including the consideration) were determined on arm's length basis; and (ii) the pre-IPO investment was completed more than 28 clear days before the date of submission of the application for the Listing, the Sole Sponsor confirms that the pre-IPO investment is in compliance with the Guidance Letters HKEx-GL29-12 (January 2012) (updated in March 2017) and HKEx-GL-43-12 (October 2012) (Updated in July 2013 and March 2017) issued by the Stock Exchange.

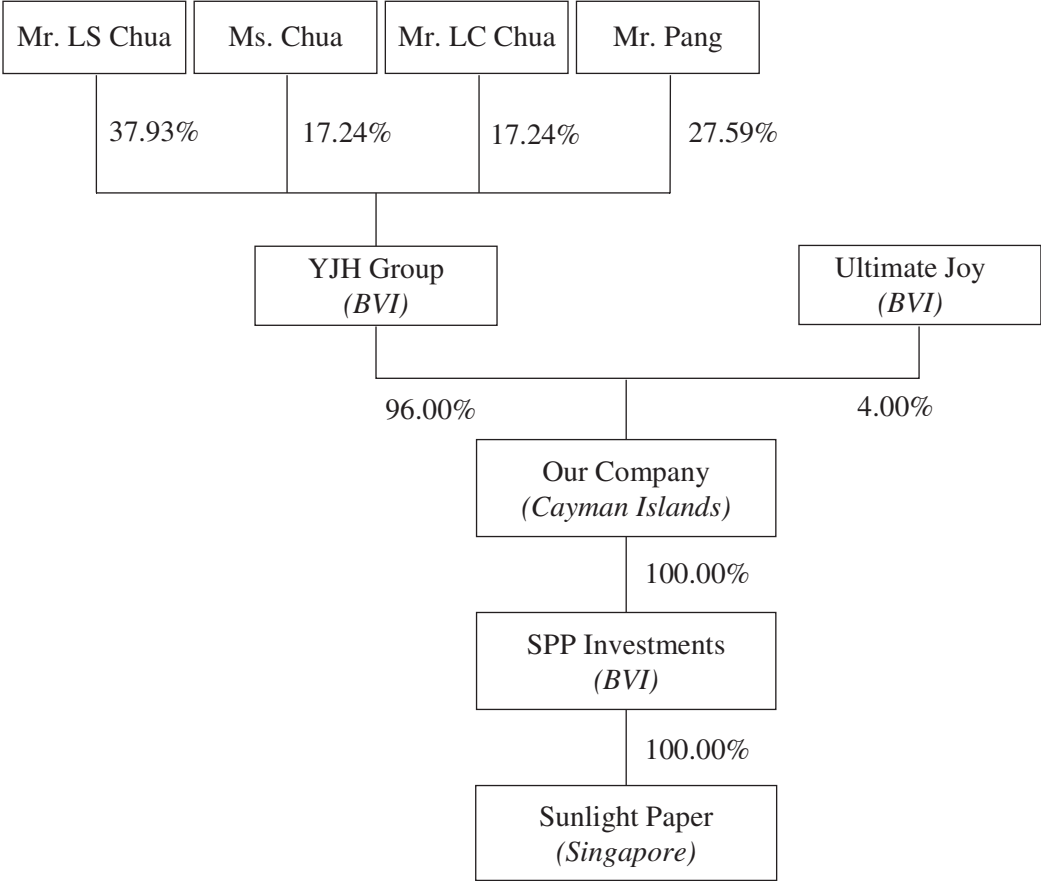
SHAREHOLDING AND CORPORATE STRUCTURE

The shareholding and corporate structure of our Group immediately before completion of the Reorganisation is set out as below:



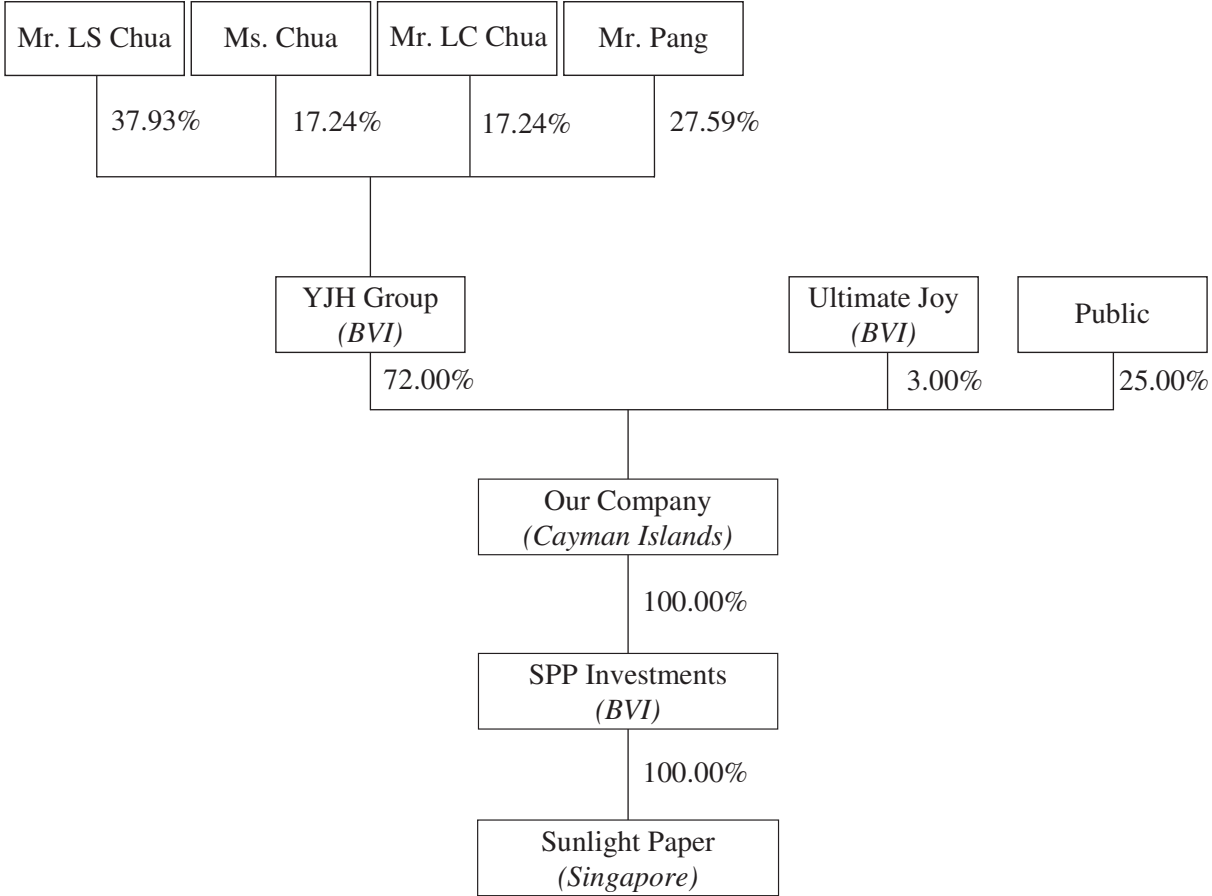
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before the Capitalisation Issue and the Share Offer is set out as below:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The shareholding and corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme) is set out as below:



OVERVIEW

We are a leading tissue products supplier for corporate customers in Singapore. We are the fifth largest tissue products supplier in Singapore in the overall tissue products market in Singapore in terms of sales revenue with a market share of approximately 6.8% in 2016, and the second largest tissue products supplier in the tissue products market for corporate customers in terms of sales revenue with a market share of approximately 11.7% in 2016, according to the CIC Report. We provide comprehensive services to our customers, from advising our customers on the types and specifications of tissue products, to sourcing suitable products, conducting quality control, delivery to customers through our fleet of delivery trucks and providing after-sales services. We also provide advice to our customers in relation to other related products, such as tissue dispensers and hygiene-related products.

In addition to sourcing products from our suppliers, we have our own conversion facilities in Singapore to convert material reels of tissue paper into jumbo roll tissues. This gives us a competitive edge over our competitors as it guarantees our commitment to deliver reliable and stable supply of jumbo roll tissues. As at the Latest Practicable Date, we had one conversion line, comprising a tissue rewinder and a log cutter, to convert material reels of tissue paper into jumbo roll tissues. During the Track Record Period, we had been in an alliance with Double Class, our largest supplier. For details, see “— Suppliers — Our relationship with Double Class”.

Established in Singapore in 1977, we have around 40 years of presence in the tissue products industry for corporate customers in Singapore. With our long history of operation and industry expertise, our customers are across various industries, including but not limited to facilities management and cleaning, hotel and leisure, and food and beverage. Our major customers encompass subsidiaries of listed companies. Such customers include (i) Customer B, a subsidiary of a Fortune 500 company, which is the leading global developer of integrated resorts and casino operator; (ii) CBM Pte Ltd, a subsidiary of City Developments Limited, an international real estate operating company with a global presence, and one of Singapore’s largest companies by market capitalisation; and (iii) UEMS Solutions Pte Ltd, a subsidiary of UEM Edgenta Berhad, a leader in total asset solutions including consultancy, procurement and construction planning, operations and maintenance for a range of assets and building types such as residential properties, offices and roads, respectively. For details, see “— Customers”.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and have differentiated us from our competitors:

We are a leading tissue products supplier for corporate customers in Singapore with a long history of operation and brand recognition

We are a leading tissue products supplier for corporate customers in Singapore, being the fifth largest tissue products supplier in Singapore in the overall tissue products market in Singapore in terms of sales revenue, and the second largest tissue products supplier in the tissue products market for corporate customers in Singapore in terms of sales revenue with a market share of approximately 11.7% in 2016, and the first and only jumbo roll tissue converter in Singapore, according to the CIC Report. Our market share in the overall tissue products market in Singapore accounted for approximately 6.8% in terms of sales revenue in 2016.

BUSINESS

We provide comprehensive services to our customers, from advising our customers on the types and specifications of tissue products, to sourcing suitable products, conducting quality control, delivery to customers through our fleet of delivery trucks and providing after-sales services. We also provide advice to our customers in relation to other related products, such as tissue dispensers and hygiene-related products. We believe the provision of such value-added service contributes to building a strong relationship with our customers, and helps to ensure that the products we provide best suit their needs, in turn building customers' loyalty and differentiating ourselves from competitors. Leveraging our long history of operation and in-depth understanding of the industry, we consider ourselves a pioneer in the tissue products industry for corporate customers in Singapore.

Established in 1977, we have around 40 years of presence in the tissue products industry for corporate customers in Singapore. We believe our long history of operation and market position and industry expertise have translated into a word-of-mouth reputation and increased customers' confidence in our products, which in turn allowed us to stand out and compete effectively over our peers in the market, consolidate our market share and attract new customers.

We focus on providing a reliable and stable supply of products to our customers with consistent quality

We believe that our success is underpinned by our ability to provide reliable and stable supply of products to our customers with consistent quality.

To ensure a reliable and stable supply of our products, we have implemented internal policies to (i) maintain two weeks' supply of products in our warehouse; (ii) maintain up to four weeks' supply of (a) products in our warehouse before festive periods such as Christmas and New Year, in anticipation of increase in demand during these periods, and (b) products and/or raw materials in our warehouse before long holidays of our major suppliers in Malaysia and China, such as Chinese New Year and Golden Week.

In addition, we have our own conversion facilities for the production of jumbo roll tissues in Singapore, and we are the first and only jumbo roll tissue converter in Singapore, according to the CIC Report. Such facilities are used to produce certain types of jumbo roll tissues, and to cover any sudden or unexpected increase in orders and/or urgent orders from customers for jumbo roll tissues. Having our own jumbo roll tissue conversion facilities also allows us to replenish our stock of jumbo roll tissue instead of depending totally on our suppliers. This gives us a competitive edge over our competitors, as it guarantees our commitment to our customers to deliver a reliable and stable supply of jumbo roll tissues.

Furthermore, we deliver our products to our customers with our in-house logistics team, which enables us to deliver our products to our customers directly, allowing timely delivery and control over the delivery process. With our in-house logistics team, we are able to fulfill urgent orders from our customers. In some cases, we are able to deliver our products within the same day. Our in-house logistics team is led by our head of logistics, Mr. Goh Kuang Song, who has joined us for more than 20 years. Our logistics team comprised 15 staff and a fleet of seven delivery trucks as at the Latest Practicable Date.

BUSINESS

We are committed to providing products of consistent quality to our customers. To ensure the quality of our products, we visit our key suppliers frequently to check the quality of raw materials (being mainly material reels of tissue paper) and our products, to ensure that all safety and hygiene standards are adhered to, and inspect their conversion facilities.

Apart from quality control on our products, we endeavour to ensure that the raw materials used for the production of our products adhere to our standards. We visit frequently the paper mills which provide raw materials to our key suppliers, so that we can inspect their facilities and ensure the quality of the tissue paper used to produce our products. For our conversion process, quality control checks are conducted at different stages and we regularly check our products to ensure that the quality is consistent and achieve to our standards. We also conduct quality control checks on incoming products and raw materials. For details, see “— Quality Control”.

We are able to provide products which meet the standards as defined under the respective certifications, such as the Singapore Green Label certification and the “safe for food contact” certification, where applicable. Our track record on quality assurance is evidenced by the fact that we have established long term relationships with our major customers. For details, see “— Our customers”.

We have a diversified portfolio of tissue products and other related products to meet customers’ needs

We offer an extensive range of tissue products such as toilet tissues, hand towels, napkins and facial tissues, and other related products such as hygiene related products and tissue dispensers. Within each category of products, we offer different types and combinations for our customers, such as different types of tissue paper, certification, colour, length, width, layers, embossing, perforation, finishing and packaging.

We consider offering an extensive range of products with different combinations crucial to our business and our success, and have contributed to our growth. For large customers, such as facilities management and cleaning companies and hotel and leisure companies, they require different types of products for their varying needs. For example, a hotel and leisure company usually have various food and beverage outlets, which require different types of napkins (such as cocktail napkins, lunch napkins and dinner napkins) with different outlets’ logos printed on them. They also require tissue products and related products for their guest rooms, public restrooms, kitchens and other facilities. Offering an extensive range of products not only allows our customers to have the convenience of engaging us for all of their various needs, but increase their loyalty to us and reliance on us.

We believe our flexibility and ability to offer customisable and diversified products positions us favourably for continued success because this enables us to satisfy multiple needs of large customers and the diverse requirements of our customers in different industries.

BUSINESS

We have well-established and long term relationships with our major customers, and a broad customer base

We have developed long term relationships with our major customers. We have established two to over 20 years of relationship with our five largest customers during the Track Record Period. Our major customers during the Track Record Period encompass subsidiaries of listed companies. In particular, we have established (i) over 20 years of relationship with the subsidiary of City Developments Limited, an international real estate operating company with a global presence, and one of Singapore's largest companies by market capitalisation, the shares of which are listed on the Singapore Stock Exchange; and (ii) approximately seven years of relationship with the subsidiary of a Fortune 500 company, which is the leading global developer of integrated resorts and casino operator, the shares of which are listed on the New York Stock Exchange.

Our well-established, stable and long term business relationships with our major customers provide us with stable customer base and revenue stream. During the Track Record Period, we served customers across a range of industries, comprising mainly facilities management and cleaning, hotel and leisure, hospital and health care, school and education, sourcing, and food and beverage. Such broad and diversified customer base allows us to capture growth in various industries, while avoiding the risk of over-reliance on particular industries and customers.

We have an experienced and committed management team

Our management team comprises a group of highly experienced professionals in the tissue products industry for corporate customers. Mr. LS Chua, Ms. Chua and Mr. LC Chua, our executive Directors, each has over 30 years of experience in the tissue products industry for corporate customers, are involved in our operations. Mr. LS Chua, our executive Director, Chairman and chief executive officer of our Group, is primarily responsible for formulating the overall strategies and planning of our Group. Ms. Chua, our executive Director and operations director, is responsible for overall operations of our Group. Mr. LC Chua, our executive Director and sales director, is primarily responsible for sales and marketing activities of our Group. For details, see "Directors and Senior Management". Our executive Directors and senior management team have led and transformed our Group into a leading tissue products supplier for corporate customers in Singapore. We believe our management team possesses in-depth knowledge and experience critical to success in the tissue products industry for corporate customers and is capable of seizing market opportunities, formulating sound business strategies, assessing and managing risks and implementing management schemes, so as to maximise our shareholder value.

OUR BUSINESS STRATEGIES

In order to further grow our business and expand our presence in the tissue products industry for corporate customers in ASEAN countries, we intend to pursue the following business strategies:

Upgrade our conversion line for the production of jumbo roll tissues

As at the Latest Practicable Date, we had one conversion line, comprising a tissue rewinder and a log cutter, for the conversion of material reels of tissue paper into certain types of jumbo roll tissues. We have been the first and only jumbo roll tissue converter in Singapore, according to the CIC Report. We believe that such capabilities give us a competitive edge over our competitors, as it guarantees our commitment to our customers to deliver reliable and stable supply of jumbo roll tissues.

We intend to upgrade our conversion line in Singapore for the production of jumbo roll tissues, by replacing our existing tissue rewinder, which is one of the major machinery of the conversion line, with a more advanced tissue rewinder from Europe. The capital expenditure of upgrading the conversion line is estimated to be S\$1.0 million (equivalent to approximately HK\$6.2 million) which will be funded by our net proceeds from the Share Offer. By upgrading our conversion line, we can increase our production of jumbo roll tissues and enhance our ability to replenish our stock of jumbo roll tissues instead of relying on our suppliers, as well as maximise our control over the quality of our products, therefore guarantee our commitment to deliver a reliable and stable supply of jumbo roll tissues with consistent quality. Our Directors consider that upgrading our conversion line will allow us to increase our production efficiency and stability of our conversion process, and eventually enjoying economies of scale and reduction in production cost, due to, among others, elimination of margins of suppliers and reduction in transportation cost incurred by our suppliers. We believe that our production cost will eventually be lower than the procurement cost for procuring the same from suppliers, as our conversion line reaches an optimal level of production and reaches economies of scale.

Acquire a new conversion line for the production of hand towels

We currently purchase hand towels from our suppliers. To increase our control over the quality of our products, replenish our stock of hand towels by ourselves and avoid complete reliance on our suppliers, we intend to acquire a conversion line for the production of hand towels in Singapore. The capital expenditure of acquiring the conversion line is estimated to be S\$0.2 million (equivalent to approximately HK\$1.3 million) which will be funded by our net proceeds from the Share Offer. Hand towels are one of our main products, accounting for 34.5% and 32.0% of our revenue for the year ended 30 September 2016 and 2017, respectively. Our gross profit margin for hand towels is also the highest out of all tissue products for the corresponding periods, at 32.6% and 37.2%, respectively. We believe that the acquisition of a conversion line for the production of hand towels will increase our competitiveness and reiterate our ability to deliver a reliable and stable supply of hand towels.

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Invest in an additional factory building in Singapore to be used as our warehouse

In anticipation of the increase in our production of jumbo roll tissues and hand towels, the growing demand for our products and the expansion in our product portfolio, we expect our inventory level to increase. We intend to invest in an additional factory building in Singapore to be used as our warehouse to increase our overall space to cope with the increase in scale of production and improve our logistics and delivery efficiency. The capital expenditure of acquiring the additional factory building is estimated to be approximately S\$6.5 million (equivalent to approximately HK\$38.7 million), of which approximately S\$2.9 million (equivalent to approximately HK\$17.1 million) will be funded by our net proceeds from the Share Offer and the remaining will be funded by bank loan(s) and/or internal resources. The capital expenditure of purchasing delivery trucks and lifting equipment is estimated to be approximately S\$0.4 million (equivalent to approximately HK\$2.4 million) which will be fully funded by our net proceeds from the Share Offer.

We are currently reviewing various potential locations in Tuas, Singapore, where our existing conversion facilities are located. As at the Latest Practicable Date, we have not identified specific locations and no agreement had been entered into in respect of the planned investment in an additional factory building. The total capital expenditure for (i) upgrading our conversion line for the production of jumbo roll tissues; (ii) acquiring new conversion line for the production of hand towels; and (iii) investing in the additional factory building and purchasing delivery trucks and lifting equipment is estimated to be approximately S\$8.1 million (equivalent to approximately HK\$48.5 million).

Our Directors believe that in order for us to increase our market share, it is vital for us to increase our production to enhance our competitiveness and reduce our procurement cost. We have observed a continuous increase in procurement costs of tissue products over the years, and expect such procurement costs to continue to increase, due to, among others, a general increase in labour cost in the PRC, where our major supplier is located. During the Track Record Period, considering the lower procurement cost from our suppliers compared with our production cost with our existing aged conversion line, we sourced a significant portion of our products from our suppliers.

After implementation of our strategies, we expect our new machineries to operate at a higher level of efficiency, which will enable us to achieve economies of scale with higher level of production volume. We expect that our production cost will decrease to a level below the procurement cost from our suppliers, leading to an increase in our gross profit margin and profitability. During the Track Record Period, approximately 5.0% of our products was produced by our conversion facilities, and we expect such share to surpass 70.0% after we commence commercial production with the new and upgraded conversion facilities. We will be able to reduce our purchases from suppliers.

Furthermore, although we were the second largest tissue products supplier in the tissue products market for corporate customers in Singapore in terms of sales revenue in 2016 according to the CIC Report, our market share was only approximately 11.7%, and we believe there is room for increase in our market share, by leveraging our established brand name and years of presence. We believe the increase in our presence in Singapore, being the regional hub of ASEAN, would enable us to capture growth in the region. According to the CIC Report, the consumption value for tissue products for corporate customers in ASEAN increased from USD344.4 million in 2011 to USD399.0 million in 2016, with a CAGR of 3.0%, and is expected to continue to expand, reaching USD515.3 million by 2021 at a CAGR of 5.3% between 2016 and 2021. With such positive market outlook, we believe we can leverage

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our leading market position to increase our sales volume and revenue. As such, we need to acquire an additional factory building to increase our overall space, which will allow us to increase our production and maximise Shareholders' returns.

During the Track Record Period, our existing factory had been used as office, warehouse, and to house our conversion facilities. With the increase in scale of production, we expect the need for storage of raw materials and finished goods to increase, as (i) one of our principal raw materials are material reels of tissue paper, they are bulky and the storage of which take up a lot of space; (ii) the upgraded and new conversion lines are expected to produce 20,000 cartons and 11,600 cartons of jumbo roll tissues and hand towels per month, respectively, for the year ending 30 September 2019, when such conversion lines have been utilised at full capacity; and (iii) our portfolio of hygiene-related products will be further expanded as set out in “— Our business strategies — Expand our product portfolio”. Together with the area needed to house our new conversion line for hand towels, we will need more space to cope with our expansion. After acquisition of the additional factory building, we intend to use it as our warehouse to store finished goods, and use the existing factory building as our office, to house our conversion facilities, and to store raw materials.

The existing factory building that we have been using since 2002 has limitations on its layout and is not designed to cater for larger scale of operations. Currently, our purchases are delivered by large trucks and manually unloaded to our warehouse in the open space due to the limitation in space for large trucks to manoeuvre into our premises. This affects our efficiency in unloading our purchases, as this process is carried out in the open space, and is therefore subject to seasonal factors, such as rain. We intend to install pallet racking system in the additional factory building which is designed to work with the lifting equipment that we plan to purchase, and collectively these modifications are expected to increase our logistics and delivery efficiency. Our Directors estimate that our time taken for loading and unloading of our finished goods will be shortened, and the logistics and delivery flow of our products will be carried out more efficiently.

In carrying out our expansion plan, we expect our depreciation expenses and operational expenses including staff cost, insurance cost and repair and maintenance cost to increase, which will adversely impact our net profit in the short term. In the long term, we expect our revenue and net profit to increase as a result of the increase in production capacity and our competitiveness in the market. For details, see “Future Plans and Use of Proceeds — Implementation plan — Potential increase in depreciation and other expenses”. For associated risks, see “Risk Factors — Our future capital expenditure may result in increase in depreciation expenses and future expansion plans are subject to uncertainties and risks”.

Strengthen our workforce and our sales and marketing effort

We plan to strengthen our workforce to fulfill our strategic goals. To align with the expansion in our conversion capabilities, we intend to expand our production team. We also intend to expand our in-house logistics team by recruiting additional staff to handle the expected increase in sales as a result of the strengthening of our sales and marketing team.

We intend to expand our sales and marketing team. With our vast number of customers across various industries with different needs, we intend to intensify our sales and marketing effort towards our existing customers, by introducing our diversified product portfolio and capturing sales opportunities,

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therefore further strengthening our relationships and expanding our market share. We also plan to leverage our leading market position, long history of operation, in-depth industry expertise and diversified product portfolio to expand our customer base by soliciting new customers.

We intend to fund the expenses in relation to the expansion of our workforce with cash generating from our operations. We aim to achieve stable growth and reduce concentration risk on any single customer by the expansion of our customer base.

Expand our product portfolio

We intend to capture market opportunities in the sales of hygiene-related products, by further expanding our product portfolio. This will allow us to build stronger relationships with existing customers, contributing to higher brand loyalty. Our Directors believe that there is substantial potential to increase our sales of hygiene-related products, as a significant portion of our revenue had been derived from the facilities management and cleaning industry, which requires hygiene-related products.

Our revenue from the sales of hygiene-related products remained relative small, accounting for 7.2% and 8.0% of our total revenue for the year ended 30 September 2016 and 2017, respectively. However, our gross profit margin for hygiene-related products is the highest out of all of our products, at 38.8% and 37.4% for the corresponding periods, respectively. We intend to maximise shareholders' returns by expanding our product portfolio of hygiene-related products and intensifying our sales and marketing effort in this segment, as our gross profit margin for hygiene-related products is the highest among all of our products. For details, see "Financial Information — Description of selected items in the combined statements of profit or loss". Expansion of our product portfolio will allow to increase cross-selling opportunities, take advantage of the high gross profit margin of hygiene-related products, and deepen our penetration into the hygiene-related products market.

For further details on the implementation of our business strategies, see "Future Plans and Use of Proceeds".

OUR PRODUCTS

Our products include: (i) tissue products; (ii) hygiene-related products; and (iii) others, mainly comprising tissue dispensers. Tissue products include (a) toilet tissues, comprising jumbo roll tissues and conventional roll tissues; (b) hand towels; (c) napkins; and (d) facial tissue. Hygiene-related products include (a) hygiene wipes; (b) hygiene gloves; and (c) industrial wipes.

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The following table sets forth our revenue, average selling price, sales volume, gross profit and gross profit margin by each of our products:

Product	Year ended 30 September											
	2016						2017					
	Revenue (S\$'000)	% of total revenue	Average selling price (S\$)	Sales volume Carton'000	Gross profit (S\$'000)	Gross profit margin %	Revenue (S\$'000)	% of total revenue	Average selling price (S\$)	Sales volume Carton'000	Gross profit (S\$'000)	Gross profit margin %
Tissue products												
— Jumbo roll tissues	5,215	42.3	23.0	227	1,008	19.3	5,222	42.8	22.6	231	1,085	20.8
— Hand towels	4,267	34.5	27.0	158	1,392	32.6	3,900	32.0	26.8	145	1,452	37.2
— Others ^(Note 1)	1,870	15.2	28.5	66	511	27.3	1,908	15.7	27.4	70	591	31.0
	11,352	92.0	25.2	451	2,911	25.6	11,030	90.5	24.7	446	3,128	28.4
Hygiene-related products	891	7.2	33.8	26	346	38.8	971	8.0	33.3	29	363	37.4
Others^(Note 2)	100	0.8	(Note 2)	(Note 2)	1.0	1.0	185	1.5	(Note 2)	(Note 2)	2.0	1.1
Total	<u>12,343</u>	<u>100.0</u>	N/A	N/A	<u>3,258</u>	<u>26.4</u>	<u>12,186</u>	<u>100.0</u>	N/A	N/A	<u>3,493</u>	<u>28.7</u>

Notes:

- (1) Others under tissue products comprise napkins, conventional roll tissues and facial tissues.
- (2) Others mainly comprise tissue dispensers. During the Track Record Period, the average selling prices and sales volume of tissue dispensers were S\$10.3 and S\$10.7, and approximately 8,100 pieces and 10,800 pieces, respectively.

During the Track Record Period, our revenue, average selling price and sales volume were relatively stable, except for the decrease in sales of hand towels mainly because of the decrease in sales volume due to one of our major facility management customers reduced its orders from us. Our gross profit margin increased mainly attributable to the increase in gross profit margin for hand towels and other tissue products due to lower purchase price. Our gross profit margin for jumbo roll tissues remained stable. Our gross profit margin for hygiene-related products decreased slightly mainly because of the decrease in average selling price due to lower prices offered to new customers in order to pursue new businesses. For details, see “Financial Information — Description of selected items in the combined statements of profit or loss”.

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Products specifications

1. Tissue products

	Toilet tissue	Hand towels	Napkins	Facial tissue
Types	<ul style="list-style-type: none"> ● Jumbo roll tissue ● Conventional roll tissue 	<ul style="list-style-type: none"> ● Hand towel roll ● Folded hand towel ● Centre pull hand towel roll 	<ul style="list-style-type: none"> ● Airlaid napkins ● Tissue napkins 	<ul style="list-style-type: none"> ● Cube box tissue ● Flat box tissue ● Soft pack tissue
Approximate average price per carton (during the Track Record Period)	\$S22.6	\$S26.9	\$S36.6	\$S38.3

The table below sets forth photos of our products by each product type:

Toilet tissue:

Jumbo roll tissue:



Conventional roll tissue:



Hand towels:

Hand towel rolls:



Folded hand towels:



Centre pull hand towel rolls:



Napkins:

Airlaid napkins:



Tissue napkins:



Facial tissue:

Cube box tissue:



Flat box tissue:



Soft pack tissue:



2. *Hygiene-related products*

Our hygiene-related products refer to hygiene wipes, hygiene gloves and industrial wipes:

- *Hygiene wipes:* Our hygiene wipes are certified to be safe for food contact. They are ideal for kitchen use, general purpose, light duty clean-ups as well as janitorial and maintenance wiping.
- *Hygiene gloves:* We offer two types of disposal hygiene gloves including nitrile and vinyl gloves to our customers. Nitrile gloves are made out of synthetic rubber and usually marketed to hospital and medical institutions, food and beverage industry, as well as general cleaning. They are an ideal alternative when latex allergies are of concern. Vinyl gloves offer affordable and effective safety and hygiene in a variety of work environments. They offer barrier protection for light-duty tasks in kitchens or general cleaning.
- *Industrial wipes:* Our industrial wipes are ideal for heavy vehicle workshops and industrial applications for cleaning up oil, grime and solvents. They come in different length and thickness to cater to specific requirements for various customers.

3. *Tissue dispensers*

We supply jumbo roll tissue dispensers, centre-pull hand towel roll dispensers, folded hand towel dispensers and automated touchless hand towel roll dispensers to our customers.

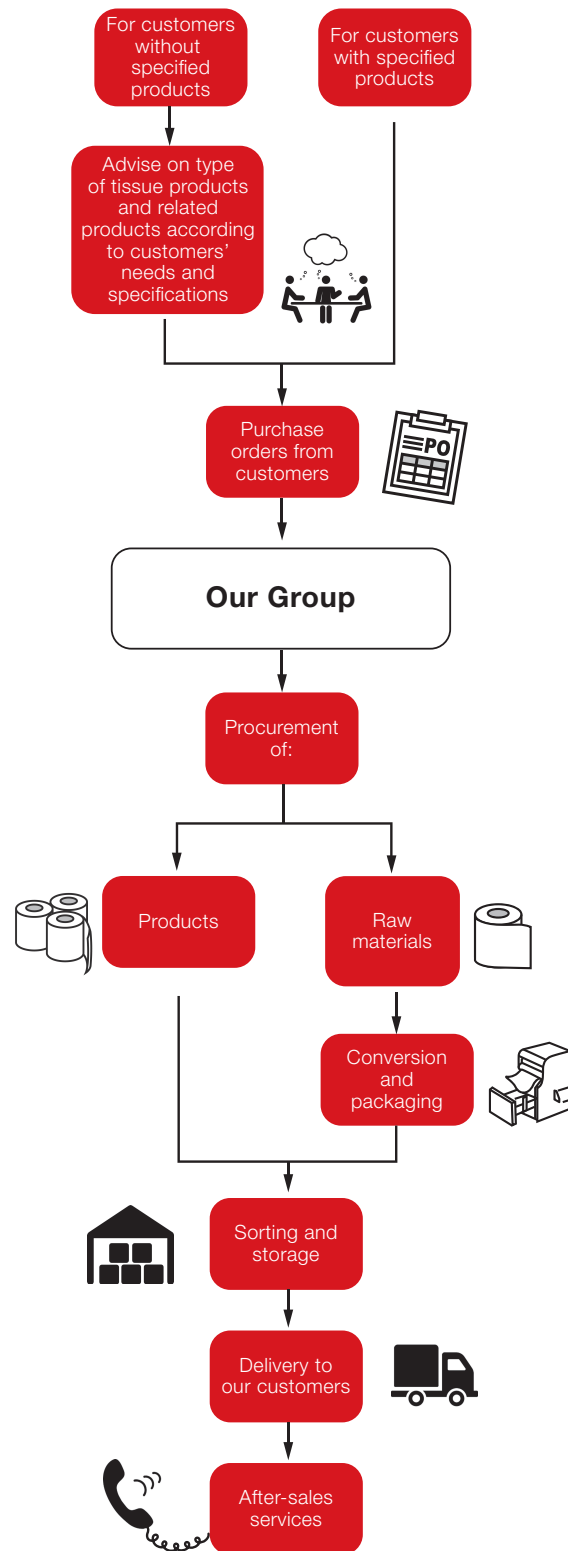
Seasonality

We had not experienced significant seasonality in sales during the Track Record Period.

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OUR BUSINESS MODEL

The following diagram illustrates our business model:



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We generate our revenue by selling and supplying tissue products and other related products to corporate customers. We provide advice to our customers in various aspects relating to our products, from the type of tissue products to be used according to the needs and specifications of our customers, to the related products, such as hygiene-related products and tissue dispensers. We source some of our products, such as jumbo roll tissues, hand towels, napkins, facial tissues, hygiene-related products and tissue dispensers, from our suppliers in the PRC and Malaysia. We source the principal raw materials used in the production of jumbo roll tissues from our suppliers located in Malaysia, and convert material reels of tissue paper into jumbo roll tissues at our conversion facilities in Singapore. Our products are sorted and stored in our warehouse before they are delivered to our customers via our delivery trucks. We sell our products directly to our customers, such as facilities management and cleaning companies and hotels. Sales of goods are recognised upon delivery of our products to our customers when risks and ownerships are passed to them. We provide after-sales services, such as following up with our customers as to the quality of our products.

CONVERSION FACILITIES AND PROCESS

Conversion facilities

As at the Latest Practicable Date, our Group had one conversion line, comprising a tissue rewinder and a log cutter, for the conversion of material reels of tissue paper into certain types of jumbo roll tissues, and to cover any sudden or unexpected increase in orders and/or urgent orders from customers for jumbo roll tissues. The following table sets forth a summary of our optimal production capacity and efficiency rates during the Track Record Period:

Product	Year ended 30 September					
	2016			2017		
	Optimal production capacity <i>(Note 1)</i> <i>(cartons)</i>	Actual production volume <i>(cartons)</i>	Approximate efficiency rate <i>(Note 2)</i> <i>(%)</i>	Optimal production capacity <i>(Note 1)</i> <i>(cartons)</i>	Actual production volume <i>(cartons)</i>	Approximate efficiency rate <i>(Note 2)</i> <i>(%)</i>
Jumbo roll tissues	36,000	24,000	66.7%	36,000	21,500	59.7%

Notes:

- The optimal production capacity refers to the number of cartons of jumbo roll tissues produced in one year operated at the optimum level, which is calculated based on the following assumptions for illustrative purpose only: (i) there were 220 working days per year (excluding public holidays, weekends, factory closure and factory and machine maintenance days); (ii) our conversion facilities are operated for 5.5 hours per working day; and (iii) there was no major machinery breakdown. The optimal production capacity was estimated taking into account the ages of our machineries, their remaining useful lives and their current conditions.
- The efficiency rate is calculated based on the actual output for the relevant financial year divided by the optimal production capacity during the corresponding financial year on an annual basis.

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For the years ended 30 September 2016 and 2017, we managed to produce only 24,000 cartons and 21,500 cartons of jumbo roll tissues using our conversion facilities, which represented efficiency rate of approximately 66.7% and 59.7%, respectively. The relatively low and reducing efficiency rates were due to numerous stoppages during the conversion process such as paper jam, misalignment of paper feed, unbalanced rewinding, etc. which are operational challenges with using an old and aged tissue rewinder machine. Such stoppages are intermittent and unpredictable and lead to machine down time to remove the stuck paper or damaged jumbo roll tissue, refeed the material reel of tissue paper into the tissue rewinder machine, readjust the alignment and restart the rewinding process.

During the Track Record Period, we sourced a significant portion of our products from our suppliers due to the lower procurement cost from our suppliers compared with our production cost with our existing aged conversion line. Our own conversion facilities for production of jumbo roll tissues which were to (i) cover any sudden or unexpected increase in orders and/or urgent orders; and (ii) replenish our stock of jumbo roll tissues instead of depending totally on our suppliers. As part of our business strategies as set out in “Business — Our business strategies”, we intend to upgrade our conversion line for production of jumbo roll tissues. By upgrading our conversion line our production of jumbo roll tissues and scale of operation would exceed the optimal production capacity of our existing aged conversion line. Therefore, we intend to upgrade our conversion line for the production of jumbo roll tissues with the net proceeds from the Share Offer.

Major machinery

The table below sets forth information on our major conversion machinery as at the Latest Practicable Date:

Major machinery	Approximate age	Estimated approximate remaining useful life
Tissue rewinder	25 years	3 years
Log cutter	21 years	7 years

Our Directors estimated the approximate remaining useful lives of our major machineries based on the relevant machinery’s current conditions. We own our major conversion machinery. We carry out maintenance and repair work generally from time to time as required. We maintain preventive maintenance practices such as oiling our machinery.

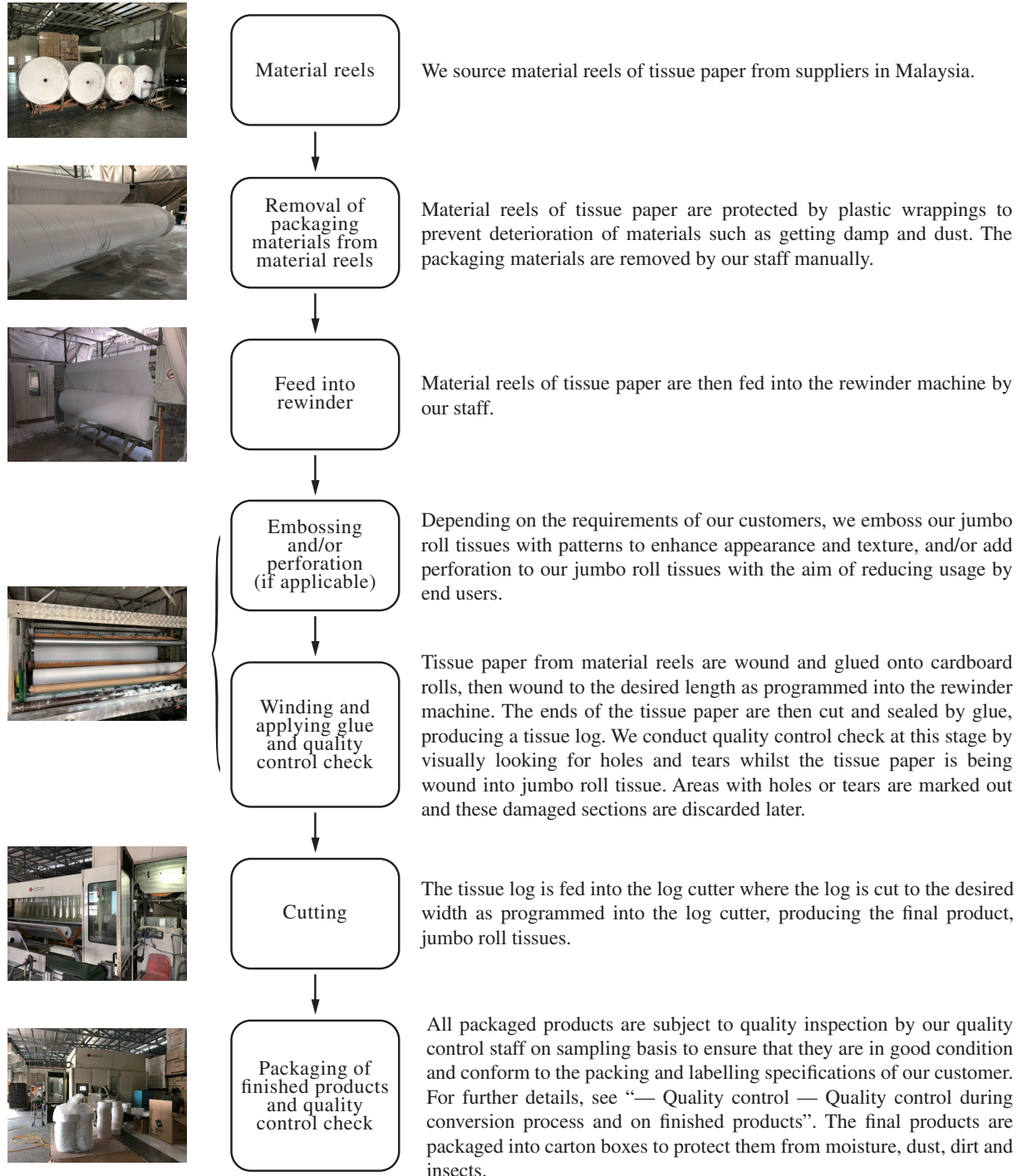
As our production line is aged and the major machineries are near the end of their useful lives, we intend to upgrade our conversion line for the production of jumbo roll tissues with the net proceeds from the Share Offer. We also intend to acquire a conversion line for the production of hand towels with the net proceeds from the Share Offer. For details, see “Future Plans and Use of Proceeds — Implementation plans”.

During the Track Record Period, the jumbo roll tissues produced by our conversion facilities represented around 10% of our Group’s sales volume of jumbo roll tissues. The sales volume of jumbo roll tissues remained stable as the procurement of jumbo roll tissues from our suppliers increased while jumbo roll tissues produced by our conversion facilities decreased. For details, see “Financial Information — Description of Selected Items in the Combined Statements of Profit or Loss”.

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Conversion process

We convert material reels of tissue paper to jumbo roll tissues. The following diagram illustrates the key steps in our conversion process for our jumbo roll tissues:



QUALITY CONTROL

We have adopted quality control measures covering incoming products and raw materials, conversion process and finished products. See “— Certification and award” for the quality related certification and award. During the Track Record Period and up to the Latest Practicable Date, we had not received any material claim or complaint from our customers in respect of the quality of our products.

Quality control on incoming products and raw materials

To ensure the quality of our products, we visit our key suppliers frequently to check the quality of raw materials (being mainly material reels of tissue paper) and our products, to ensure that all safety and hygiene standards are adhered to, and inspect their conversion facilities.

Apart from quality control on our products, we endeavour to ensure that the raw materials used in the production of our products adhere to our standards. We visit frequently the paper mills which provide raw materials to our key suppliers, so that we can inspect their facilities and ensure the quality of the tissue paper used to produce our products. We are committed to maximise our control over the quality of our products.

For incoming products and raw materials, upon arrival of deliveries, samples are taken to inspect their quality and adherence to our specifications against our requirements, including type of paper used, colour of paper, whether the products were embossed or not and perforation. We also check the weight of the incoming products and raw materials to ensure that the correct length of the tissue paper has been delivered, and check the quantities of delivery against the relevant purchase order.

At the point of unloading of products and raw materials, we also conduct a general check to ensure that they are not wet, mouldy and squashed.

Products and raw materials which fail our inspection will be rejected and will not be used. Our quality control staff will report to our operations director, who will then contact the relevant supplier for refund or exchange.

Quality control during conversion process and on finished products

During the conversion process, at the stage of winding and applying glue to the tissue paper, we conduct quality control check by visually looking for holes and tears whilst the tissue paper is being wound into jumbo roll tissue. Areas with holes or tears are marked out and these damaged sections are discarded later. We conduct quality control check at the end of the conversion process by visually inspecting shape and cleanliness, measuring the width against the required dimension, and checking the weight against our requirements for correct length of tissue paper. Before packaging, we blow away “tissue dust” which is generated during the conversion process, and any other possible foreign objects such as hair, insects and particles, to ensure that our products are clean. All packaged products are subject to quality inspection by our quality control staff on sampling basis to ensure that they are in good condition and conform to our packing and labelling requirements.

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Quality control on Double Class

As we licensed the use of the Sunlight trademark to Double Class in Hong Kong and Macau, to ensure the quality of the tissue products with Sunlight trademark provided by Double Class, we visit Double Class frequently to check the quality of raw materials and the products bearing our trademark, and inspect their conversion facilities. For details of our relationship with Double Class, see “— Suppliers — Our relationship with Double Class”.

Customer feedback

We recognise the importance of providing quality services and have put in place procedures to ensure that feedback from customers are handled in a timely and appropriate manner. Our customers may report their feedback by calling our customer services team, who would then report to our sales managers for proper resolution, where required.

CUSTOMERS

Our customers mainly include companies in the industries of facilities management and cleaning, sourcing, hotel and leisure, food and beverage, industrial, school and education and hospital and health care located in Singapore. The following table sets forth a breakdown of our revenue by the industry of our customers for the years indicated:

	Year ended 30 September			
	2016		2017	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Facilities management and cleaning	5,400	43.7	4,822	39.6
Sourcing	2,059	16.7	2,251	18.5
Hotel and leisure	2,003	16.2	2,008	16.5
Food and beverage	924	7.5	1,031	8.4
Industrial	792	6.4	768	6.3
School and education	428	3.5	486	4.0
Hospital and health care	414	3.4	446	3.6
Others	<u>323</u>	<u>2.6</u>	<u>374</u>	<u>3.1</u>
	<u><u>12,343</u></u>	<u><u>100.0</u></u>	<u><u>12,186</u></u>	<u><u>100.0</u></u>

Companies in the facilities management and cleaning industry generally provide management services, including but not limited to cleaning services, building maintenance services and security services, to commercial buildings, residential buildings or other venues. Companies in the sourcing industry source suitable products for their customers based on their customers' specifications of the products, and supply products accordingly. For the year ended 30 September 2016 and 2017, our five largest customers in aggregate accounted for approximately 37.8% and 34.7% of our total revenue, respectively, and sales to our largest customer accounted for approximately 12.9% and 14.2% of our total revenue, respectively, during the same periods.

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The following table sets forth details of our five largest customers during the Track Record Period.

For the year ended 30 September 2016

Rank	Customer's name	Key products provided by us	Approximate years of business relationship with us	Credit terms and payment method	Sales to the customer	
					S\$'000	% of total revenue
1	Customer A <i>(Note 1)</i>	Toilet tissue, hand towels, napkins and hygiene-related products	14	30 days, bank transfer	1,596	12.9
2	Customer B <i>(Note 2)</i>	Tissue products and hygiene-related products	7	30 days, cheque	1,484	12.0
3	Customer C <i>(Note 3)</i>	Toilet tissue and hand towels	7	30 days, bank transfer	849	6.9
4	CBM Pte Ltd <i>(Note 4)</i>	Toilet tissue and hand towels	over 20	30 days, cheque	456	3.7
5	Eng Leng Contractor Pte Ltd <i>(Note 5)</i>	Jumbo roll tissues and hand towels	over 10	30 days, cheque	283	2.3
Total:					<u>4,668</u>	<u>37.8</u>

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For the year ended 30 September 2017

Rank	Customer's name	Key products provided by us	Approximate years of business relationship with us	Credit terms and payment method	Sales to the customer	
					\$S'000	% of total revenue
1	Customer A <i>(Note 1)</i>	Toilet tissue, hand towels, napkins and hygiene-related products	14	30 days, bank transfer	1,730	14.2
2	Customer B <i>(Note 2)</i>	Tissue products and hygiene-related products	7	30 days, bank transfer	1,393	11.4
3	CBM Pte Ltd <i>(Note 4)</i>	Toilet tissue and hand towels	over 20	30 days, cheque	414	3.4
4	Customer C <i>(Note 3)</i>	Toilet tissue and hand towels	7	30 days, bank transfer	393	3.2
5	UEMS Solutions Pte Ltd <i>(Note 6)</i>	Toilet tissue, hand towels and facial tissue	2	30 days, bank transfer	305	2.5
Total:					<u>4,235</u>	<u>34.7</u>

Notes:

- Customer A is a limited liability company incorporated in Singapore in 2000. According to publicly available information, its head quarter is in the United States where the business was started in 1889 and has approximately 350,000 customers in 170 locations worldwide. Customer A's principal businesses in Singapore are (i) the rental of textile such as uniform and linen whereby the valued added service of Customer A is the cleaning of the soiled and dirty uniforms and linen; and (ii) the provision of hygiene and cleaning products for use in washrooms, such as tissue products, tissue dispensers, soap dispensers, sanitisers, floor mats, etc.
- Customer B is a limited liability company incorporated in Singapore in 2005 which is an integrated resort and casino operator. According to publicly available information, it is a subsidiary of a company listed on the New York Stock Exchange, which is a Fortune 500 company and the leading global developer of integrated resorts that feature premium accommodations, world-class gaming, entertainment and retail, convention and exhibition facilities, celebrity chef restaurants and other amenities.
- Customer C is a limited liability company incorporated in Singapore in 2009 which principally engages in commercial and industrial real estate management (commercial cleaning, conservancy services, environmental management services) and pest control services. According to publicly available information, it is a wholly owned subsidiary of a leading multi-disciplinary regional infrastructure development and environmental management solution provider in India.

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4. CBM Pte Ltd is a limited liability company incorporated in Singapore in 1971 which principally engages in the provision of building maintenance, security, cleaning and related services to commercial and residential buildings. According to publicly available information, it is a subsidiary of City Developments Limited, a company listed on the Singapore Stock Exchange, which is an international real estate operating company with a global presence, and is one of Singapore's largest companies by market capitalisation.
5. Eng Leng Contractor Pte Ltd is a limited liability company incorporated in Singapore in 1991 which principally engages in the provision of general cleaning services (including cleaning of public areas and janitorial services).
6. UEMS Solutions Pte Ltd is a limited liability company incorporated in Singapore in 1988 which principally engages in the provision of facility management services. According to publicly available information, it is a subsidiary of UEM Edgenta Berhad, a company listed on the Main Board of Bursa Malaysia Securities Berhad, which is a leader in total asset solutions including consultancy, procurement and construction planning, operations and maintenance for a range of assets and building types such as residential properties, offices and roads.

We do not enter into long-term agreements with purchase obligations with our customer. Our customers' orders are confirmed by placing purchase orders. Upon request by customers, we may enter into agreements stipulating fixed unit prices of our products with our customers. During the Track Record Period, among our five largest customers, we had entered into agreements stipulating fixed unit prices of our products with three of them, namely (i) CBM Pte Ltd for the duration of one year; (ii) UEMS Solutions Pte Ltd for the duration of two years; and (iii) Customer B for the duration of five years. The terms of such agreements may vary depending on the requirements of the customers, but include the following:

- Price : the agreement sets out the agreed unit prices for a list of products.
- Price adjustment : depending on the agreement, the agreed unit prices shall not be increased during the term of the agreement unless approved in writing by the procurement manager/director of the relevant customer.
- Termination : depending on the agreement, where in the sole and exclusive of the relevant customer, Sunlight Paper has failed and/or refused to proceed expeditiously with delivery of the products pursuant to a purchase order, the relevant customer may terminate the relevant agreement or such purchase order or any portion of such purchase order without cost or penalty, subject to the relevant customer giving Sunlight Paper 48 hours prior to written notice of such termination.
- depending on the agreement, the relevant customer may terminate the relevant agreement by providing 30 days' prior written notice to Sunlight Paper.
- Renewal : depending on the agreement, after expiry, the relevant agreement may be renewed for the same term as was initially agreed in the agreement.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there had not been any material breach of the terms of the above agreements and our Group had not encountered any material incident of product replacement, or cancellation of purchase order pursuant to the above agreements.

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The purchase orders from our customers generally include terms such as the products required with specifications, quantity of the products required, delivery date, delivery address and contact person.

During the Track Record Period, we also purchased hand towels from Customer A and sold them to another customer, as such customer needed a particular type of hand towels for their hand towel dispensers, and we did not provide such type of hand towels. Purchases from Customer A amounted to S\$8,000 and S\$9,000 for the year ended 30 September 2016 and 2017, respectively, accounting for less than 0.5% of our total purchases for the corresponding periods and sales to Customer A accounted for 12.9% and 14.2% of our total revenue, respectively, of the corresponding periods.

All of our five largest customers during the Track Record Period were Independent Third Parties. None of the Directors, their close associates or any Shareholders (which to the knowledge of our Directors owned more than 5% of the issued share capital of our Company) had any interest in our five largest customers during the Track Record Period.

PRICING

In determining the selling prices, we take into account the following factors: (i) our business relationship with the relevant customers; (ii) the purchase volume by the relevant customers; and (iii) the history of payment of the relevant customers. We use cost-plus pricing to set the unit prices of our products. Under this cost-plus pricing method, we add together certain direct costs, such as costs of products or raw materials, staff cost, and a markup profit margin.

Our pricing policies do not allow any adjustment to prices after a purchase order has been placed by our customers.

BRANDING, SALES AND MARKETING

Branding

Our tissue products are marketed under the “Sunlight” brand. The “Sunlight” trademark was registered in 2005 in Singapore. For details, see “B. Further information about the business of our Group — 2. Intellectual property rights — (i) Trademark” in Appendix V to this prospectus.

Sales

We sell our products directly to our customers, which mainly include companies in the industries of facilities management and cleaning, sourcing, hotel and leisure, food and beverage, industrial, school and education and hospital and health care.

Marketing

Our sales and marketing department is responsible for coordinating with, and handling enquiries and confirming orders and product specifications from customers and providing after sales services. They are also responsible for keeping in touch with major customers through meetings or telephone conversations. We believe that such personal contacts by our sales and marketing department has contributed to a loyal and long term customer base, as we receive business through referrals from existing customers. We are also able to better respond to our customers’ procurement needs and have

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deeper understanding of their conditions and obtain insightful market information. Our sales and marketing team also solicits new customers through contacts obtained from industry directories, industry searches, etc. During the Track Record Period, more than 95.0% of our revenue was generated from existing customers and less than 5.0% of our revenue was generated from referrals from our customers.

As we focus on the tissue products market for corporate customers, we had not incurred material sales and marketing expenses during the Track Record Period.

LOGISTICS

We deliver our products through our in house logistics team which comprised 15 staff and seven delivery trucks as at the Latest Practicable Date, and led by our head of logistics who has joined us for more than 20 years. With our in house logistics team, we are able to deliver our products to our customers directly, allowing timely delivery and control over the delivery process, and ensuring that the products are not damaged during delivery. This also gives us flexibility over our delivery process, enabling us to fulfill urgent orders from our customers, including same day delivery.

Our Directors confirm that we had not experienced any material disruption or damage to our products in the course of delivery during the Track Record Period and up to the Latest Practicable Date.

PROCUREMENT AND RAW MATERIALS

We source our finished products mainly from the PRC and Malaysia.

Our principal raw materials for our conversion process are material reels of tissue paper and paper cores, which we sourced from suppliers in Malaysia. Other materials used in our conversion process mainly include packaging materials, which we sourced from suppliers in Malaysia and Singapore.

We do not enter into any long-term contract with supply obligations with our suppliers and place purchase orders directly with our suppliers. The purchase of raw materials or products is determined and adjusted by taking into account our current inventory level, delivery schedules with major customers and quantity, and anticipated sales demands.

Our purchase orders to suppliers generally include terms such as the products or materials required with specifications, quantity of the products or materials required and delivery date.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material shortage of, or material difficulties in procuring raw materials or products and we had not experienced any significant delay in delivery of raw materials or products by our suppliers causing material disruption or delay to our delivery schedules.

For the hypothetical sensitivity analysis on the impact of changes in our cost of inventories sold on our profit for the year ended 30 September 2016 and 2017, see “Financial Information — Key factors affecting our results of operations”.

We had not adopted any arrangement to hedge any fluctuation in the price of our products and raw materials during the Track Record Period and up to the Latest Practicable Date.

SUPPLIERS

Our suppliers mainly include suppliers of tissue products and material reels of tissue paper. For the year ended 30 September 2016 and 2017, purchases from our five largest suppliers accounted for approximately 98.7% and 96.1% of our total purchases, respectively, and purchases from our largest supplier accounted for approximately 66.1% and 58.4% of our total purchases, respectively, during the same periods.

The Timber Industry Act (Chapter 325) of Singapore, which was an act to promote, regulate and improve the timber industry and trade in Singapore and for matters connected therewith, has been repealed with effect from 1 August 2001 as Singapore ceased to have any logging and lumbering activities. Thus, Singapore currently does not have any rule or regulation relating to logging and lumbering activities.

To our Directors' best knowledge, information and belief, none of our suppliers are involved in logging, while certain of our ultimate suppliers are involved in logging. We select our suppliers with reference to their background and compliance history. Notwithstanding the absence of any rule or regulation relating to logging and lumbering applicable to our Group's operation in Singapore, to ensure that our suppliers (including ultimate suppliers) fulfil the applicable laws and regulations and as a social responsible corporate body, we ask if our suppliers has obtained Forest Stewardship Council ("FSC") certificate. FSC is an international non-profit, multi-stakeholder organisation established to promote responsible management of forests by setting standards on forest products, along with certifying and labelling such products as eco-friendly. According to publicly available information, (i) one of the universal requirements is that the organisation shall declare that it is not directly or indirectly involved in illegal logging or the trade in illegal wood or forest products, destruction of high conservation values in forestry operations, and significant conversion of forests to plantations or non-forest use; and (ii) FSC chain of custody certification is designed to provide a credible assurance that products which are sold with an FSC claim originate from well-managed forests, controlled sources, reclaimed materials, or a mixture of these. Our major suppliers of tissue products possess relevant FSC chain of custody certificates. Such FSC certificates are generally valid for five years. We maintain a copy of our suppliers' current FSC certificates for record. Additionally, we maintain a register of our suppliers' FSC certificates, stating, amongst others, the expiry dates of the FSC certificates. We review this register on a regular basis to keep track of the expiry of our suppliers' FSC certificates and we contact our suppliers before the expiry of their FSC certificates to remind them to let us have a copy of their new FSC certificates. Furthermore, we conduct online search for negative news regarding suppliers, in particular the website of the Singapore Environment Council, and consider if we should source from such suppliers if there is any negative news. In addition, we have obtained Singapore Green Label certifications issued by the Singapore Environment Council for certain of our products, which means that such products use hygiene paper from sustainable source. Criteria for obtaining such certifications include compliance with relevant local legislation, zero burning during land clearing, and protection of forests with high conservation value. To our Directors' best knowledge, information and belief and based on the measures taken by our Group to ensure suppliers (including ultimate suppliers) comply with applicable laws and regulations, none of the ultimate suppliers fails to fulfil the applicable laws and regulations with regards to their logging activities. If we note that any of our suppliers and/or any of their ultimate suppliers fail to comply with applicable laws and regulations, we will reassess our business relationship with such supplier, including ceasing to purchase from such supplier.

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The following table sets forth details of our five largest suppliers during the Track Record Period.

Rank for the year ended 30 September 2016 and 2017	Supplier's name	Key products supplied to us	Approximate years of business relationship with us	Credit terms and payment method	Purchases from the supplier		
					Year ended 30 September 2016 S\$'000	Year ended 30 September 2017 S\$'000	% of our total purchases
1	Double Class Group <i>(Note 1)</i>	Tissue products and hygiene-related products	over 20	30 days, telegraphic transfer	5,607	4,748	58.4
2	Supplier A <i>(Note 2)</i>	Toilet tissues	5	credit terms not stated, cheque	2,262	2,565	31.5
3	Supplier B <i>(Note 3)</i>	Material reels	5	45 days, cheque	266	247	3.0
4	Supplier C <i>(Note 4)</i>	Hygiene gloves	2	at sight of bill of lading, telegraphic transfer	122	167	2.1
5	Supplier D <i>(Note 5)</i>	Jumbo roll tissues and hand towels	7	30 days, cheque	121	86	1.1
Total:					8,378	7,813	96.1

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Notes:

1. Double Class Group refers to (i) Double Class, (ii) 心麗衛生用品(深圳)有限公司 Sunlight Hygiene Products (Shenzhen) Limited* (“**Sunlight Hygiene Shenzhen**”) and/or (iii) 心麗衛生用品有限公司 Sunlight Hygiene Products Limited (“**Sunlight Hygiene HK**”). Double Class is a limited liability company incorporated in Hong Kong in 1986 which principally engages in trading of tissue products. Sunlight Hygiene Shenzhen is a limited liability company established in China in 2009 which principally engages in production of toilet paper, hand towel, napkin, wet tissue (excluding disinfection wet tissue) and other products, printing of package and others, and wholesale, import and export. Sunlight Hygiene HK is a limited liability company incorporated in Hong Kong in 1998 which principally engages in trading of tissue products. To our Directors’ best knowledge, information and belief, Double Class, Sunlight Hygiene Shenzhen and Sunlight Hygiene HK had common shareholders during the Track Record Period. For details of our relationship with Double Class Group, see “— Suppliers — Our relationship with Double Class — Background of Double Class Group”.
2. Supplier A refers to two companies which had common shareholders during the Track Record Period, to our Directors’ best knowledge, information and belief. Such companies include (i) a private limited company incorporated in Malaysia in 1988 which is a manufacturer and dealer in tissue paper and disposable baby diapers with an issued and paid-up capital of approximately US\$1.7 million; and (ii) is a limited liability company incorporated in Singapore in 2004 which principally engages in the import, export and retail of paper related products.
3. Supplier B is a private limited company incorporated in Malaysia in 1963 which principally engages in the manufacture and trading of paper products as well as letting of properties, with an issued and paid-up share capital of approximately US\$700,000.
4. Supplier C is a limited liability company incorporated in Hong Kong in 2011 which principally engages in trading. According to publicly available information, Supplier C (i) is a wholly owned subsidiary of a company listed on the Shenzhen Stock Exchange, which principally engages in the manufacture and sale of gloves; and (ii) has a registered share capital of US\$150,000 and a revenue of approximately RMB1.1 billion for 2016.
5. Supplier D is a private limited company incorporated in Malaysia in 1973 which principally engages in the manufacture and dealing of paper products and transportation, with an issued and paid-up capital of approximately US\$700,000.

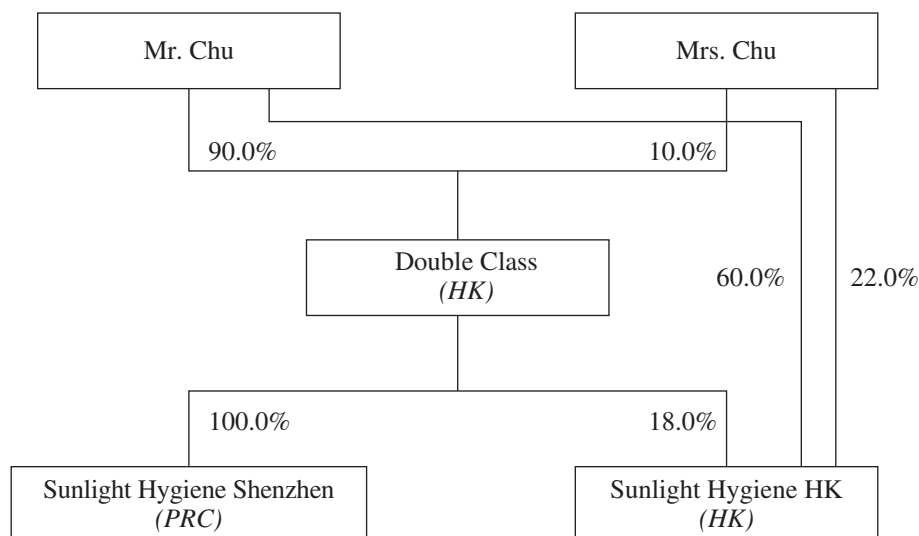
Our relationship with Double Class

Background of Double Class Group

Double Class is a supplier of our Group during the Track Record Period. Double Class Group principally engages in (i) production of toilet paper, hand towels, napkins, wet tissues (excluding disinfection wet tissue), masks, sleeves, shoes and cap covers, productive clothing, non-woven fabrics, paper aluminum-plastic hygiene products, sanitary napkins, paper diapers, paper cups and cotton matters; (ii) printing of packages, decoration and printed matters; and (iii) wholesale, import and export as well as related matching business of bamboo chopsticks, toothpicks, paper containers, plastic tableware, plastics and non-woven masks, and Sunlight Hygiene Shenzhen has a registered capital of RMB20 million, with approximately 90 staff in Longgang, Guangdong province, the PRC. To our Directors’ best knowledge, information and belief, and based on publicly available information, during the Track Record Period, (i) Double Class had been owned as to 90.0% by Mr. Chu Sun Tin Sunny (朱新田先生) (“**Mr. Chu**”), and 10.0% by Ms. Gan Lai Fan (顏麗芬女士) (“**Mrs. Chu**”), the spouse of Mr. Chu; (ii) Sunlight Hygiene Shenzhen had been wholly owned by Double Class; and (iii) Sunlight

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Hygiene HK had been owned as to 18.0% by Double Class, 60.0% by Mr. Chu and 22.0% by Mrs. Chu. Each of Mr. Chu, Mrs. Chu, Double Class, Sunlight Hygiene Shenzhen and Sunlight Hygiene HK are Independent Third Parties. The shareholding and corporate structure of Double Class Group during the Track Record Period is set out as below:



For the year ended 30 September 2016 and 2017, our purchases from Double Class Group amounted to S\$5.6 million and S\$4.7 million, or 66.1% and 58.4% of our total purchases, respectively. As confirmed by Double Class, we are their major customer for tissue products for corporate customers during the Track Record Period, accounting for approximately one-third of the total revenue of Double Class Group. The following table sets out the revenue of Double Class Group generated from the sales of products under the Sunlight brand in Hong Kong and Macau as confirmed by Double Class:

	Year ended 30 September			
	2016	2017		
	<i>HK\$ million</i>	<i>S\$ million^(Note)</i>	<i>HK\$ million</i>	<i>S\$ million^(Note)</i>
Hong Kong	23.6	4.0	23.4	3.9
Macau	<u>16.7</u>	<u>2.8</u>	<u>17.1</u>	<u>2.9</u>
	<u><u>40.3</u></u>	<u><u>6.8</u></u>	<u><u>40.5</u></u>	<u><u>6.8</u></u>

Note: For illustrative purpose only, the above numbers denominated in HK\$ have been translated into S\$ at the exchange rate of HK\$5.95 to S\$1.00.

Double Class Group had not commenced selling goods under the Sunlight trademark in China as at the Latest Practicable Date.

To our Directors' best knowledge, information and belief, there is no material non-compliance by Double Class during the Track Record Period. We purchased finished products from Double Class and Double Class did not and does not assist our Group in the conversion of our tissue products, and we do not intend to require Double Class to assist our Group in the conversion of our tissue products in the future.

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Our relationship with Double Class

The following table summarised the major events regarding our relationship with Double Class, the details of which are further elaborated in the paragraphs following the table.

Year	Event
1990s	Mr. LS Chua met Mr. Chu in a conference on tissue products and we became a supplier of jumbo roll tissues to Double Class.
1998	<p>As Mr. LS Chua and Mr. Chu expected the production cost of tissue products in Singapore to continue to increase due to scarcity of land resources and high labour cost, they wanted to set up conversion facilities in China and therefore jointly incorporated Sunlight Hygiene HK as the holding company, which was owned as to 40.0% and 60.0%, respectively.</p> <p>As confirmed by Mr. LS Chua and Mr. Chu, although Sunlight Hygiene HK had not commenced business operations and had been inactive during the relevant time, they started preparation work for setting up the conversion facilities in China, such as identifying and visiting suitable sites.</p>
In or around 2001	As Mr. LS Chua (i) wanted to focus on Sunlight Paper and its business development in Singapore; and (ii) lacked the time to frequently travel to China to set up the conversion facilities in China, he transferred his shareholding in Sunlight Hygiene HK to the niece of Mr. Chu at the direction of Mr. Chu.
2001	<p>As Mr. Chu decided to set up conversion facilities in China on his own, but lacked the necessary technical knowhow and needed to seek our expertise, Sunlight Paper and Double Class entered into the agreement on trademark licence (the “Agreement on Trademark Licence”).</p> <p>Pursuant to the Agreement on Trademark Licence, Sunlight Paper agreed to, among others, (i) deliver technical knowhow for the factory to be set up in China; and (ii) license the use of the Sunlight trademark to Double Class in Hong Kong and China.</p> <p>With the preparation work concluded, 深圳市龍崗區龍崗新生心麗紙品廠 Sunlight Paper Products Factory* (“SPPF”) was established and commenced production, and Sunlight Paper started purchasing from it.</p>
2007	With the view to, among others, replace SPPF with new and bigger conversion facilities to target customers of larger scale, and project a regional image of the Sunlight brand, Sunlight Paper and Double Class entered into the alliance agreement (the “ Alliance Agreement ”).
2009	Pursuant to the Alliance Agreement, Sunlight Hygiene Shenzhen was established.
2010	Sunlight Hygiene Shenzhen commenced production and SPPF ceased operations gradually.

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Year	Event
2014	<p>As we wanted to (i) maximise our control over the quality of the products produced by Double Class and its group companies; and (ii) authorise Double Class and its group companies to use the Sunlight trademark in Macau, Sunlight Paper and Double Class entered into an addendum to supplement the Alliance Agreement (the “Addendum”).</p> <p>Pursuant to the Addendum, Mr. LC Chua was nominated as a representative of Sunlight Paper to monitor the quality control and production capacity of Sunlight products.</p>
2015	<p>Mr. LC Chua became a director of Sunlight Hygiene Shenzhen to facilitate the internal communications of Double Class due to his frequent visits to Sunlight Hygiene Shenzhen as a representative of Sunlight Paper.</p>
2017	<p>Mr. LC Chua stepped down as a director of Sunlight Hygiene Shenzhen.</p>

Our relationship with Double Class started over 20 years ago when Mr. LS Chua met Mr. Chu in a conference on tissue products. In 1990s, we were a supplier of jumbo roll tissues to Double Class as Double Class did not have its own conversion facilities then. At that time, Mr. LS Chua and Mr. Chu expected the production cost of tissue products in Singapore to continue to increase due to scarcity of land resources and high labour cost. As such, they wanted to set up conversion facilities in China to take advantage of the lower production costs in China. In 1998, with the view to set up conversion facilities in China, Mr. Chu and Mr. LS Chua jointly incorporated Sunlight Hygiene HK as a holding company, which was owned as to 60.0% and 40.0%, respectively, as Mr. LS Chua possessed the knowledge and expertise of operating conversion facilities for jumbo roll tissues on one hand, and Mr. Chu was closer to China and could manage the conversion facilities in China on the other hand. In preparation of setting up the conversion facilities in China, during the period from 1998 to 2001, Mr. Chu and Mr. LS Chua conducted the following preparation work, including (i) identifying and visiting suitable sites in China in terms of location, size, cost and surrounding infrastructure; (ii) looking into applicable land law, labour law, accounting practices, taxation and incentives, customs and export procedures, banking and monetary controls; and (iii) interviewing suitable candidates for management, supervisory and production positions. In or around 2001, as Mr. LS Chua (i) wanted to focus on Sunlight Paper and its business development in Singapore, and (ii) lacked the time to frequently travel to China to set up the conversion facilities in China, he decided to transfer his 40.0% shareholding in Sunlight Hygiene HK to the niece of Mr. Chu at the direction of Mr. Chu. By the time of the transfer, they had already acquired substantial knowledge and information regarding setting up conversion facilities in China. Accordingly, Mr. Chu was able to use such knowledge and information to set up the conversion facilities in China, which commenced production in 2001. As confirmed by Mr. LS Chua and Mr. Chu, during the relevant time, Sunlight Hygiene HK had not commenced business operations and had been inactive. On the basis that during the relevant time, Sunlight Hygiene HK (i) had not commenced business operations; and (ii) was inactive, our Directors are of the view that the above arrangement was not material to the operations and/or financial position of our Group.

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Arrangement on Trademark Licence

Subsequent to the above transfer, Mr. Chu decided to set up conversion facilities in China on his own. Since he lacked technical knowhow in the conversion of tissue products, he sought our expertise, details of which are further described below. Sunlight Paper also considered that it would be beneficial to it if Double Class sets up its own conversion facilities, as it could source tissue products from Double Class at lower procurement costs as compared to converting tissue products by itself in Singapore. According to the CIC Report, in 2000, (i) the average monthly earnings of employees in Singapore was approximately US\$1,500, being 10 times more than that in Shenzhen, China, which was only approximately US\$150; and (ii) the monthly rental cost for industrial properties in Singapore was approximately US\$6 per square metre, being more than double of that in Shenzhen, China, which was approximately US\$2.8 per square metre. As a result, in August 2001, we entered into the Agreement on Trademark Licence with Double Class for a period of seven fiscal years, pursuant to which (i) Sunlight Paper agreed to deliver technical knowhow, processing techniques, knowledge of production, operation management and sources of material supply for the factory to be set up in China, such as characteristics of tissue paper (for instance, dry tension, wet strength, brightness, weight), operation of conversion machines (for instance, specifications, set up, fine tuning, cutting) and packaging (for instance, quality control, sizing and packaging materials), and license the use of the Sunlight trademark to Double Class; and (ii) Double Class agreed to manufacture or supply products under the brandname of Sunlight in Hong Kong and China. The support we provided to Double Class mainly included offsite technical support from our Singapore office, including technical knowhow, processing techniques, knowledge of production, operation management and sources of material supply, and our physical presence at the new conversion facilities was limited to the key stages only, such as installation of conversion machines and fine tuning the conversion machines during the first production runs. A summary of the key terms of this agreement is as follows:

- Factory** : to use “Sunlight Paper Products Factory” as the factory name
- Technical knowhow** : Sunlight Paper agreed to deliver technical knowhow, processing techniques, knowledge of production, operation management and sources of material supply for the factory in China
- Product** : to manufacture or supply products under the brand name of Sunlight in Hong Kong and China. Double Class further warranted that it will produce, pack and deliver products of merchantable quality, free from all defects and fit for the purpose(s) for which the products were intended
- Licence fee** : Double Class agreed to pay licence fee in the sum of 0% of the cost of goods manufactured by the factory in China for the first two fiscal years, 5% for the following five consecutive years and 3% thereafter, commencing from the fiscal year of 2003/2004
- Market** : Double Class shall not, either during the term of the agreement or after termination thereof, without the prior written consent of Sunlight Paper, manufacture, supply or distribute any products which bear the Sunlight trademark to regions outside Hong Kong or China

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Pursuant to the Agreement on Trademark Licence, SPPF was established with operation period from 16 October 2001 to 14 September 2012. SPPF commenced production in 2001, and Sunlight Paper started purchasing from it. The Agreement on Trademark Licence did not provide the types of products supplied by Double Class, and we purchased tissue products and hygiene-related products from Double Class Group at the relevant time.

Alliance Agreement and Addendum

Background of the Alliance Agreement

As the respective businesses of Sunlight Paper and Double Class continued to grow, they wanted to expand their operations by targeting customers of larger scale, such as global facilities management companies, hotel and leisure groups and food and beverage chains. Such customer groups usually require supply and delivery of products in large quantities on a regular basis, and accordingly, require suppliers to have large production and warehouse capacities, as land resources in Singapore are limited, and accordingly rental prices are high and the space available for storage of tissue products in venues managed or operated by these customer groups is limited. In addition, tissue products are bulky and are used up relatively quickly. From a commercial point of view, hotel and leisure groups and food and beverages chains, taking into account the high rental prices as they are usually located at commercial areas, want to minimise the storage space as much as possible to reduce rental cost and increase space for revenue generating uses. For facilities management companies, the storage space available to them is provided by their customers, such as building owners, and such space may be limited by their customers or by design. As such, these customer groups rely on suppliers to deliver large quantities of tissue products on a regular basis to minimise the space needed to store tissue products. Furthermore, as the scale of operations of these customer groups is big, usually with multiple facilities to manage, or multiple food and beverages outlets (as the case may be), they require large quantities of tissue products to be regularly delivered to their various places of operations. In order to fulfill such requirement to supply and deliver large quantities of tissue products on a regular basis, large production and warehouse capacities are needed. Although we did not have large production capacities ourselves, we would be able to meet such requirement through the Alliance Agreement. Therefore, in June 2007, six years after the Agreement in Trademark Licence, Sunlight Paper entered into the Alliance Agreement with Double Class to replace SPPF with new and bigger conversion facilities. As Sunlight Paper had already provided technical knowhow, processing techniques, knowledge of production, operation management and sources of material supply to Double Class for setting up the factory in China pursuant to the Agreement on Trademark Licence, Sunlight Paper and Double Class decided to terminate the Agreement on Trademark Licence.

Salient terms

Pursuant to the Alliance Agreement, (i) Sunlight Paper and Double Class agreed to form an alliance to project a regional image; (ii) Double Class proposed to incorporate a new company in China under the name Sunlight Hygiene Products (Shenzhen) Limited to operate a new facility in Shenzhen, China; (iii) Sunlight Paper agreed that Double Class shall not be required to pay licence fee under the Agreement on Trademark Licence in view of the fact that Double Class had not commenced selling goods under the Sunlight trademark in China; and (iv) Sunlight Paper agreed to waive all fees payable by Double Class for the use of the Sunlight trademark in Hong Kong.

Licence fee waiver for Hong Kong

In entering into the arrangement to waive the fees payable by Double Class for the use of the Sunlight trademark in Hong Kong, our Directors considered that such arrangement would be mutually beneficial to our Group and Double Class. In return for such waiver of license fee, Double Class agreed to, among others, keep at least two weeks' buffer stocks for Sunlight Paper at all times, which would enable us to provide a reliable and stable supply of products to our customers with consistent quality, and minimise the risk of disruption to our business in the event of any delay in shipment of tissue products. Our Directors believe that such arrangement did prove to be beneficial to our Group as such arrangement has enabled Sunlight Paper to provide a reliable and stable supply of products to Customers with consistent quality, which we consider as one of our key competitive strengths, for detail, see “— Our competitive strengths — We focus on providing a reliable and stable supply of products to our customers with consistent quality”, and has contributed to preventing any major disruption to our business operations during the Track Record Period. Furthermore, this waiver was also given in consideration of the fact that we had no intention to enter the Hong Kong market in the short to medium term on our own, and that such trademark licence fee, if charged, would have been immaterial to us. Our Directors estimated that the fees waived for the use of the Sunlight trademark in Hong Kong, with reference to the 1.5% trademark fee charged for the sale of Sunlight branded products to Macau pursuant to the Addendum (please see “— Suppliers — Our relationship with Double Class — Alliance Agreement and Addendum — Licence fee for Macau” for details), would be approximately S\$61,000 and S\$61,000 for the year ended 30 September 2016 and 2017, respectively, and represented only 0.5% of our revenue for the same periods. As such, we considered that having a supplier which was able to provide us with a reliable and stable supply of products was worth more to us than earning immaterial trademark fee for the use of the Sunlight trademark in Hong Kong.

Background of the Addendum

In around 2014, seven years after the Alliance Agreement, due to the further expansion in our scale of operations, maximising our control over the quality of Sunlight branded tissue products and ensuring regular supply to Sunlight Paper in Singapore became our key concerns and priorities. Consequently, in April 2014, we supplemented the Alliance Agreement with the Addendum, which allowed us to maximise our control over the quality and production capacity of the Sunlight branded products produced by Double Class and its group companies. In addition, pursuant to the Addendum, Sunlight Paper authorised Double Class and its group companies to use the Sunlight trademark in Macau for a trademark license fee of 1.5% on the gross sale value of Sunlight products sold by Double Class and its group companies.

Licence fee arrangements

Pursuant to the Addendum, we received licence fee in the amount of approximately S\$44,000 and S\$45,000 from Double Class for the year ended 30 September 2016 and 2017, respectively, for sales in Macau under the Sunlight brand. The expansion of the Sunlight brand into Macau and the sales of Sunlight branded products by Double Class in Macau were the result of our existing relationship with Customer B since 2010, an integrated resort and casino operator in Singapore (for details, see Note 2 under “— Customers”). Based on our Directors' best knowledge, information and belief and as confirmed by Double Class, Customer B introduced the Sunlight products to an integrated resort and casino operator in Macau under the same group and management, which subsequently purchased

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Sunlight branded products from Double Class and its group companies due to their geographical proximity to Macau. Although we had no intention to enter the Macau market on our own in the short to medium term, and such trademark licence fee charged during the Track Record Period was immaterial to us, we charge licence fee for Sunlight products sold by Double Class in Macau as we assisted Double Class in expanding into the Macau tissue products market.

Double Class Group had not commenced selling goods under the Sunlight trademark in China as at the Latest Practicable Date. We extended the waiver of the trademark licence fees for the sale Sunlight products in Hong Kong in the Addendum. As at the Latest Practicable Date, our Group had applied for transfer of registration of the Sunlight trademarks from Double Class in the PRC. For details, see “B. Further information about the business of our Group — 2. Intellectual property rights — (i) Trademark”, which were previously registered in the name of Double Class only since Double Class was geographically closer to the PRC to handle administrative procedures.

The following table summarised the licence fee payable by Double Class and its group companies to Sunlight Paper with regards to the use of the Sunlight brand in China, Hong Kong and Macau.

Agreement on Trademark Licence (2001)	Alliance Agreement (2007)	Addendum (2014)
<ul style="list-style-type: none"> — 0% on cost of goods manufactured in China for first two years, 5% for the next five years and 3% thereafter — For manufacturing and supplying Sunlight branded products in Hong Kong and China 	<ul style="list-style-type: none"> — No licence fee payable for Sunlight branded sales in China under the Agreement on Trademark Licence given no such sales — Waived all fees payable for Sunlight branded sales in Hong Kong 	<ul style="list-style-type: none"> — Granted the use of the Sunlight trademark in Macau for 1.5% on the gross sale value of Sunlight branded sales in Macau

Throughout our licence arrangement with Double Class, our Directors believe that Double Class had not set up its own brand and used the license of Sunlight trademark instead, as we had been supplying jumbo roll tissues under Sunlight trademark to Double Class since the 1990s, and the Sunlight brand was an established brand in the tissue products markets in Hong Kong and Singapore. As such, by licensing the Sunlight brand from us, Double Class could save time, cost and effort associated with setting up its own brand. While Double Class was authorised to sell Sunlight products in China, Hong Kong and Macau, our current market, as well as our short to medium term business strategies, are Singapore and other ASEAN countries, which do not include China, Hong Kong and Macau (for details, see “— Our business strategies”). Our Directors consider that there is no actual or potential competition between our Group and Double Class.

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Salient terms of the Alliance Agreement and the Addendum

A summary of the key terms of the Alliance Agreement and the Addendum is as follows:

Formation of alliance : Sunlight Paper and Double Class agreed to form an alliance to project a regional image. To separate the respective parties' businesses, both parties agreed that (i) Sunlight Paper shall use the business name "Sunlight Paper Products"; (ii) Double Class shall use the business name "Sunlight Hygiene Products"; and (iii) Double Class shall be authorised to use the Sunlight logo on Double Class's new facility, business correspondence and name cards, and no fees shall be payable by Double Class to Sunlight Paper for this purpose.

Termination of the Agreement on Trademark Licence : the Agreement on Trademark Licence was terminated. Upon such termination, Double Class shall (i) cease the use of "Sunlight Paper Products Factory" as the factory name and shut down the said factory at Double Class' own cost; and (ii) not carry out any businesses associated with the name "Sunlight Paper Products Factory". Sunlight Paper agreed that Double Class shall not be required to pay licence fee under the Agreement on Trademark Licence in view that Double Class had not commenced selling goods under the Sunlight trademark in China, which was the main purpose.

New facilities : Sunlight Hygiene Products (Shenzhen) Limited will produce products (i) under Double Class' own brand, (ii) for original equipment manufacturing (OEM) businesses, and (iii) under the Sunlight trademark.

Nothing in the Alliance Agreement shall prohibit Sunlight Paper from sourcing products under the Sunlight trademark from other suppliers if Sunlight Paper deems that Double Class has failed to produce such products of the quality, quantity and delivery timing required by Sunlight Paper.

The product mix, quantity and delivery timing for Sunlight products for the Hong Kong market shall be produced by Sunlight Hygiene Products (Shenzhen) Limited and decided by Double Class.

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Trademark licence fee : During the term of the Alliance Agreement and the Addendum, Sunlight Paper shall waive all fees payable by Double Class for the use of the Sunlight trademark in Hong Kong.

Sunlight Paper agreed that Double Class shall not be required to pay licence fee under the Agreement on Trademark Licence in view that Double Class had not commenced selling goods under the Sunlight trademark in China.

Pursuant to the Addendum, Sunlight Paper authorised Double Class and its group companies to use the Sunlight trademark in Macau with effect from the date of the Addendum.

Sunlight Paper shall charge Double Class a trademark licence fee of 1.5% on the gross sale value of Sunlight products sold by Double Class and its group companies to Macau.

Sale of products : In return for Sunlight Paper waiving the fees payable by Double Class for the use of the Sunlight trademark in Hong Kong, Double Class agreed to (i) sell products to Sunlight Paper in Singapore dollars and (ii) keep at least two weeks' buffer stocks for Sunlight Paper at all times.

Quality control over Sunlight products : Upon execution of the Addendum, Sunlight Paper shall nominate a representative to monitor the quality control and production capacity of the Sunlight products, to ensure timely delivery to the ASEAN market via shipments to Sunlight Paper, for the duration of the Addendum and which may be extended by mutual consent.

Termination : Both parties may at any time terminate the Alliance Agreement after seven calendar years by giving not less than one year's notice, and may terminate the Addendum after seven calendar years by giving not less than one year's notice, unless mutually agreed by both parties.

Execution of the Alliance Agreement and the Addendum

Pursuant to the Alliance Agreement, Sunlight Hygiene Shenzhen was established in China on 9 November 2009. Sunlight Hygiene Shenzhen commenced production in 2010 and SPPF ceased operations gradually. The Alliance Agreement and the Addendum did not provide the types of products supplied by Double Class, and we purchased tissue products and hygiene-related products from Double Class Group during the Track Record Period. Sunlight Paper is free to source products from other suppliers, even if such products are produced by Double Class to Sunlight Paper's satisfaction.

Pursuant to the Addendum in April 2014, Mr. LC Chua was nominated as a representative of Sunlight Paper to monitor the quality control and production capacity of Sunlight products, and he became a director of Sunlight Hygiene Shenzhen in July 2015 to facilitate the internal communications

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of Double Class due to his frequent visits to Sunlight Hygiene Shenzhen as a representative of Sunlight Paper. During Mr. LC Chua's directorship in Sunlight Hygiene Shenzhen, he acted in the interest of Sunlight Paper to monitor the quality control and production capacity of Sunlight products, and was remunerated by Sunlight Paper in the exercise of his duties. Although he was a director of Sunlight Hygiene Shenzhen, as confirmed by Mr. LC Chua, (i) his appointment did not involve any executive or management role in Sunlight Hygiene Shenzhen; (ii) he never attended any board or management meetings, or signed any resolutions, of Sunlight Hygiene Shenzhen; and (iii) he was not responsible for the financial performance, sales or results of operation of Sunlight Hygiene Shenzhen. As such, he had not received and had not expected to receive any remuneration during his directorship in Sunlight Hygiene Shenzhen. In June 2017, as Mr. LC Chua had been a director of Sunlight Hygiene Shenzhen for around two years by then and the staff of Sunlight Hygiene Shenzhen had become familiar with Mr. LC Chua, the parties agreed that it was no longer necessary for him to be a director to perform his representative role, and he stepped down as a director of Sunlight Hygiene Shenzhen.

Our Directors believe that the alliance with Double Class in 2007 to, among others, project a regional image for Sunlight brand was successful, as (i) in 2010, Sunlight Paper became a supplier of Customer B, an integrated resort and casino operator in Singapore, which had remained our customer throughout the years and had been our major customer during the Track Record Period; and (ii) we have achieved steady growth over the past years. After implementation of our strategies, including upgrading our conversion line for the production of jumbo roll tissues, acquiring a new conversion line for the production of hand towels, and investing in an additional factory building in Singapore to be used as our warehouse, we will be able to reduce our purchases from suppliers, including Double Class Group, and we will then reassess the future nature of our relationship with Double Class Group. For details of our strategies, see "— Our business strategies".

Our Directors confirm that:

- (i) there has been no material breach of the terms of the above agreements by the parties thereto during the Track Record Period and up to the Latest Practicable Date;
- (ii) the terms of our transactions with Double Class Group are fair and reasonable, and comparable to other suppliers;
- (iii) our Group had not relied on Double Class to procure or maintain our customers, or represented to any of our customers that we operate any conversion facilities in the PRC; and
- (iv) save for (a) Mr. LS Chua's shareholding in Sunlight Hygiene HK from 1998 to 2000/2001 (which had not commenced business operations and had been inactive during the material times); (b) Mr. LC Chua's directorship in Sunlight Hygiene Shenzhen from July 2015 to June 2017; and (c) our business relationships, we had no other relationship with Double Class, and there had not been any past or present relationship between the shareholders, the directors, the senior management or any associate of Double Class and those of our Company.

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Mutual and complementary relationship with Double Class

Double Class Group had been our largest supplier during the Track Record Period, accounting for approximately 66.1% and 58.4% of our total purchases for the year ended 30 September 2016 and 2017, respectively. Our Directors do not consider that we are reliant on Double Class Group on the following basis:

(i) Our ability to source substitute suppliers

According to the CIC Report, in 2016, there were over 1,500 tissue product manufacturers in the PRC, and around 40 of them, or 2.6%, were located in Shenzhen. Supported by the Guangdong government, manufacturing companies in Shenzhen enjoy various advantages, including geographical advantages, tax incentive policies, and a comparatively mature supply chain. Tissue products manufacturers are therefore able to deliver finished products to ASEAN countries and other overseas markets faster and at lower costs. Apart from suppliers located in the PRC, we also sourced from comparable suppliers in Malaysia during the Track Record Period. According to the CIC Report, the total production value for tissue products in Malaysia grew from US\$1,527.4 million in 2011 to US\$2,361.3 million in 2016, at a CAGR of 3.2%. We believe that we will be able to expand the sources of substitute suppliers should such need arises.

(ii) Our purchases from Double Class Group may reduce in the future in light of our expansion plans

Our purchases from Double Class Group reduced from 66.1% of our total purchases for the year ended 30 September 2016, to 58.4% of our total purchases for the year ended 30 September 2017. We intend to allocate a portion of the net proceeds from the Share Offer to upgrade our conversion line for the production of jumbo roll tissues and acquire a new conversion line for the production of hand towels. With such increase in production of jumbo roll tissues and hand towels, we may further reduce our purchases from Double Class Group.

(iii) Our relationship is mutual and complementary

Our relationship with Double Class Group is mutual and complementary, which is evidenced by the fact that Double Class relied on our knowledge when setting up its conversion facilities in China. In addition, as confirmed by Double Class, we are also their major customer for tissue products for corporate customers during the Track Record Period, accounting for approximately one-third of the total revenue of Double Class Group. Furthermore, our Sunlight trademark had been licensed to Double Class for use and Double Class had continued to rely on our trademark since the Agreement on Trademark Licence in 2001, the use of which was further expanded to cover sales of Sunlight products to Hong Kong and Macau, pursuant to the Alliance Agreement and the Addendum. All these demonstrate that our relationship is mutual and complementary, and that Double Class Group relies on us.

(iv) We possess the necessary skills, technology and network to break off the reliance

We believe we possess the necessary skills, technology and network to break off our reliance on Double Class. We are the first and only jumbo roll tissue converter in Singapore, and have been converting jumbo roll tissues since 1990s. With such technical knowhow and other in-depth knowledge and experience, Double Class sought our expertise and relied on us when setting up its own conversion facilities.

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For risks associated with our concentrated supplier base, see “Risk Factors — Risks relating to our business — We have a concentrated supplier base. Any interruption to the business dealings between our Group and our major suppliers would materially and adversely affect our business and results of operations.”.

All of our five largest suppliers during the Track Record Period were Independent Third Parties. None of the Directors, their close associates or any Shareholders (which to the knowledge of our Directors owned more than 5% of the issued share capital of our Company) had any interest in our five largest suppliers during the Track Record Period.

INVENTORY MANAGEMENT

We have an inventory management policy in place to monitor our inventory levels. We perform the following inventory management procedures to keep track of incoming and outgoing inventories and to monitor our inventory levels:

- sales orders received by our sales department have to be recorded in our ERP system;
- purchases of raw materials have to be approved by our director of operations and recorded in our ERP system;
- raw materials to be used for production have to be approved by our director of operations and recorded in our ERP system;
- deliveries of finished products have to be recorded in our ERP system; and
- monthly and annual stock takes are performed by our logistics and warehouse department.

We have implemented internal policies to (i) maintain two weeks’ supply of products in our warehouse; and (ii) maintain up to four weeks’ supply of (a) products in our warehouse before festive periods such as Christmas and Chinese New Year, in anticipation of increase in demand during these periods, and (b) products and/or raw materials in our warehouse before long holidays of our major suppliers in Malaysia and China, such as Chinese New Year and Golden Week. The policy of maintaining up to four weeks’ supply of products in our warehouse before festive period was in anticipation of increase in demand during these periods and the impact of such incremental sales was not material to the overall sales on a month-to-month basis and did not create a significant seasonal sales trend; the policy of maintaining up to four weeks of products and/or raw materials in our warehouse before long holidays of our major suppliers in Malaysia and China was to ensure sufficient supply during this period as they usually stop production for one to two weeks during the long holidays and such policy had no impact in creating a seasonal trend.

Our inventory turnover days for the year ended 30 September 2016 and 2017 were approximately 30.0 days and 30.1 days, respectively. As at 30 September 2016 and 2017, our Group did not make any material provision for impairment on inventories.

INFORMATION TECHNOLOGY

We monitor our operations through a centralised ERP system. Our ERP system regulates our operations, supply chain and financial management, which collects and combines data in relation to, among others, purchase orders, inventory, procurement of products and raw materials, production schedules, delivery orders and invoices. It allows us to closely monitor our operations and improve our planning, inventory and allocation of resources.

ENVIRONMENTAL MATTERS

During the Track Record Period and up to the Latest Practicable Date, we had not incurred and do not expect to incur material cost of compliance with the applicable environmental laws and regulations in Singapore.

As advised by our Singapore Legal Advisers and to our Directors' best knowledge, information and belief, during the Track Record Period and up to the Latest Practicable Date, our Group had complied with all the applicable laws and regulations in Singapore relating to environmental protection in all material respects. Our Directors confirm that no penalty had been imposed on our Group by any Singapore governmental authority in relation to any environmental matter during the Track Record Period and up to the Latest Practicable Date.

HEALTH AND WORKPLACE SAFETY

We are committed to providing a healthy and safe environment for our staff. During the Track Record Period, Sunlight Paper received a certificate from The Workplace Safety and Health Council certifying that it had fulfilled the requirements to attain bizSAFE Level 3, which expires on 28 September 2018.

We provide safety education and training to employees and have in place safety guidelines and operating manuals for our conversion process. We also provide our employees with training programmes on work safety in connection with matters such as the operation of equipment with the view to enhance occupational safety and minimising the possibility of work-related accidents and injuries as well as occupational illness. We have established a policy in recording and handling accidents. Upon occurrence of accidents, the staff will report to the relevant department head to handle the case. The relevant department head will prepare a report detailing the accidents, including date and time of the accident, staff involved, and cause, and submit to the administrative department and production department. These departments will then carry out investigations and the administration department will assess the impact of the accidents and consider appropriate measures to improve safety.

Our Directors confirm that we had not encountered any work safety accidents during the Track Record Period and up to the Latest Practicable Date which have material financial impact on us.

As advised by our Singapore Legal Advisers and to our Directors' best knowledge, information and belief, during the Track Record Period and up to the Latest Practicable Date, our Group had complied with all the applicable laws and regulations in Singapore relating to health and safety in all material respects.

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INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we had registered trademarks in Singapore, Hong Kong and Malaysia. Details of our intellectual property rights, which are material to our business and operations, are set out in “B. Further information about the business of our Group — 2. Intellectual property rights — (i) Trademark” in Appendix V to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material intellectual property claims against us or experienced any dispute in relation to the infringement on our intellectual property rights. Our Directors believe that we have taken reasonable measures to prevent infringement of our intellectual property rights.

CERTIFICATION AND AWARD

The following table sets out the certification and award received by us.

Year of award	Certificate/award	Validity period	Holder/Recipient	Awarding organisation
2017	The right to use the Singapore Green Label on certain of our products	22 October 2017 to 31 March 2018	Sunlight Paper	Singapore Environment Council
2015	Sands Supplier Excellence Awards (corporate culture and sustainability)	N/A	Sunlight Paper	Customer B
2015	bizSAFE Level 3	5 October 2015 to 28 September 2018	Sunlight Paper	The Workplace Safety and Health Council

COMPETITION

According to the CIC Report, competition within the tissue products market for corporate customers in Singapore is very intense with a number of international and domestic players competing in the market as there are no regulatory barriers in this industry to constrain foreign companies. International players have captured increasing market share in Singapore given their stronger pricing advantage, which usually reflects better economies of scale and a more well-established brand reputation. Domestic players can also successfully compete in the market given their strong local distribution channels and customised customer service.

According to the CIC Report, (i) the tissue products market for corporate customers in Singapore is relatively concentrated with the top three players in aggregate accounting for approximately 39.1% of market share in terms of sales revenue in 2016, of which approximately 11.7% comprised our Group’s market share, while approximately 19.9% comprised the top player’s market share, which is an international player; and (ii) our market share in the overall tissue products market in Singapore accounted for approximately 6.8% in terms of sales revenue in 2016.

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Our Directors believe that our competitive strengths, leading market position and track record will set us apart from our competitors and continue to allow our Group to maintain its position as one of the leading players in the tissue products industry for corporate customers in Singapore. For details of our competitive strengths, see “— Our competitive strengths”.

For details of the competitive landscape of the tissue products industry for corporate customers in Singapore, see “Industry Overview — Competitive landscape of the tissue products market for corporate customers in Singapore”.

INSURANCE

In order to cover our Group from liability, we maintain insurance policies of a nature and amount that we consider adequate and evaluate from time to time such policies based on our experience, industry developments and various considerations. We maintain insurance which cover risks such as losses at our factory due to fire, and our assets are covered by the property all risk insurance. We maintain third party coverage insurance for our motor vehicles.

We believe that our insurance coverage is adequate and in line with industry practice in Singapore. For the associated risks, see “Risk Factors — Risks relating to our business — Our insurance coverage may not be adequate and potential losses borne by us could adversely affect our cash flow.”.

PERMITS, LICENCES AND APPROVALS

As advised by our Singapore Legal Advisers, no specific licence, permit or approval is required by us for our business operations in Singapore during the Track Record Period and up to the Latest Practicable Date.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 27 employees, who were all based in Singapore. A breakdown of our employees by function as at the Latest Practicable Date is set forth in the table below.

Function	Number of employees
Management	3
Finance, human resources and administrative	2
Sales	4
Production	3
Logistics	<u>15</u>
Total	<u><u>27</u></u>

We believe that our employees are important assets to our Group. Our goal is to provide employees with resources and an environment that encourages them to develop careers with us. We employ employees through employment agencies and referrals, taking into account of the candidates’ initiative, attention to detail and work ethic. We provide management personnel and employees with on-the-job

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training to improve their skills and knowledge. We believe we have good relationships with our employees and we had not experienced any material labour disputes or difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, we had 15 foreign employees from Malaysia and the PRC. As advised by our Singapore Legal Advisers and to our Directors' best knowledge, information and belief, the foregoing foreign employees have obtained the relevant work passes as required under the Employment of Foreign Manpower Act (Chapter 91A) of Singapore.

PROPERTIES

As at the Latest Practicable Date, we owned one property situated at 11 Tuas South Street 5 Singapore 637590, which was used as our warehouse, office, and to house our conversion facilities.

Such owned property is held under the government leasehold estate with a total site area of approximately 2,999.9 sq.m. for an initial term of 30 years commencing from 16 August 2000 and expiring on 15 August 2030, with an option to renew for an additional term of 30 years commencing from 16 August 2030 and expiring on 15 August 2060. Our Company is required to pay an annual rent to JTC, the lessor of the land on which the property is situated, which is a statutory board under the Ministry of Trade and Industry of Singapore and the lead Singapore government agency responsible for the development of industrial infrastructure. Such annual rent is calculated based on the prevailing market rent and the area of the land concerned. Based on the foregoing, our Directors are of the view that the land lease payments during the Track Record Period reflected market rental rates and were on normal commercial terms.

Pursuant to Rule 8.01B(2)(a) of the GEM Listing Rules, if the carrying amount (as defined in Rule 8.01(1) of the GEM Listing Rules) of a property interest (as defined in Rule 8.01(3) of the GEM Listing Rules) is or is above 15% of its total assets (as defined in Rule 8.01(4) of the GEM Listing Rules), the prospectus must include the full text of a valuation report for such property interest. As the carrying amount of our above owned property exceeds 15% of our total assets as at 30 September 2017, being the date of which the most recent audited combined statements of the financial position of our Group, in order to comply with Rule 8.01B(2)(a) of the GEM Listing Rules, a property valuation report in respect of our above owned property is included in Appendix III to this prospectus.

AVISTA has valued the leasehold factory building held and occupied by our Group in Singapore as at 31 January 2018. Our Group has the legal rights to transfer the relevant property subject to the prior written consent of JTC, the lessor of the land on which the property is situated. As advised by our Singapore Legal Advisers, in considering giving the written consent, JTC generally considers (i) the identity and business activity of the proposed transferee; (ii) the existing and proposed usage of the property; (iii) the development plan of the site; and (iv) the results of environmental baseline study, in the event that the proposed usage is considered potentially pollutive, among other factors. To our Directors' best knowledge, information and belief, there would be no material impediment in obtaining the prior written consent from JTC for such transfer. Accordingly, AVISTA has not attributed commercial value to the property since the property can only be transferred in the market after obtaining the consent from JTC. However, AVISTA is of the opinion that the value of the property as at 31 January 2018 would be S\$6,580,000, assuming the property could be freely transferred.

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Save for our above owned property, there is no single property interest that forms part of our non-property activities which has a carrying amount of 15% or more of our total assets as at 30 September 2017.

LEGAL COMPLIANCE AND PROCEEDINGS

From time to time, we may be involved in legal, arbitral or administrative proceedings arising from the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, no member of our Group or our Board was engaged in any litigation, arbitration or claim that had or could have a material adverse effect on our Group's results of operations, financial condition and reputation, and so far as our Directors were aware, no material litigation, arbitration or claim was pending or threatened by or against any member of our Group or our Board.

Our Directors confirm that we had complied with applicable laws and regulations in material respects in Singapore (being the principal jurisdiction in which we operate) during the Track Record Period and up to the Latest Practicable Date.

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of us, whereby they have agreed to indemnify our Group from and against, among others, any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of our Group rising from or in connection with (i) any litigation, arbitration, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual, tortious or other nature instituted by or against any member of our Group in relation to events occurred on or before the Listing Date and (ii) any violation or non-compliance with the laws, rules or regulations applicable to our Group on or before the Listing Date.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors are responsible for the formulation and overseeing the implementation of our internal control measures and effectiveness of quality and risk management system. We have adopted, or expect to adopt before the Listing, a series of internal control policies, procedures and programmes designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the followings:

- *Code of conduct:* Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behaviour. Our code of conduct also includes whistleblowing policies to encourage all employees to speak up against any sub-standard behaviour.
- *Anti-corruption:* Our anti-corruption policies provide the tools and resources necessary to enable, monitor and enforce full compliance with the anti-bribery and anti-corruption laws of Singapore where we conduct our business operations. Compliance with our anti-corruption policies is a condition of employment.

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- *Compliance with the GEM Listing Rules:* Our various policies aim to ensure compliance with the GEM Listing Rules, including but not limited to aspects related to corporate governance, connection transactions and securities transactions by our Directors. We have appointed Giraffe Capital Limited as our compliance adviser upon Listing and will engage external legal advisers to advise us on compliance with the GEM Listing Rules.

The ultimate goal of our risk management process is to identify and focus on the issues in our business operations that create impediments to our success. Our risk management process starts with identifying the major risks associated with our corporate strategy, goals and objectives. The key process points in our risk management include:

- *Identify:* We identify current and emerging risks in our business operations and categorise those risks into a reasonable profile based on timeframe, likelihood, intensity and impact severity. We establish four risk categories, including strategic risks, financial risks, operating risks and legal risks.
- *Assess:* We assess and prioritise risks so that the most important risks can be identified and dealt with. Based on both qualitative and quantitative analyses, we prioritise risks in terms of likelihood and impact severity.
- *Mitigate:* Based on our assessment of (i) the probability and impact severity of the risks and (ii) cost and benefit of the mitigation plans, we choose the appropriate option for dealing with risks, including risk elimination by suspending the associated business activities, risk reduction by adopting appropriate control measures, risk transfer by outsourcing or purchasing insurance policies, and risk acceptance by choosing to accept risks of low priority.
- *Measure:* We measure our risk management by determining if changes have been implemented and if changes are effective. In the event of any weakness in control, we follow up by adjusting our risk management measures and reporting material issues to our Directors.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of four executive Directors and three independent non-executive Directors. The following table sets forth certain information of our Directors and senior management members:

Directors

Name	Date of joining our Age Group	Date of appointment as Director	Present position within our Group	Principal roles and responsibilities	Relationship with other Director(s) and/or senior management
Executive Directors					
Mr. Chua Liang Sie (蔡良聲先生)	58 19 July 1982	21 September 2017	Executive Director, Chairman and chief executive officer	Formulating the overall strategies and planning of our Group	Younger brother of Ms. Chua and elder brother of Mr. LC Chua, and father of Mr. WH Chua
Ms. Chua Joo Gek (蔡瑜玉女士)	63 19 July 1977	21 September 2017	Executive Director and operations director	Responsible for overall operations of our Group	Elder sister of Mr. LS Chua and Mr. LC Chua, and aunt of Mr. WH Chua
Mr. Chua Liang Chui (蔡良书先生)	56 19 July 1982	21 September 2017	Executive Director and sales director	Responsible for sales and marketing of our Group	Younger brother of Ms. Chua and Mr. LS Chua, and uncle of Mr. WH Chua
Mr. Chua Wenhao (alias Cai Wenhao) (蔡文浩先生)	34 1 September 2013	21 September 2017	Executive Director and deputy chief executive officer	Assisting the chief executive officer and implementing strategies of our Group	Son of Mr. LS Chua, and nephew of Ms. Chua and Mr. LC Chua

DIRECTORS AND SENIOR MANAGEMENT

Name	Date of joining our Age Group	Date of appointment as Director	Present position within our Group	Principal roles and responsibilities	Relationship with other Director(s) and/or senior management	
Independent non-executive Directors						
Mr. Teo Beng Fwee (張明輝先生)	60	21 March 2018	21 March 2018	Independent non-executive Director	Supervising and providing independent judgment on the business and operations of our Group to our Board	Nil
Mr. Yeo Hai Thong Michael (楊海通先生)	51	21 March 2018	21 March 2018	Independent non-executive Director	Supervising and providing independent judgment on the business and operations of our Group to our Board	Nil
Mr. Law Kin Ho (羅健豪先生)	50	21 March 2018	21 March 2018	Independent non-executive Director	Supervising and providing independent judgment on the business and operations of our Group to our Board	Nil

DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Name	Age	Date of joining our Group	Present position within our Group	Principal roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Choy Tuck Leong (蔡德良先生)	53	6 July 2017	Chief financial officer and joint company secretary	Responsible for overseeing the overall corporate and finance matters of our Group	Nil
Ms. See Ai Kiok (施藹桔女士)	57	26 October 2009	Head of human resources	Responsible for human resources, accounts and administrative matters	Nil
Mr. Goh Kuang Song (吳光松先生)	53	1 December 1993	Head of logistics	Responsible for managing warehouse and logistics matters	Nil
Mr. Yong Ning Choy	46	30 June 1998	Head of production	Responsible for overseeing production	Nil

Executive Directors

Mr. Chua Liang Sie (蔡良聲先生), aged 58, is our executive Director, Chairman and chief executive officer of our Company, who joined our Group in July 1982. He was appointed as our Director on 21 September 2017, and was re-designated as our executive Director and was also appointed as our Chairman and chief executive officer on 30 October 2017. Mr. LS Chua is responsible for formulating the overall strategies and planning of our Group.

Mr. LS Chua has over 35 years of experience in the tissue product industry for corporate customers. In July 1982, Mr. LS Chua joined Sunlight Paper as production manager, where he was responsible for the production of conventional roll tissue, and was also appointed as a director of Sunlight Paper. He became the managing director of Sunlight Paper in February 1990 and since then, he is responsible for the business strategies, planning and management of Sunlight Paper. Mr. LS Chua completed secondary education in Singapore in 1975.

Mr. LS Chua is the younger brother of Ms. Chua and elder brother of Mr. LC Chua and the father of Mr. WH Chua. Mr. LS Chua did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chua Joo Gek (蔡瑜玉女士), aged 63, is our executive Director, who joined our Group in July 1977. Ms. Chua was appointed as Director on 21 September 2017 and was re-designated as our executive Director on 30 October 2017. Ms. Chua is responsible for the overall operations of our Group.

Ms. Chua has over 40 years of experience in the tissue product industry for corporate customers. Ms. Chua joined Sunlight Paper as warehouse supervisor and was appointed as a director of Sunlight Paper in July 1977. From October 1982 to September 2005, she served as administration manager. Since October 2005, Ms. Chua has been the operations director of Sunlight Paper and is responsible for the operations of Sunlight Paper. Ms. Chua completed primary education in Singapore in 1967.

Ms. Chua is the elder sister of Mr. LS Chua and Mr. LC Chua and aunt of Mr. WH Chua. Ms. Chua did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Chua Liang Chui (蔡良书先生), aged 56, is our executive Director and sales director, who joined our Group in July 1982. He was appointed as Director on 21 September 2017 and was re-designated as our executive Director on 30 October 2017. He is responsible for sales and marketing of our Group.

Mr. LC Chua has over 30 years of experience in the tissue product industry for corporate customers. Mr. LC Chua joined Sunlight Paper as logistics manager and was appointed as a director of Sunlight Paper in July 1982. In October 1996, he was promoted to be warehouse manager, and he served as sales manager in Sunlight Paper from October 2006 to September 2010. Since October 2010, Mr. LC Chua has been the sales director of Sunlight Paper and is responsible for sales and marketing of our products for Sunlight Paper. Mr. LC Chua completed secondary education in Singapore in 1977.

Mr. LC Chua is the younger brother of Mr. LS Chua and Ms. Chua and uncle of Mr. WH Chua. Mr. LC Chua did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Chua Wenhao (蔡文浩先生), aged 34, is our executive Director and deputy chief executive officer, who joined our Group in September 2013. He was appointed as Director on 21 September 2017. On 30 October 2017, he was re-designated as our executive Director and was appointed as the deputy chief executive officer. He is responsible for assisting the chief executive officer and implementing strategies of our Group.

Mr. WH Chua joined as sales manager of Sunlight Paper in September 2013 and was responsible for sales of products for Sunlight Paper. Prior to joining our Group, from November 2010 to June 2012, Mr. WH Chua worked at HSBC in the HSBC Graduate Internship Programme. Mr. WH Chua obtained a bachelor's degree in business management from Royal Melbourne Institute of Technology University in August 2010.

Mr. WH Chua is the son of Mr. LS Chua, and nephew of Ms. Chua and Mr. LC Chua. Mr. WH Chua did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Teo Beng Fwee (張明輝先生) (“**Mr. Teo**”), aged 60, was appointed as our independent non-executive Director on 21 March 2018. He is a member of our Audit Committee and Nomination Committee, and the chairman of our Remuneration Committee.

Mr. Teo has over 35 years of experience in assurance, tax and consulting industry. Prior to joining our Group, he worked at Price Waterhouse Malaysia as an audit clerk from January 1981 to September 1981. From January 1982 to April 1984, he worked at Coopers & Lybrand Singapore and his last position held was audit graduate assistant. From May 1984 to June 1988, he worked at Foo Kon & Tan, Singapore (currently known as Foo Kon Tan LLP) and his last position held was audit supervisor. From June 1988 to January 1998, he worked at KPMG Singapore and his last position held was senior manager. From December 1998 to May 2002, he was a partner of Moores Rowland Singapore. From January 2012 to January 2015, he was a partner of ShineWing LLP Singapore. Since February 2015, he has been a director of CA Practice PAC, an accounting firm based in Singapore.

Mr. Teo obtained a diploma in commerce (financial accounting) in July 1980 from Tunku Abdul Rahman College (currently known as Tunku Abdul Rahman University College) in Malaysia. Mr. Teo was admitted as an associate and a fellow of The Chartered Association of Certified Accountants (currently known as The Association of Chartered Certified Accountants) in July 1985 and in July 1990, respectively. He was also admitted as a member of the Malaysian Institute of Accountants in December 1997 and a fellow member of the Institute of Singapore Chartered Accountants in September 2009.

Mr. Teo did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Yeo Hai Thong Michael (楊海通先生) (“**Mr. Yeo**”), aged 51, was appointed as our independent non-executive Director on 21 March 2018. He is a member of our Audit Committee, Remuneration Committee and Nomination Committee.

Mr. Yeo has over 20 years of experience in marketing. Prior to joining our Group, from 1991 to 1997, Mr. Yeo first served as an engineer for technical support and last served as a manager of the marketing department in a company in Singapore. From May 1997 to September 2013, Mr. Yeo was an area sales manager of Markem-Imaje, a company which provides coding and marking services, where he was mainly responsible for managing the sales and marketing of coding and marking technologies and products in Asia Pacific region with a network of distributors. Since then, Mr. Yeo has been retired.

Mr. Yeo graduated from The National University of Singapore with a bachelor degree in engineering in July 1991. He obtained a graduate diploma in marketing from the Marketing Institute of Singapore in April 1995.

Mr. Yeo did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Law Kin Ho (羅健豪先生) (“**Mr. Law**”), aged 50, was appointed as our independent non-executive Director on 21 March 2018. He is the chairman of our Audit Committee.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Law has over 25 years of experience in accounting, financial management and compliance. Prior to joining our Group, from July 1989 to June 1994, he worked at Ernst & Young, an accounting firm, and his last position held was senior. From July 1994 to August 1995, he was an assistant manager in the compliance division of The Stock Exchange of Hong Kong Limited, where he was mainly responsible for compliance checking on the securities brokerage firms. From August 1995 to April 1996, he worked at King Wai Enterprise Holdings Co., Limited, a garment company, with his last position as group financial controller, where he was mainly responsible for overseeing the financial matters. From May 1996 to November 1999, he was a financial controller of Yuanta Securities (Hong Kong) Company Limited, a brokerage firm, where he was responsible for overseeing the finance and administration matters. Since December 1999, he has been working at his own accounting firm, Kevin Law & Co.. He is currently practising as a sole practising accountant at Kevin Law & Co..

From July 2008 to March 2010, Mr. Law was an independent non-executive director of Aurum Pacific (China) Group Limited, a company listed on the GEM of the Stock Exchange (stock code: 8148). From July 2002 to December 2012, he was an independent non-executive director of Coastal Greenland Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1124). He has been an independent non-executive director of Lai Fung Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1125) since March 2009. He has been an independent non-executive director of the Creative China Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8368) since November 2015.

Mr. Law obtained certificates of an honours diploma in accounting and a bachelor's degree in accounting from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in December 1989 and November 1990, respectively. In June 2017, Mr. Law graduated from the Hong Kong Baptist University with a master degree of science in corporate governance and directorship. He was admitted as an associate of The Chartered Association of Certified Accountants (currently known as The Association of Chartered Certified Accountants) in November 1992 and a fellow of The Association of Chartered Certified Accountants in November 1997. He was also admitted as an associate and a fellow member of the Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants) in July 1993 and May 2000, respectively.

Save as disclosed, Mr. Law did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Save as disclosed above, there is no other information in respect of our Directors that is disclosable pursuant to Rule 17.50(2)(a) to (v) of the GEM Listing Rules and there is no other matter that needs to be brought to the attention of our Shareholders. Save as disclosed under the paragraph headed "Further information about our Directors" in Appendix V to this prospectus, each of our Directors does not have any interests in the Shares within the meaning of Part XV of the SFO.

Senior Management

Mr. Choy Tuck Leong (蔡德良先生) ("Mr. Choy"), aged 53, joined our Group in July 2017 and is our chief financial officer and one of our joint company secretaries. Mr. Choy is responsible for overseeing the overall corporate and financial matters of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Choy has approximately 30 years of experience in audit and corporate finance. Prior to joining our Group, Mr. Choy was an audit supervisor of KPMG Singapore from October 1988 to September 1992, a director and country manager of KPMG Vietnam from September 1992 to December 1995, and a manager of KPMG Singapore from June 1996 to November 1997. From January 1998 to December 2006, Mr. Choy was the general director of S.E.M Thong Nhat Metropole Hotel Joint Stock Company, the owner of Sofitel Legend Metropole Hanoi, Vietnam, where he was mainly responsible for overseeing the company investments and loan restructuring. From April 2005 to August 2017, Mr. Choy was the sole proprietor of Indochina Business Advisory Group where he was mainly responsible for providing business management and consulting services.

Mr. Choy obtained a bachelor's degree of accountancy from The National University of Singapore in June 1988 and was admitted as a certified public accountant (currently known as chartered accountant of Singapore) by the Institute of Certified Public Accountants of Singapore (currently known as Institute of Singapore Chartered Accountants) in December 1992. He was admitted as a fellow and subsequently registered as a fellow chartered accountant of Singapore by the Institute of Singapore Chartered Accountants in November 2004 and July 2013, respectively. Since January 2010, he has been a fellow certified public accountant of the CPA Australia.

Mr. Choy did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Ms. See Ai Kiok (施講桔女士) (“**Ms. See**”), aged 57, joined our Group in October 2009 as accounts executive. Ms. See has been the head of human resources of Sunlight Paper since October 2014. She is responsible for human resources, accounts and administrative matters.

Ms. See has over 25 years of experience in accounting and human resources. Prior to joining our Group, from July 1991 to February 2008, Ms. See worked at Chemitreat Pte Ltd with her last position as senior finance officer, where she was responsible for accounting matters. From August 2008 to October 2009, Ms. See was an accounts executive at Hymics Holdings (S) Pte Ltd, which is a wood manufacturing and exporting company.

Ms. See completed Singapore-Cambridge General Certificate of Education Advanced Level Examinations in December 1978 and the London Chamber of Commerce and Industry International Qualifications course in 1980.

Ms. See did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Goh Kuang Song (吳光松先生) (“**Mr. Goh**”), aged 53, joined our Group as warehouse manager in December 1993. Mr. Goh has been the head of logistics of Sunlight Paper since October 2006.

Mr. Goh, has over 20 years of experience in logistics and is responsible for managing warehouse and logistics matters.

Mr. Goh did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yong Ning Choy (“**Mr. Yong**”), aged 46, joined our Group as machine operator in June 1998 and he was promoted to be a production manager in October 2002. He has been the head of production of Sunlight Paper since October 2007. Mr. Yong has over 15 years of experience in production and is responsible for overseeing production of our jumbo roll tissue.

Mr. Yong did not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Mr. Choy, one of our joint company secretaries, was appointed on 4 October 2017. He is also a member of our senior management. See “— Senior management” for details of his qualifications.

Ms. Yeung, Josephine Yan (楊昕) (“**Ms. Yeung**”), aged 36, one of our joint company secretaries, was appointed on 4 October 2017. Ms. Yeung has approximately 15 years of experience in auditing, financial management, internal control and corporate governance. From September 2003 to July 2009, Ms. Yeung held various positions in Ernst & Young Hong Kong, where she last served as manager in the assurance and advisory business services department, specialising in auditing listed companies in Hong Kong. From August 2009 to May 2017, Ms. Yeung worked in a China focused private investment firm based in Hong Kong with last position served as group finance director. Since May 2017, she has been practising in Noble Partners CPA Company, a certified public accountants firm in Hong Kong.

Ms. Yeung graduated from The Hong Kong University of Science and Technology in November 2003 with a Bachelor of Business Administration in Accounting degree. She was admitted as a member and fellow of the Association of Chartered Certified Accountants in February 2007 and February 2012, respectively. Ms. Yeung has been admitted as a member and fellow of the Hong Kong Institute of Certified Public Accountants since February 2008 and October 2017, respectively, and is a practicing certified public accountant in Hong Kong.

COMPLIANCE OFFICER

Mr. WH Chua was appointed as the compliance officer (Rule 5.19 of the GEM Listing Rules) of our Company on 30 October 2017. See “— Executive Directors” for details about Mr. WH Chua’s qualifications and experience.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Giraffe Capital Limited to be our compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, our compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- (c) where we propose to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first two full financial years commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

AUTHORISED REPRESENTATIVES

Mr. WH Chua and Mr. Choy are the authorised representatives of our Company for the purpose of the GEM Listing Rules.

BOARD COMMITTEES

Audit Committee

We have established an Audit Committee pursuant to a resolution of our Directors passed on 21 March 2018 in compliance with Rule 5.28 of the GEM Listing Rules and with written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our Audit Committee include (i) making recommendations to the Board on the appointment and removal of external auditors; (ii) reviewing and supervising the financial statements and material advice in respect of financial reporting; (iii) overseeing internal control procedures and corporate governance of our Company; (iv) supervising internal control and risk management systems of our Group; and (v) monitoring continuing connected transactions (if any).

Our Audit Committee consists of Mr. Teo, Mr. Yeo and Mr. Law. Mr. Law is the chairman of our Audit Committee.

Remuneration Committee

We have established a Remuneration Committee pursuant to a resolution of our Directors passed on 21 March 2018 in compliance with Rule 5.34 of the GEM Listing Rules and with written terms of reference in compliance with the Code on Corporate Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our Remuneration Committee include (i) reviewing and making recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; (ii) reviewing other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors and senior management; and (iii) reviewing performance based remunerations and establishing a formal and transparent procedure for developing policy in relation to remuneration.

Our Remuneration Committee consists of Mr. LS Chua, Mr. Teo and Mr. Yeo. Mr. Teo is the chairman of our Remuneration Committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

We have established a Nomination Committee pursuant to a resolution of our Directors passed on 21 March 2018 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our Nomination Committee are to (i) review the structure, size, composition and diversity of the Board on a regular basis; (ii) identify individuals suitably qualified to become Board members; (iii) assess the independence of independent non-executive Directors; (iv) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; and (v) make recommendations to our Board regarding the candidates to fill vacancies on our Board.

Our Nomination Committee consists of Mr. LS Chua, Mr. Teo and Mr. Yeo. Mr. LS Chua is the chairman of our Nomination Committee.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules, except for the deviation from the code provision A.2.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

Mr. LS Chua is the chairman of our Board and also the chief executive officer of our Company. Since February 1990, Mr. LS Chua has been the key leadership figure of our Group who has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He is also responsible for overseeing our Group's operations and directly supervises our senior management. Having considered Mr. LS Chua's contribution and familiarity with the operations of our Group which is beneficial to the management and business development of our Group, and all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors on our Board offering independent perspectives, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between our Board and the management of our Company and that it is in the best interest of our Group to have Mr. LS Chua taking up both roles. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate remuneration (including salaries, allowances and benefits in kind, discretionary bonus and contributions to defined contribution plans) paid to our Directors for the year ended 30 September 2016 and 2017 were approximately S\$536,000 and S\$550,000, respectively.

The aggregate remuneration (including salaries, allowances and benefits in kind, discretionary bonus, and contributions to defined contribution plans) paid to our Company's five highest paid individuals including the remuneration paid to our Directors mentioned above for the year ended 30 September 2016 and 2017 were approximately S\$599,000 and S\$635,000, respectively.

DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors, former Directors or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or received by, our Directors, former Directors, or the five highest-paid individuals for each of the years during the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

Save as disclosed above, no other payments have been made or are payable in respect of the year ended 30 September 2016 and 2017 by any of the member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration paid or payable to, and benefits in kind receivable by (including discretionary bonus) our Directors for the year ending 30 September 2018 to be approximately S\$595,000.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), 72.00% of our Company's issued share capital will be owned by YJH Group. As at the Latest Practicable Date, YJH Group was owned as to approximately 37.93% by Mr. LS Chua, 17.24% by Ms. Chua, 17.24% by Mr. LC Chua and 27.59% by Mr. Pang. For the purpose of the GEM Listing Rules, Mr. LS Chua, Ms. Chua, Mr. LC Chua, Mr. Pang and YJH Group are our Controlling Shareholders. For details of Mr. LS Chua, Ms. Chua and Mr. LC Chua, see "Directors and Senior Management". Mr. Pang is one of the founders of our Group. YJH Group was incorporated in BVI as a limited liability company on 31 August 2017 and is an investment holding company. As at the Latest Practicable Date, YJH Group was owned as to approximately 37.93% by Mr. LS Chua, 17.24% by Ms. Chua, 17.24% by Mr. LC Chua and 27.59% by Mr. Pang.

On 11 October 2017, Mr. LS Chua, Ms. Chua, Mr. LC Chua and Mr. Pang executed a deed of concert parties arrangement. For details, see "History, Reorganisation and Corporate Structure — Concert parties arrangement".

Save and except for their respective interests in our Company and our subsidiaries, none of our Controlling Shareholders, our Directors nor any of their respective close associates had any interest in any other companies which competes, or may compete, either directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules at as the Latest Practicable Date.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective associates after the Listing for the following reasons:

Management independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises four executive Directors and three independent non-executive Directors.

Three of our Board members, representing half of the members of our Board, are independent non-executive Directors. They will be appointed in compliance with the requirements under the GEM Listing Rules to ensure that the decisions of our Board will be made only after due consideration of independent and impartial opinion. Our Directors are of the view that our independent non-executive Directors are sufficiently experienced and capable of monitoring our operations independently of our Controlling Shareholders, therefore, the interests of the Shareholders can be safeguarded. For details of our independent non-executive Directors, see "Directors and Senior Management".

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Although our Controlling Shareholders will retain controlling interests in our Company upon the Listing, the day-to-day management and operation of the business of our Group will be the responsibility of our Directors. Our Board and senior management team function independently to oversee our Group's business and are in a position to fully discharge their duties to our Shareholders as a whole upon Listing. Our independent non-executive Directors are also expected to oversee our Board independently to ensure that there is no potential conflict of interest. Our Directors are satisfied that the senior management team of our Group will be able to perform their roles in our Group independently, and our Directors are of the view that our Group is capable of managing its business independently from our Controlling Shareholders and their respective close associates after the Listing.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group, and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted in the quorum of the relevant board meeting.

Operational independence

Our Group has established its own organisational structure made up of individual departments, each with specific areas of responsibilities. Our Group has independent access to customers for our Group's business and an independent management team to handle our day-to-day operations. Our Group has also established a set of internal control to facilitate effective operations of our business.

In light of the above, our Directors consider that our Group can operate independently from our Controlling Shareholders and their respective close associates.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our business needs. We have an independent internal control and accounting system and also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on the Controlling Shareholders and their close associates.

During the Track Record Period, certain bank borrowings were secured/guaranteed by personal guarantee of Mr. LS Chua, Ms. Chua and Mr. LC Chua who are our Controlling Shareholders. For further details, see "Financial Information — Indebtedness" and note 19 of the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that any guarantee provided by our Controlling Shareholders will be released upon Listing and we will not rely on our Controlling Shareholders for financing after the Listing as we expect that our working capital will be funded by our operating income. Accordingly, our Directors are of the view that our Group is financially independent from our Controlling Shareholders or their respective close associates in our Group's business operations and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

UNDERTAKINGS

Each of our Controlling Shareholders has given certain undertakings in respect of the Shares to our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, For details, see “Underwriting — Undertakings”.

DEED OF NON-COMPETITION

In order to maintain a clear delineation of the businesses between our Group and our Controlling Shareholders, our Controlling Shareholders (together the “**Covenantors**”) have entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

Under the Deed of Non-competition:

- (a) each of the Covenantors irrevocably covenant with and undertakes to our Company (for itself and as trustee for each of its subsidiaries from time to time) that it shall not, and shall procure that none of their respective associates (other than members of our Group) shall, during the period (the “**Restricted Period**”) in which (i) the Shares remain listed on the Stock Exchange; and (ii) the Covenantors and their respective associates (other than members of our Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of our Company, directly or indirectly (other than through our Group), whether on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold any right or interest in or provide any financial assistance, technical support or business know-how to any other person to carry on (in each case whether as a shareholder, director, employee, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete, whether directly or indirectly, with any business and related business activities engaged by our Group (including but not limited to the conversion and sale of tissue products) in Singapore and any other new business, which our Group may undertake from time to time after the Listing, in Singapore and such other places as our Group may conduct or carry on business from time to time (the “**Restricted Business**”);
- (b) each of the Covenantors irrevocably and unconditionally undertakes that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business or which directly or indirectly competes, or may lead to competition with the Restricted Business (the “**New Opportunity**”) identified by or offered to the Covenantors and/or any of their respective close associates (other than members of our Group) (the “**Offeror**”) is first referred to our Group in the following manner:
- (c) (i) the Covenantors are required to, and shall procure the Offeror to, refer or procure the referral of the New Opportunity to our Group, and shall give written notice (“**Offer Notice**”) to our Company of such New Opportunity as soon as practicable after such opportunity arises, giving details of the nature of the New Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

consider whether (1) the New Opportunity forms part of the Restricted Business, and/or (2) it is in the interest of our Group and the shareholders of our Company as a whole to pursue the New Opportunity;

- (ii) upon receiving the Offer Notice, our Company shall seek approval from the independent non-executive Directors as to whether to pursue or decline the New Opportunity (any Director who has actual or potential interest in the New Opportunity shall abstain from attending unless their attendance is specifically requested by the independent non-executive Directors, and shall not be counted in the quorum for, and voting at, any meeting convened to consider such New Opportunity);
 - (iii) the independent non-executive Directors shall consider the financial impact of pursuing the New Opportunity offered, whether the nature of the New Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the independent non-executive Directors may appoint independent financial advisers and legal advisers to assist in the decision-making process in relation to such New Opportunity;
 - (iv) the independent non-executive Directors shall, within 15 business days of receipt of the Offer Notice, inform the Covenantors in writing on behalf of our Company its decision whether to pursue or decline the New Opportunity;
 - (v) the Offeror shall be entitled but not obliged to pursue the New Opportunity only if (1) our independent non-executive Directors have served a written notice on the Offeror and the Covenantors declining such New Opportunity and confirming that the New Opportunity would not constitute competition with the business of our Group, or (2) our independent non-executive Directors have not served a notice within 15 business days from our Company's receipt of the Offer Notice; and
 - (vi) if there is any material change in the nature, terms or conditions of the New Opportunity (or any subsequent revised New Opportunity) offered by the Offeror, each of the Covenantors are required to, and shall procure their respective associate to, refer or procure the referral of such revised New Opportunity in the manner provided for in paragraph (c)(i) above, and our independent non-executive Directors shall have a further 15 business days period to provide a response to the Offeror and the Covenantors;
- (d) each of the Covenantors further undertakes and agrees:
- (i) not to pursue, and to procure that none of their respective close associates shall pursue a New Opportunity unless our Group decides not to pursue such New Opportunity;
 - (ii) not at any time to induce or attempt to induce directly or indirectly, any director, manager, design consultant or employee of our Group to terminate his or her service contract, contract of employment with our Group, whether or not such act of that person would constitute a breach of that person's service contract, contract of employment;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) not at any time to solicit or persuade directly or indirectly, any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business to cease to deal with our Group or reduce the amount of business which the person would normally do with our Group;
 - (iv) to provide all relevant information for the annual review by the independent non-executive Directors for the compliance with and the enforcement of the undertaking or covenants in the Deed of Non-competition;
 - (v) that neither the Covenantors nor their respective close associates is currently carrying on or engaging or participating or interested or involved, directly or indirectly, (whether as a shareholder, director, employee, partner, agent or otherwise, and whether for profit, reward or otherwise) in any business that directly or indirectly competes or may lead to a competition with our Group or in the Restricted Business otherwise than through our Group and save as disclosed in this Prospectus;
- (e) The Covenantors acknowledge and agree to make an annual declaration in a form determined by our Company on the compliance with the terms of the Deed of Non-competition in accordance with the principle of voluntary disclosure in our Company's corporate governance report within two months after the date upon which the financial period of our Company ends, or if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in our Company's corporate governance report;
 - (f) The Covenantors acknowledge and agree that the independent non-executive Directors of our Company will review, at least on an annual basis, the Covenantors' and their close respective associates' compliance with the terms of the Deed of Non-competition and undertake to provide such information as they and/or their associates may possess and is necessary as required by the independent non-executive Directors of our Company for determination of the compliance with the terms of the Deed of Non-competition;
 - (g) The Covenantors acknowledge and agree to allow, subject to confidentiality restrictions imposed by any third party, the representatives of our Company and of the auditors of our Company to have access to its/his financial and/or corporate records as may be necessary for the independent non-executive Directors to determine whether the Covenantors and their respective close associates have complied with the terms of the Deed of Non-competition;
 - (h) The Covenantors acknowledge and agree that our Company will (a) disclose decisions on matters reviewed by its independent non-executive Directors relating to the breach and enforcement of the terms of the Deed of Non-competition (if any); (b) confirm its/his or its/his close associates' compliance during the relevant period under review; and (c) disclose the decision and the reasons for turning down any New Opportunity as the case may be, in the annual report of our Company or by way of announcements to the public;
 - (i) the Covenantors, for themselves and on behalf of their respective close associates (other than members of our Group), acknowledge and agree that our Company may be required by the relevant laws, regulations, rules of the stock exchange(s) on which the Shares may be listed and the regulatory bodies to disclose, from time to time, information on the New

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Opportunity, including but not limited to disclosure in public announcements or our Company's corporate communications in relation to the New Opportunity and agree to the disclosure to the extent necessary (including, for the avoidance of doubt, disclosure to our Company's advisors) to comply with any such requirement; and

- (j) in the event that there are material interests involved with respect to any participation or involvement in the Restricted Business, the Covenantors shall abstain, and shall procure its close associates (other than members of our Group) with such material interests to abstain, from voting at all the meetings of Directors and holders of Shares on resolutions concerning our Group making the decision as to whether or not to participate or invest or be involved in the relevant Restricted Business.

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-competition. Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

- (a) the Articles of Association provide that, subject to certain exceptions as provided for in the GEM Listing Rules, a Director shall not vote (nor shall he be counted in the quorum) on any resolution of our Board in respect of any contract or arrangement or proposal in which he/she or any of his/her close associate(s) has/have a material interest, and if he/she shall do so his/her vote shall not be counted (nor shall he/she be counted in the quorum for that resolution);
- (b) the independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertaking by our Controlling Shareholders (e.g. exercise by our Company of the first right of refusal granted by our Controlling Shareholders on their existing or future competing businesses);
- (c) our Controlling Shareholders have undertaken to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the non-competition undertaking;
- (d) our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of our Controlling Shareholders in the annual reports of our Company;
- (e) our Controlling Shareholders will make an annual declaration on compliance with their non-competition undertaking in the annual report of our Company;
- (f) the independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or her/its close associates to involve or participate in a Restricted Business and if so, any condition to be imposed;
- (g) the independent non-executive Directors may appoint an independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (h) we have appointed Giraffe Capital Limited as our compliance adviser which shall provide us with professional advice and guidance in respect of compliance with the GEM Listing Rules and applicable laws.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out in this paragraph, our Directors believe that the interests of the Shareholders will be protected.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Capitalisation Issue and the Share Offer:

Authorised share capital:

	<i>HK\$</i>
<u>10,000,000,000</u> Shares of HK\$0.01 each	<u>100,000,000</u>

Issued or to be issued, fully paid or credited as fully paid:

580,000 Shares in issue as at the Latest Practicable Date	5,800
599,420,000 Shares to be issued pursuant to the Capitalisation Issue	5,994,200
<u>200,000,000</u> Shares to be issued pursuant to the Share Offer	<u>2,000,000</u>
<u>800,000,000</u> Shares	<u>8,000,000</u>

ASSUMPTIONS

The above table assumes that the Share Offer has become unconditional and the Shares are issued pursuant thereto. It does not take into account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

RANKING

The Offer Shares will rank pari passu in all respects with all Shares currently in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus save for the entitlements under the Capitalisation Issue.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 21 March 2018. A summary of its principal terms is set out in “E. Share Option Scheme” in Appendix V to this prospectus.

SHARE CAPITAL

GENERAL MANDATE GIVEN TO THE DIRECTORS TO ISSUE NEW SHARES

Subject to the Share Offer becoming unconditional, a general unconditional mandate has been granted to the Directors to allot, issue and deal with unissued Shares with an aggregate number of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme); and
- the aggregate number of Shares repurchased by our Company under the authority referred to in “General mandate given to the Directors to repurchase Shares” in this section.

The aggregate number of Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of Shares under a rights issue, script dividend scheme or similar arrangement in accordance with the Articles, or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under the Share Offer or the Capitalisation Issue.

This general mandate will expire:

- at the conclusion of our Company’s next annual general meeting; or
- upon the expiration of the period within which our Company is required by any applicable laws or its Articles to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate are set forth in “A. Further information about our Company — 4. Resolutions in writing of our Shareholders passed on 21 March 2018” in Appendix V to this prospectus.

GENERAL MANDATE GIVEN TO THE DIRECTORS TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, a general unconditional mandate has been granted to the Directors to exercise all the powers of our Company to repurchase Shares with an aggregate of not more than 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme).

This Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the GEM Listing Rules. Further

SHARE CAPITAL

information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in “A. Further information about our Company — 6. Repurchase of the Shares” in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in “Summary of the constitution of our Company and the Cayman Islands Company Law” in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately after the completion of the Capitalisation Issue and the Share Offer, the following persons will have interests or short positions in the Shares or underlying Shares which will 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, will be, directly or indirectly, interested in 10% or more of the issued voting shares of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	Capacity/nature of interest	Immediately prior to completion of the Capitalisation Issue and the Share Offer		Immediately after completion of the Capitalisation Issue and the Share Offer	
		Number of Shares (Note 1)	Percentage of Shareholding in our Company	Number of Shares (Note 1)	Percentage of shareholding in our Company
Mr. LS Chua (Note 2)	Interest in a controlled corporation	556,800 (L)	96.00%	576,000,000 (L)	72.00%
Ms. Chua (Note 2)	Interest in a controlled corporation	556,800 (L)	96.00%	576,000,000 (L)	72.00%
Mr. LC Chua (Note 2)	Interest in a controlled corporation	556,800 (L)	96.00%	576,000,000 (L)	72.00%
Mr. Pang (Note 2)	Interest in a controlled corporation	556,800 (L)	96.00%	576,000,000 (L)	72.00%
YJH Group (Note 2)	Beneficial owner	556,800 (L)	96.00%	576,000,000 (L)	72.00%

Note:

- The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
- YJH Group is owned as to approximately 37.93% by Mr. LS Chua, 17.24% by Ms. Chua, 17.24% by Mr. LC Chua and 27.59% by Mr. Pang. On 11 October 2017, Mr. LS Chua, Ms. Chua, Mr. LC Chua and Mr. Pang entered into a concert parties agreement. For details, see “History, Reorganisation and Corporate Structure — Concert parties arrangement”.

Save as disclosed above, our Directors are not aware of any person who will, immediately after completion of the Capitalisation Issue and the Share Offer, have interests or short positions in the Shares or the underlying Shares of our Company which will 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, directly or indirectly, be interested in 10% or more of the issued voting shares of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group.

FINANCIAL INFORMATION

You should read this section in conjunction with our combined financial information as set out in the Accountants' Report in Appendix I to this prospectus. The combined financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in "Risk Factors".

OVERVIEW

We are a leading tissue products supplier for corporate customers in Singapore. We are the fifth largest tissue products supplier in Singapore in the overall tissue products market in terms of sales revenue with a market share of approximately 6.8% in 2016, and the second largest tissue products supplier in the tissue products market for corporate customers in terms of sales revenue with a market share of approximately 11.7% in 2016, according to the CIC Report.

We provide comprehensive services to our customers, from advising our customers on the types and specifications of tissue products, to sourcing suitable products, conducting quality control, delivery to customers through our fleet of delivery trucks and providing after-sales services. We also provide advice to our customers in relation to other related products, such as tissue dispensers and hygiene-related products. In addition to sourcing products from our suppliers, we have our own conversion facilities in Singapore to convert material reels of tissue paper into jumbo roll tissues, which allows us to replenish our stock of jumbo roll tissues instead of depending totally on our suppliers.

For the year ended 30 September 2016 and 2017, our revenue was S\$12.3 million and S\$12.2 million, respectively. We recorded a net profit of S\$1.3 million and S\$0.7 million for the year ended 30 September 2016 and 2017, respectively. Such decrease in net profit was primarily due to the Listing expenses recognised during the year. Our total assets as at 30 September 2016 and 2017 amounted to S\$15.6 million and S\$13.4 million, respectively.

BASIS OF PRESENTATION

To rationalise the corporate structure in preparation of the Listing, our Group underwent the Reorganisation as described in "History, Reorganisation and Corporate Structure — Reorganisation". Upon completion of the Reorganisation, our Company became the holding company of our Group. Sunlight Paper was controlled by Mr. LS Chua, Ms. Chua, Mr. LC Chua and Mr. Pang before and after the Reorganisation and there were no changes in the business of Sunlight Paper. The Reorganisation only involved inserting newly formed entities with no substantive operations as the new holding companies of Sunlight Paper. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition, with Sunlight Paper treated as the acquirer for accounting purposes. The combined financial information has been prepared and presented as a continuation of the financial statements of Sunlight Paper with the assets and liabilities of Sunlight Paper recognised and

FINANCIAL INFORMATION

measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the combined financial information.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Cost of inventories sold

Our major cost includes our cost of inventories sold. Cost of inventories sold may fluctuate, depending on the market supply and demand conditions and the price of pulp, being the raw material for material reels of tissue paper. Price of pulp therefore affects our results of operations. During the Track Record Period, our cost of inventories sold accounted for 94.3% and 94.0% of our cost of sales for the year ended 30 September 2016 and 2017, respectively. Should there be any increase in our cost of inventories sold which cannot be passed on to our customers, our profitability will be adversely affected.

The following table sets out a sensitivity analysis illustrating the changes in our profit before tax for the year ended 30 September 2016 and 2017 for hypothetical increase or decrease in our cost of inventories sold, while all other factors remain unchanged:

	Decrease/Increase in our profit before tax	
	Year ended 30 September	
	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>
Hypothetical fluctuation of our cost of inventories sold:		
Hypothetical increase/decrease of 1.0%	-/+86	-/+82
Hypothetical increase/decrease of 3.0%	-/+257	-/+245
Hypothetical increase/decrease of 4.6%		
(maximum fluctuation during the Track Record Period)	-/+394	-/+376

Pricing of our products

Our Group's revenue is affected by our selling prices. During the Track Record Period, the fluctuation of our revenue was mainly driven by sales volume and our selling prices remained relatively stable. We believe that our revenue will continue to be affected by our selling prices in the future. Therefore, any changes to our selling prices may affect our revenue and results of operations.

Demand from our customers

For the year ended 30 September 2016 and 2017, our five largest customers in aggregate accounted for approximately 37.8% and 34.7% of our total revenue, respectively, and sales to our largest customer accounted for approximately 12.9% and 14.2% of our total revenue, respectively, during the same periods. Most of our sales are based on purchase orders received and we do not enter into long-term agreements with purchase obligations with our customers. Our sales are dependent on the project

FINANCIAL INFORMATION

pipeline of our customers. Any changes in the business model of our customers in the facilities management and cleaning sector, and whether they secure or lose their service contracts with their clients may adversely affect our sales, and consequently, our results of operations.

General economic conditions in Singapore

Our business operations and the demand for our products are exposed to the economic conditions, standard of living, public health and sanitation standards, government policies for public health and sanitation, tourism industry, ageing population and downstream application of tissue products for corporate customers in Singapore. Due to limited geographical coverage of our business, the aforesaid adverse circumstances may materially and adversely disrupt operations of our business and in turn, the revenue and profitability of our Group, and consequently, our financial condition and results of operations.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our Group's financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial information, you should consider: (i) our selection of accounting policies; (ii) the results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our Group's financial information. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in note 3 of the Accountants' Report in Appendix I of this prospectus.

Significant accounting policies

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for leasehold factory building which are measured at revalued amount. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation. Revaluations are carried out by independent professional valuers regularly such that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the reporting date.

Any increase in revaluation amount is credited to the revaluation reserve unless it offsets a previous decrease in value of the same asset that was recognised in profit or loss. A decrease in value is recognised in profit or loss where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained profits and is not taken into account in arriving at the gain or loss on disposal.

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Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to our Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Depreciation is also recognised as an expense in profit or loss on a reducing balance method results in a decreasing charge over the useful life.

Depreciation is recognised from the date of the property, plant and equipment are installed and are ready for use.

The estimated useful lives during the Track Record Period are as follows:

Straight line method

Leasehold factory building	— 60 years
Computers	— 3 years
Renovation	— 5 years

Reducing balance method

Plant, equipment, furniture and fittings	— 10% to 20%
Motor vehicles	— 20%

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

FINANCIAL INFORMATION

Revenue recognition — Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Fair value measurement

A number of our Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Our Group has an established control framework with respect to the measurement of fair values.

Our finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to our Board of Directors.

When measuring the fair value of an asset or a liability, our Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

Our Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

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Critical accounting estimates and judgements

Use of estimates and judgements

The preparation of the combined financial information in conformity with IFRSs requires our management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by our management in the application of IFRSs that have significant effect on the combined financial information and major sources of estimation uncertainty are discussed below, which contain information about the assumption relating to allowance for inventories and impairment losses of trade receivables.

Allowance for inventories

A review is made periodically of inventory for excess inventory, obsolescence or decline in net realisable value and allowance is recorded against the inventory balance. These reviews require our management to estimate future demand for the products. In any case, the net realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the reporting date and inherently involves estimates regarding the future expected value. The benchmarks for determining the amount of allowance or write down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgment and materially affects the carrying amount of inventories at the reporting date. Possible changes in these estimates could result in revisions to the valuation of inventory. An increase in allowance for inventories will increase purchase and other related cost and decrease current assets.

Impairment losses of trade receivables

Our Group evaluates whether there is any objective evidence that trade receivables are impaired, and determines the amount of impairment loss as a result of the inability of the customers to make required payments. Our Group determines the estimates based on the ageing of the trade receivables balance, credit-worthiness of individual debtors and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated. An increase in impairment losses will increase other expenses and decrease current assets.

FINANCIAL INFORMATION

Estimation of fair value of leasehold factory building

Leasehold factory building is stated at revalued amount based on the fair value amount provided by independent property valuer, AVISTA, a registered professional surveyor in Hong Kong, who have appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuer provides the fair value of our Group's leasehold factory building on an annual basis.

The fair value measurement for the property, plant and equipment stated at revalued amount has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. See note 9 of the Accountants' Report in Appendix I of this prospectus for the valuation technique and significant unobservable inputs used in measuring the fair value of our leasehold factory building.

RESULTS OF OPERATIONS

The following table summarises the combined statements of profit or loss during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	Year ended 30 September			
	2016		2017	
	<i>S\$'000</i>	<i>HK\$'000^(Note)</i>	<i>S\$'000</i>	<i>HK\$'000^(Note)</i>
Revenue	12,343	73,441	12,186	72,507
Cost of sales	<u>(9,085)</u>	<u>(54,056)</u>	<u>(8,693)</u>	<u>(51,724)</u>
Gross profit	3,258	19,385	3,493	20,783
Other income	144	857	123	732
Distribution expenses	(1,126)	(6,700)	(1,085)	(6,456)
Administrative expenses	(743)	(4,421)	(762)	(4,534)
Listing expenses	—	—	(724)	(4,308)
Other expenses	<u>(13)</u>	<u>(77)</u>	<u>(27)</u>	<u>(160)</u>
Profit from operations	1,520	9,044	1,018	6,057
Interest expenses on finance leases	<u>(7)</u>	<u>(42)</u>	<u>(10)</u>	<u>(59)</u>
Profit before taxation	1,513	9,002	1,008	5,998
Income tax expense	<u>(246)</u>	<u>(1,463)</u>	<u>(268)</u>	<u>(1,595)</u>
Profit for the year	<u><u>1,267</u></u>	<u><u>7,539</u></u>	<u><u>740</u></u>	<u><u>4,403</u></u>

Note: For illustration purpose only, the above amounts denominated in S\$ have been translated to HK\$ at the exchange rate of S\$1.00 to HK\$5.95.

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DESCRIPTION OF SELECTED ITEMS IN THE COMBINED STATEMENTS OF PROFIT OR LOSS

The following table sets forth the breakdown of our revenue, cost of sales, gross profit and gross profit margin by product for the years indicated:

	Year ended 30 September							
	2016				2017			
	Revenue	Cost of sales	Gross profit	Gross profit margin	Revenue	Cost of sales	Gross profit	Gross profit margin
S\$'000	S\$'000	S\$'000		S\$'000	S\$'000	S\$'000		
Tissue products								
— Jumbo roll tissues	5,215	(4,207)	1,008	19.3%	5,222	(4,137)	1,085	20.8%
— Hand towels	4,267	(2,875)	1,392	32.6%	3,900	(2,448)	1,452	37.2%
— Others ^(Note 1)	<u>1,870</u>	<u>(1,359)</u>	<u>511</u>	27.3%	<u>1,908</u>	<u>(1,317)</u>	<u>591</u>	31.0%
	11,352	(8,441)	2,911	25.6%	11,030	(7,902)	3,128	28.4%
Hygiene-related products	891	(545)	346	38.8%	971	(608)	363	37.4%
Others ^(Note 2)	<u>100</u>	<u>(99)</u>	<u>1</u>	1.0%	<u>185</u>	<u>(183)</u>	<u>2</u>	1.1%
	<u><u>12,343</u></u>	<u><u>(9,085)</u></u>	<u><u>3,258</u></u>	26.4%	<u><u>12,186</u></u>	<u><u>(8,693)</u></u>	<u><u>3,493</u></u>	28.7%

Notes:

- (1) Others under tissue products comprise napkins, conventional roll tissues and facial tissues.
- (2) Others mainly comprise tissue dispensers.

Revenue

During the Track Record Period, we mainly generated revenue from sales of (i) tissue products; (ii) hygiene-related products; and (iii) others, mainly comprising tissue dispensers. Tissue products include (a) toilet tissues, comprising jumbo roll tissues and conventional roll tissues; (b) hand towels; (c) napkins; and (d) facial tissues. Hygiene-related products include (a) hygiene wipes; (b) hygiene gloves; and (c) industrial wipes. Our customers mainly include companies in the industries of facilities management and cleaning, sourcing, hotel and leisure, food and beverage, industrial, school and education, and hospital and healthcare located in Singapore. Our Group recorded revenue of S\$12.3 million for the year ended 30 September 2016 and S\$12.2 million for the year ended 30 September 2017, which was relatively stable except for the decrease in sales of hand towels.

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Revenue by product

Tissue products

Our revenue from sales of tissue products, representing mainly sales of jumbo roll tissues and hand towels, amounted to S\$11.4 million and S\$11.0 million, representing 92.0% and 90.5% of our total revenue for the year ended 30 September 2016 and 2017, respectively. Our sales of tissue products such as sales of jumbo roll tissues and other tissue products remained stable during the years, except for the decrease in sales of hand towels by S\$0.4 million or 8.6% mainly due to one of our major facility management customers reduced its orders from us as it supplied less of our products to one of its clients which is a government entity who changed its products mix and requirement.

Hygiene-related products

Our revenue from sales of hygiene-related products, representing sales of hygiene wipes, hygiene gloves and industrial wipes, amounted to S\$0.9 million and S\$1.0 million, representing 7.2% and 8.0% of our total revenue for the year ended 30 September 2016 and 2017, respectively. Our sales of hygiene-related products remained stable during the Track Record Period.

Revenue by customer type

The following table sets forth the breakdown of our revenue, cost of sales, gross profit and gross profit margin by customer type for the years indicated:

	Year ended 30 September							
	2016				2017			
	Revenue	Cost of sales	Gross profit	Gross profit margin	Revenue	Cost of sales	Gross profit	Gross profit margin
	S\$'000	S\$'000	S\$'000		S\$'000	S\$'000	S\$'000	
Facilities management and cleaning	5,400	(4,116)	1,284	23.8%	4,822	(3,627)	1,195	24.8%
Sourcing	2,059	(1,612)	447	21.7%	2,251	(1,673)	578	25.7%
Hotel and leisure	2,003	(1,445)	558	27.9%	2,008	(1,445)	563	28.0%
Food and beverage	924	(595)	329	35.6%	1,031	(625)	406	39.4%
Industrial	792	(563)	229	28.9%	768	(524)	244	31.8%
School and education	428	(254)	174	40.7%	486	(271)	215	44.2%
Hospital and healthcare	414	(312)	102	24.6%	446	(313)	133	29.8%
Others	323	(188)	135	41.8%	374	(215)	159	42.5%
	<u>12,343</u>	<u>(9,085)</u>	<u>3,258</u>	26.4%	<u>12,186</u>	<u>(8,693)</u>	<u>3,493</u>	28.7%

Our sales in the facilities management and cleaning sector, whose customers included owners of public buildings, commercial malls and office towers, decreased from S\$5.4 million for the year ended 30 September 2016 to S\$4.8 million for the year ended 30 September 2017 primarily due to one of our major customers reduced its orders of hand towels from us. Such decrease was partly offset by the (i) increase in sales to sourcing sector from S\$2.1 million for the year ended 30 September 2016 to S\$2.3 million for the year ended 30 September 2017 primarily due to increase in demand from industries and

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orders received from new customers; and (ii) increase in sales to food and beverage sector from S\$0.9 million for the year ended 30 September 2016 to S\$1.0 million for the year ended 30 September 2017 primarily due to increase in customer base.

Cost of sales

Our cost of sales amounted to S\$9.1 million and S\$8.7 million for the year ended 30 September 2016 and 2017, respectively. During the Track Record Period, we purchased finished products, material reels of tissue paper and paper cores used in our conversion process and other materials.

The following table sets forth the breakdown of our cost of sales for the years indicated:

	Year ended 30 September	
	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>
Cost of inventories sold	8,570	8,174
Freight and handling charges	198	183
Depreciation	173	167
Others	144	169
	9,085	8,693

Our cost of sales mainly consisted cost of inventories sold, which amounted to S\$8.6 million and S\$8.2 million, representing 94.3% and 94.0% of our total cost of sales for the year ended 30 September 2016 and 2017, respectively. Our cost of sales decreased by S\$0.4 million or 4.3% mainly because of the decrease in cost of inventories sold by S\$0.4 million or 4.6%, which was mainly due to the decrease in revenue.

Gross profit

We provide comprehensive services to our customers, from providing advice on the types and specifications of tissue products, sourcing suitable products, conducting quality control, delivering to customers and providing after-sales services. Together with reliable supply, long operation history and in-depth understanding of the industry, our value-added service has enabled us to build customer loyalty and differentiate ourselves from competitors, leading to our higher gross profit margin and profitability.

Our gross profit increased by S\$0.2 million or 7.2% from S\$3.3 million for the year ended 30 September 2016 to S\$3.5 million for the year ended 30 September 2017. Our gross profit margin increased by 2.3 percentage points from 26.4% for the year ended 30 September 2016 to 28.7% for the year ended 30 September 2017.

Gross profit by product

Increase in our gross profit margin was mainly attributable to the increase in gross profit margin for hand towels and other tissue products, which was partly offset by the decrease in gross profit margin for hygiene-related products.

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Our gross profit margin for hand towels and other tissue products increased by 4.6 percentage points and 3.7 percentage points during the Track Record Period, respectively. The increased gross profit margin was mainly due to the decreased purchase price. We purchased hand towels and other tissue products from the PRC which were billed and settled in S\$. During the year ended 30 September 2016, Renminbi depreciated against S\$ and the effect was not reflected in our purchase price. We discussed the purchase price with the supplier during the second half of the year ended 30 September 2016 and our purchase prices for hand towels and other tissue products were decreased for the year ended 30 September 2017. Accordingly, our gross profit margin for hand towels and other tissue products increased in the year ended 30 September 2017.

Our gross profit margin for jumbo roll tissues remained stable during the year ended 30 September 2016 and 2017. Our gross profit margin for hygiene-related products slightly decreased by 1.4 percentage points during the Track Record Period. The decreased gross profit margin was mainly due to lower prices offered to new customers in order to pursue new businesses.

Gross profit by customer type

Increase in our gross profit margin was mainly attributable to the increase in gross profit margin for sourcing, and food and beverage sectors as most customers from these two sectors generally ordered hand towels, which we purchased from the PRC. Due to the decrease in purchase price of hand towels, the gross profit margin for these two sectors increased.

Gross profit margin for other customer types also increased in general as hand towels and other tissue products were ordered by all customer types.

Other income

Other income amounted to S\$144,000 and S\$123,000 for the year ended 30 September 2016 and 2017, respectively, mainly representing interest income and trademark licence fee income for using the Sunlight trademark in Macau of S\$44,000 and S\$45,000 from Double Class for the year ended 30 September 2016 and 2017, respectively. See “Business — Suppliers — Our relationship with Double Class” for details of our trademark licence fee income.

Distribution expenses

The following table sets forth the breakdown of our distribution expenses for the years indicated:

	Year ended 30 September	
	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>
Staff costs	898	874
Vehicle expenses	121	119
Depreciation	81	65
Others	26	27
	1,126	1,085

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Our distribution expenses mainly consisted staff costs, vehicle expenses incurred in delivering our products from our warehouse to our customers and maintaining our delivery trucks, and depreciation charges of our delivery trucks. Our distribution expenses remained stable at S\$1.1 million for the year ended 30 September 2016 and 2017.

Administrative expenses

The following table sets forth the breakdown of our administrative expenses for the years indicated:

	Year ended 30 September	
	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>
Staff costs	371	415
Depreciation	158	123
Others	214	224
	743	762

Our administrative expenses mainly consisted staff costs, depreciation and others. Our administrative expenses increased slightly from S\$743,000 for the year ended 30 September 2016 to S\$762,000 for the year ended 30 September 2017 primarily due to the increase in staff costs as a result of the increase in headcount to cope with our expansion and increase in average salaries as a result of general pay rise. Others, mainly represented professional fees, insurance, rent, repair and maintenance, telecommunication, and printing and stationery, remained stable during the years.

Other expenses

Our other expenses amounted to S\$13,000 and S\$27,000 for the year ended 30 September 2016 and 2017, respectively. Other expenses mainly represented loss on disposal of property, plant and equipment.

Interest expenses on finance leases

Our interest expenses on finance leases amounted to S\$7,000 and S\$10,000 for the year ended 30 September 2016 and 2017, respectively, represented interests arising from the hire-purchase of our motor vehicles.

Income tax expense

Our Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdiction in which members of our Group domicile or operate.

(i) *Cayman Islands and the BVI*

Our Group is not subject to any income tax in the Cayman Islands and the BVI.

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(ii) Singapore corporate income tax

Singapore corporate income tax has been provided at the statutory rate of 17.0% on the estimated chargeable income arising in Singapore for the year ended 30 September 2016 and 2017.

Our tax expense amounted to S\$246,000 and S\$268,000 for the year ended 30 September 2016 and 2017, respectively. Our tax expense increased by S\$22,000 primarily attributable to our increased taxable income. Our effective tax rate was 16.3% and 26.6% for the year ended 30 September 2016 and 2017, respectively. Our effective tax rate for the year ended 30 September 2016 was slightly below the applicable tax rate of 17.0% because of the tax incentives and corporate income tax rebate received from the Singapore tax authority. Our effective tax rate for the year ended 30 September 2017 was higher than the applicable tax rate of 17.0% mainly because of the non-deductible Listing expenses.

Save as disclosed in this prospectus, as at the Latest Practicable Date and during the Track Record Period, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended 30 September 2017 compared to year ended 30 September 2016

Revenue

Our Group recorded revenue of S\$12.3 million for the year ended 30 September 2016 and S\$12.2 million for the year ended 30 September 2017, which was relatively stable except for the decrease in sales of hand towels.

Our sales of hand towels decreased mainly due to one of our major facility management customers reduced its orders from us.

Cost of sales

Our cost of sales decreased by S\$0.4 million or 4.3% from S\$9.1 million for the year ended 30 September 2016 to S\$8.7 million for the year ended 30 September 2017 mainly because of the decrease in cost of inventories sold, which was mainly due to the decrease in revenue.

Gross profit

Our gross profit increased by S\$0.2 million or 7.2% from S\$3.3 million for the year ended 30 September 2016 to S\$3.5 million for the year ended 30 September 2017.

Our gross profit margin increased by 2.3 percentage points from 26.4% for the year ended 30 September 2016 to 28.7% for the year ended 30 September 2017 mainly attributable to the increase in gross profit margin for hand towels and other tissue products due to decreased purchase prices, which was partly offset by the decrease in gross profit margin for hygiene-related products because of lower prices offered to new customers in order to pursue new businesses.

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Other income

Our other income remained stable at S\$144,000 and S\$123,000 for the year ended 30 September 2016 and 2017, respectively.

Distribution expenses

Our distribution expenses remained stable at S\$1.1 million for the year ended 30 September 2016 and 2017.

Administrative expenses

Our administrative expenses increased slightly from S\$743,000 for the year ended 30 September 2016 to S\$762,000 for the year ended 30 September 2017 primarily due to the increase in staff costs as a result of the increase in headcount and average salaries.

Other expenses

Our other expenses remained stable at S\$13,000 and S\$27,000 for the year ended 30 September 2016 and 2017, respectively.

Interest expenses on finance leases

Our interest expenses on finance leases remained stable at S\$7,000 and S\$10,000 for the year ended 30 September 2016 and 2017, respectively.

Income tax expense

Our tax expense increased by S\$22,000 from S\$246,000 for the year ended 30 September 2016 to S\$268,000 for the year ended 30 September 2017 primarily attributable to our increased taxable income. Our effective tax rate was 16.3% and 26.6% for the year ended 30 September 2016 and 2017, respectively. Our effective tax rate for the year ended 30 September 2016 was slightly below the applicable tax rate of 17.0% because of the tax incentives and corporate income tax rebate received from the Singapore tax authority. Our effective tax rate for the year ended 30 September 2017 was higher than the applicable tax rate of 17.0% mainly because of the non-deductible Listing expenses.

Profit for the year

As a result of the foregoing, our profit for the year decreased by S\$0.5 million or 41.6% from S\$1.3 million for the year ended 30 September 2016 to S\$0.7 million for the year ended 30 September 2017 mainly due to Listing expenses of S\$0.7 million incurred during the year ended 30 September 2017, which was partly offset by the increase in our gross profit. Our net profit margin decreased by 4.2 percentage points from 10.3% for the year ended 30 September 2016 to 6.1% for the year ended 30 September 2017.

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LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

The following table sets forth the selected information for our current assets and current liabilities as at the dates indicated, respectively:

	As at 30 September				As at 31 January	
	2016		2017		2018	
	S\$'000	HK\$'000 ^(Note)	S\$'000	HK\$'000 ^(Note)	S\$'000	HK\$'000 ^(Note)
	(Unaudited)					
Current assets						
Inventories	714	4,248	718	4,272	700	4,165
Trade and other receivables	1,918	11,412	1,893	11,264	2,015	11,989
Prepayments	24	143	257	1,529	561	3,338
Short-term bank deposits	2,985	17,761	—	—	10	60
Cash and cash equivalents	<u>1,912</u>	<u>11,376</u>	<u>3,095</u>	<u>18,415</u>	<u>1,011</u>	<u>6,015</u>
	<u>7,553</u>	<u>44,940</u>	<u>5,963</u>	<u>35,480</u>	<u>4,297</u>	<u>25,567</u>
Current liabilities						
Trade and other payables	2,259	13,441	1,843	10,966	2,289	13,620
Amounts due to directors	2,155	12,822	—	—	—	—
Dividends payable	—	—	2,030	12,078	—	—
Current portion of finance lease liabilities	164	976	119	708	87	518
Current portion of bank loan	—	—	—	—	95	565
Current tax liabilities	<u>263</u>	<u>1,565</u>	<u>302</u>	<u>1,797</u>	<u>311</u>	<u>1,850</u>
	<u>4,841</u>	<u>28,804</u>	<u>4,294</u>	<u>25,549</u>	<u>2,782</u>	<u>16,553</u>
Net current assets	<u><u>2,712</u></u>	<u><u>16,136</u></u>	<u><u>1,669</u></u>	<u><u>9,931</u></u>	<u><u>1,515</u></u>	<u><u>9,014</u></u>

Note: For illustration purpose only, the above amounts denominated in S\$ have been translated to HK\$ at the exchange rate of S\$1.00 to HK\$5.95.

Our current assets mainly represented cash and cash equivalents, short-term bank deposits, trade receivables and inventories. Our current liabilities mainly represented trade payables, dividends payable and amounts due to directors. Our net current assets decreased from S\$2.7 million as at 30 September 2016 to S\$1.7 million as at 30 September 2017 primarily due to the increase in dividends payable attributable to our declaration of dividends amounted to approximately S\$2.0 million during the year ended 30 September 2017, and the decrease in cash and cash equivalents, and short-term bank deposits as a result of our payment of amounts due to directors.

Our net current assets slightly decreased from S\$1.7 million as at 30 September 2017 to S\$1.5 million as at 31 January 2018 primarily due to the increase in current portion of bank loan as a result of the bank loan drawn down. Our cash and cash equivalents decreased, with a corresponding decrease in dividends payable, due to the payment of dividends.

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DESCRIPTION OF CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories mainly represented finished goods. Our inventories amounted to S\$714,000 and S\$718,000 as at 30 September 2016 and 2017, respectively. The following table sets forth the breakdown of our inventories as at the dates indicated:

	As at 30 September	
	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>
Finished goods	632	635
Goods-in-transit	78	76
Raw materials	4	7
	714	718

Our inventories remained stable at S\$714,000 and S\$718,000 as at 30 September 2016 and 2017, respectively. Our goods-in-transit represented finished goods, of which the right and rewards had already transferred to us according to the relevant shipping terms, shipped from supplier but were not yet arrived at our warehouse at the end of the respective reporting periods.

As at 30 September 2016 and 2017, our Group did not make any material provision for impairment on inventories.

The following table sets forth a summary of average turnover days of inventories for the years indicated:

	Year ended 30 September	
	2016	2017
Average turnover days of inventories ⁽¹⁾	30.0	30.1

⁽¹⁾ Average turnover days of inventories is derived from dividing the arithmetic mean of the opening and closing balances of inventories for the Track Record Period by cost of sales in the year and multiplying by 366 days or 365 days, where appropriate.

Our average turnover days of inventories remained stable at 30.0 days and 30.1 days for the year ended 30 September 2016 and 2017, respectively. We maintained up to four weeks' supply of finished goods and raw materials in our warehouse prior to 30 September in anticipation of the early October Chinese Golden Week long holiday of our major suppliers in the PRC. See "Business — Inventory management" for details of the internal inventory management policies we implemented.

As at the Latest Practicable Date, our inventories as at 30 September 2017 had been fully sold or utilised.

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Trade and other receivables

The following table sets forth the breakdown of our trade and other receivables as at the dates indicated:

	As at 30 September	
	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>
Trade receivables	1,837	1,797
Less: Allowance for impairment	(4)	—
	1,833	1,797
Other receivables	77	88
Deposits	8	8
	1,918	1,893

Our trade and other receivables remained stable at S\$1.9 million as at 30 September 2016 and 2017. Our trade receivables remained stable at S\$1.8 million as at 30 September 2016 and 2017. Our other receivables mainly represented trademark licence fee receivable from Double Class.

The following table sets forth the ageing analysis of our trade receivables based on the invoice date and net of allowance for doubtful debts as at the dates indicated:

	As at 30 September	
	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>
Within 30 days	1,027	1,027
Between 31 and 60 days	571	576
Between 61 and 90 days	209	176
More than 90 days	26	18
	1,833	1,797

As at 30 September 2016 and 2017, our Group did not make any material provision for impairment loss on trade receivables.

The following table sets forth a summary of average turnover days of trade receivables for the years indicated:

	Year ended 30 September	
	2016	2017
Average turnover days of trade receivables ⁽¹⁾	54.0	54.4

⁽¹⁾ Average turnover days of trade receivables is derived from dividing the arithmetic mean of the opening and closing balances of trade receivables for the Track Record Period by revenue in the year and multiplying by 366 days or 365 days, where appropriate.

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Our average turnover days of trade receivables remained stable at 54.0 days and 54.4 days for the year ended 30 September 2016 and 2017, respectively. The credit period we granted to our customers was generally 30 days after the end of the month, up to 60 days. Our average turnover days of trade receivables for the year ended 30 September 2016 and 2017 were in line with our credit policy.

As at the Latest Practicable Date, 100.0% of our trade receivables outstanding as at 30 September 2017 were settled.

Prepayments

Our prepayments mainly represented prepaid Listing expenses, prepaid road tax, prepaid parking and prepaid insurance.

Short-term bank deposits

Our short-term bank deposits represented time deposits placed in a licensed bank in Singapore. As at 30 September 2016, our short-term bank deposits were held in trust by the directors of Sunlight Paper as the interest rate for a personal time deposit account was higher than a corporate time deposit account. All relevant interest income was deposited into our Group's account, together with the principal, on maturity.

Trade and other payables

The following table sets forth the breakdown of our trade and other payables as at the dates indicated:

	As at 30 September	
	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>
Trade payables	1,835	1,345
Other payables	125	169
Accrued employee benefits	272	307
Accrued expenses	27	22
	2,259	1,843

Our trade and other payables as at 30 September 2016 and 2017 were S\$2.3 million and S\$1.8 million, respectively.

Trade payables

Our trade payables mainly represented purchase of inventories from our suppliers.

Our trade payables decreased by S\$0.5 million or 26.7% from S\$1.8 million as at 30 September 2016 to S\$1.3 million as at 30 September 2017, which was in line with our decreased cost of inventories sold. In addition, the settlement to our PRC supplier was delayed prior to 30 September 2016 as we were in discussion with the supplier for purchase prices for the year ended 30 September 2017.

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The following table sets forth the ageing analysis of our trade payables based on the invoice date as at the dates indicated:

	As at 30 September	
	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>
Within 30 days	682	527
Between 31 and 60 days	731	788
Between 61 and 90 days	279	30
More than 90 days	143	—
	1,835	1,345

The following table sets forth a summary of average turnover days of trade payables for the years indicated:

	Year ended 30 September	
	2016	2017
Average turnover days of trade payables ⁽¹⁾	62.6	66.8

⁽¹⁾ Average turnover days of trade payables is derived from dividing the arithmetic mean of the opening and closing balances of trade payables for the Track Record Period by cost of sales in the year and multiplying by 366 days or 365 days, where appropriate.

Our average turnover days of trade payables increased from 62.6 days for the year ended 30 September 2016 to 66.8 days for the year ended 30 September 2017 was mainly because our trade payables balance as at 30 September 2016 was higher due to our delayed settlement prior to 30 September 2016 as we were in discussion with our PRC supplier for purchase prices for the year ended 30 September 2017. Our average turnover days of trade payables for the year ended 30 September 2016 and 2017 were in line with our normal settlement days.

As at the Latest Practicable Date, all of our trade payables outstanding as at 30 September 2017 were settled.

Other payables and accrued employee benefits

Our other payables mainly represented Goods and Services Tax payable of S\$66,000 and S\$51,000 as at 30 September 2016 and 2017, respectively. Our accrued employee benefits mainly represented accrued bonus payable to staff and directors.

Amounts due to directors

Our amounts due to directors were fully settled as at 30 September 2017.

Our amounts due to directors are unsecured, interest-free and repayable on demand. See note 19 of the Accountants' Report in Appendix I to this prospectus for details.

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Finance lease liabilities

Our finance lease liabilities arose from the hire-purchase of our motor vehicles. Our current portion of finance lease liabilities amounted to S\$164,000 and S\$119,000 as at 30 September 2016 and 2017, respectively. See the paragraph headed “Indebtedness — Finance lease liabilities” in this section for further details.

CASH FLOWS

We finance our liquidity requirements primarily through cash flows generated from operating activities and advances from directors. Our primary uses of cash are for our operating activities and capital expenditures on property, plant and equipment for our continuous business operations. The following table sets forth a summary of our cash flows information for the years indicated:

	Year ended 30 September			
	2016		2017	
	S\$'000	HK\$'000 <i>(Note)</i>	S\$'000	HK\$'000 <i>(Note)</i>
Net cash from operating activities	1,101	6,551	714	4,248
Net cash (used in)/from investing activities	(955)	(5,682)	3,022	17,981
Net cash from/(used in) financing activities	<u>329</u>	<u>1,957</u>	<u>(2,553)</u>	<u>(15,190)</u>
Net increase in cash and cash equivalents	475	2,826	1,183	7,039
Cash and cash equivalents at beginning of year	<u>1,437</u>	<u>8,550</u>	<u>1,912</u>	<u>11,376</u>
Cash and cash equivalents at end of year	<u><u>1,912</u></u>	<u><u>11,376</u></u>	<u><u>3,095</u></u>	<u><u>18,415</u></u>

Note: For illustration purpose only, the above amounts denominated in S\$ have been translated to HK\$ at the exchange rate of S\$1.00 to HK\$5.95.

Operating activities

During our Track Record Period, our cash inflow from operating activities was principally from the receipt of sales. Our cash outflow used in operating activities was principally for procurement of inventories and payment of operating expenses.

For the year ended 30 September 2017, our Group had net cash from operating activities of S\$0.7 million and cash flows from operating activities before changes in working capital of S\$1.4 million. The difference of S\$0.7 million mainly represented decrease in trade and other payables of S\$0.4 million mainly due to our delayed settlement prior to 30 September 2016, and tax paid of S\$0.3 million.

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For the year ended 30 September 2016, our Group had net cash from operating activities of S\$1.1 million and cash flows from operating activities before changes in working capital of S\$1.9 million. The difference of S\$0.8 million mainly represented decrease in trade and other payables of S\$0.8 million mainly due to our settlement of accrued expenses.

Investing activities

For the year ended 30 September 2017, our Group had net cash from investing activities of S\$3.0 million primarily attributable to short-term bank deposits withdrawn of S\$3.0 million.

For the year ended 30 September 2016, our Group had net cash used in investing activities of S\$1.0 million primarily attributable to short-term bank deposits placed of S\$0.7 million and purchase of our motor vehicles of S\$0.4 million.

Financing activities

For the year ended 30 September 2017, our Group had net cash used in financing activities of S\$2.6 million primarily attributable to repayment to directors of S\$2.2 million, payment of Listing expenses of S\$0.2 million and repayment of finance leases for our motor vehicles of S\$0.2 million.

For the year ended 30 September 2016, our Group had net cash from financing activities of S\$329,000 primarily attributable to advances from directors of S\$460,000, which was partly offset by repayment of finance leases for our motor vehicles of S\$124,000.

WORKING CAPITAL SUFFICIENCY

Our Directors confirm that, taking into consideration the financial resources presently available to us, which is primarily our internal resources, the available bank facilities and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in "Future Plans and Use of Proceeds".

INDEBTEDNESS

During the Track Record Period and up to the latest practicable date for the purpose of this indebtedness statement, being 31 January 2018, our Group had outstanding indebtedness comprising (i) finance lease liabilities of S\$87,000; and (ii) a bank loan of S\$477,000, which was drawn down after the Track Record Period. During the Track Record Period, our Group settled our finance lease obligations in a timely manner and did not breach any financial covenant.

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any difficulty in obtaining bank and finance lease facilities. In August 2017, we obtained banking facilities of up to S\$4.0 million in total, which were secured by a mortgage over our leasehold factory building, and personal guarantees given by Mr. LC Chua, Mr. LS Chua and Ms. Chua, our Directors and Controlling Shareholders. All personal guarantees provided for our Group's indebtedness

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will be released upon Listing. As at 30 September 2017, the aggregate amount of unutilised banking facilities was S\$4.0 million. As at the Latest Practicable Date, the amount of outstanding bank borrowing was S\$0.5 million and the aggregate amount of unutilised banking facilities was S\$3.5 million.

Save as disclosed above, as at the Latest Practicable Date, our Group did not have bank overdrafts or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities, or outstanding debentures.

Finance lease liabilities

The following table sets forth the breakdown of our finance lease liabilities as at the dates indicated:

	Future minimum lease payments	Interest	Present value of minimum lease payments
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
As at 30 September 2016			
Repayable			
— Within 1 year	174	10	164
— Between 1 year and 5 years	137	8	129
	311	18	293
As at 30 September 2017			
Repayable			
— Within 1 year	126	7	119
— Between 1 year and 5 years	17	1	16
	143	8	135
As at 31 January 2018			
Repayable within 1 year (Unaudited)	93	6	87

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The following table sets forth the terms and conditions of our finance lease liabilities as at the dates indicated:

	Nominal interest rate %	Year of maturity	Face value S\$'000	Carrying amount S\$'000
As at 30 September 2016	4.56–6.84	2017–2018	<u>293</u>	<u>293</u>
As at 30 September 2017	5.92–6.84	2018–2019	<u>135</u>	<u>135</u>
As at 31 January 2018 (Unaudited)	5.92–6.84	2018–2019	<u>87</u>	<u>87</u>

Our finance lease liabilities are secured by a pledge over the motor vehicles.

Our finance lease liabilities arose from the hire-purchase of our motor vehicles. Our finance lease liabilities decreased from S\$293,000 as at 30 September 2016 to S\$135,000 as at 30 September 2017, and further decreased to S\$87,000 as at 31 January 2018 mainly due to the repayment of finance leases.

Bank loan

The following table sets forth the breakdown of our bank loan as at the dates indicated:

	As at 30 September		As at
	2016	2017	31 January
	S\$'000	S\$'000	2018
			S\$'000
			(Unaudited)
Repayable			
— Within 1 year	—	—	95
— Between 1 year and 5 years	<u>—</u>	<u>—</u>	<u>382</u>
	<u>—</u>	<u>—</u>	<u>477</u>

The following table sets forth the terms and conditions of our bank loan as at the date indicated:

	Nominal interest rate %	Year of maturity
As at 31 January 2018 (Unaudited)	<u>3.0</u>	<u>2017–2022</u>

Contingent liabilities

As at 31 January 2018, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees.

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CONTRACTUAL AND CAPITAL COMMITMENTS

Operating leases commitments

Leases as lessee

At the reporting date, our Group has commitments for future minimum lease payment in relation to a lease of land under non-cancellable operating leases as follows:

	As at 30 September	
	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>
Payable:		
Within 1 year	36	34
Between 1 year and 5 years	143	134
More than 5 years	319	266
	498	434

The lease of land is for an initial term of 30 years with an option for a further term of 30 years. Lease payments are usually increased to reflect market rentals. None of the leases includes contingent rentals.

Leases as lessor

At the reporting date, our Group has commitments for future minimum lease receivable under non-cancellable operating leases as follows:

	As at 30 September	
	2016	2017
	<i>S\$'000</i>	<i>S\$'000</i>
Receivable:		
Within 1 year	20	20

Our Group granted our factory building for use as a mobile base station for a term of one year, with an option to renew the lease term after the date.

Capital commitments

As at 30 September 2016 and 2017, our Group did not have any significant capital commitments. During the Track Record Period, there has no material change to our indebtedness and capital commitments.

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CAPITAL EXPENDITURES

Our Group's capital expenditures principally consisted expenditures on acquisitions of property, plant and equipment for our operations. During the Track Record Period, our Group paid capital expenditures of S\$376,000 and S\$15,000 for the year ended 30 September 2016 and 2017, respectively, majority of which represented our motor vehicles. Since 30 September 2017 and up to the Latest Practicable Date, we did not have any material capital expenditures.

Our Group's projected capital expenditures are subjected to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. See "Future Plans and Use of Proceeds" for further information.

We expect to fund our contractual commitments and capital expenditures principally through the net proceeds we receive from the Share Offer, cash generated from our operation and bank borrowings. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates indicated:

	Year ended 30 September	
	2016	2017
Gross profit margin ^(Note 1)	26.4%	28.7%
Net profit margin ^(Note 2)	10.3%	6.1%
Return on equity ^(Note 3)	14.1%	8.4%
Return on total assets ^(Note 4)	8.5%	5.1%
Interest coverage ^(Note 5)	<u>217.1 times</u>	<u>101.8 times</u>
	As at 30 September	
	2016	2017
Current ratio ^(Note 6)	1.6 times	1.4 times
Quick ratio ^(Note 7)	1.4 times	1.2 times
Gearing ratio ^(Note 8)	3.1%	1.7%
Net debt to equity ratio ^(Note 9)	<u>N/A</u>	<u>N/A</u>

Notes:

- (1) Gross profit margin for each of the year ended 30 September 2016 and 2017 was calculated based on gross profit divided by revenue for the respective year.
- (2) Net profit margin for each of the year ended 30 September 2016 and 2017 was calculated based on net profit divided by revenue for the respective year.
- (3) Return on equity for each of the year ended 30 September 2016 and 2017 was calculated based on net profit of the respective year divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.

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- (4) Return on total assets for each of the year ended 30 September 2016 and 2017 was calculated based on net profit of the respective year divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.
- (5) Interest coverage for each of the year ended 30 September 2016 and 2017 was calculated based on profit before interest and tax divided by finance costs of the respective year.
- (6) Current ratios as at 30 September 2016 and 2017 were calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.
- (7) Quick ratios as at 30 September 2016 and 2017 were calculated based on the total current assets less inventories and divided by the total current liabilities as at the end of the respective year.
- (8) Gearing ratios as at 30 September 2016 and 2017 were calculated based on total debts (being total finance lease liabilities) divided by total equity as at the end of the respective year and multiplied by 100%.
- (9) Net debt to equity ratios as at 30 September 2016 and 2017 were calculated based on net debts (being total finance lease liabilities net of short-term bank deposits, and cash and cash equivalents) divided by total equity as at the end of the respective year and multiplied by 100%.

Return on equity

Our return on equity decreased from 14.1% for the year ended 30 September 2016 to 8.4% for the year ended 30 September 2017 mainly due to the decrease in our net profit mainly as a result of the one-off Listing expenses of S\$0.7 million incurred.

Return on total assets

Our return on total assets decrease from 8.5% for the year ended 30 September 2016 to 5.1% for the year ended 30 September 2017 primarily attributable to the decrease in our net profit mainly as a result of the one-off Listing expenses of S\$0.7 million incurred.

Interest coverage

Our interest coverage was 217.1 times and 101.8 times for the year ended 30 September 2016 and 2017, respectively. The decrease for the year ended 30 September 2017 was primarily attributable to the decrease in our profit before interest and tax.

Current ratio and quick ratio

Our current ratio decreased slightly from 1.6 times as at 30 September 2016 to 1.4 times as at 30 September 2017. This is consistent with our quick ratio which also decreased slightly from 1.4 times as at 30 September 2016 to 1.2 times as at 30 September 2017. The decrease in our current ratio and quick ratio was primarily due to the increase in dividends payable attributable to our declaration of dividends amounted to approximately S\$2.0 million during the year ended 30 September 2017, and the decrease in cash and cash equivalents as a result of our payment of amounts due to directors.

Gearing ratio

During the Track Record Period, we had no bank borrowings. Our indebtedness represented finance lease liabilities. Our gearing ratio remained low at 3.1% and 1.7% as at 30 September 2016 and 2017, respectively.

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Net debt to equity ratio

We had net cash positions as at 30 September 2016 and 2017.

LISTING EXPENSES

Assuming an Offer Price of HK\$0.275 per Share, being the mid-point of the indicative Offer Price range of HK\$0.25 to HK\$0.30 per Share, the total estimated Listing expenses in connection with the Share Offer (including underwriting commission) was HK\$25.0 million (equivalent to approximately S\$4.2 million).

For the year ended 30 September 2016 and 2017, Listing expenses of nil and S\$0.7 million, respectively, were charged to our profit or loss. For the year ending 30 September 2018, we estimate that the Listing expenses of S\$1.9 million will be charged to profit or loss and S\$1.6 million will be accounted for as a deduction from equity upon successful Listing under relevant accounting standards. Our financial performance for the year ending 30 September 2018 is expected to be adversely affected by the one-off Listing expenses as mentioned in the foregoing. In particular, it is expected that our net result for the year ending 30 September 2018 would be significantly lower than that of the year ended 30 September 2017.

OFF-BALANCE SHEET ARRANGEMENT

Our Directors confirm that there has been no material off-balance sheet arrangement since 30 September 2017 to the date of this prospectus.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Overview

Our Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- foreign currency risk

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to us, as and when they fall due. Our management regularly monitors credit risk exposure to customers. Our management believes that concentration of credit risk is limited due to ongoing evaluations on all customers and, where necessary, maintaining an allowance for doubtful receivables which will adequately provide for potential credit risks.

At the reporting date, the significant credit risk is from our trade receivables. We place our cash and cash equivalents with financial institutions of high credit rating. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

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Liquidity risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due.

We monitor our liquidity risk and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and to mitigate the effects of fluctuations in cash flows.

Foreign currency risk

We incur foreign currency risk on certain assets and liabilities denominated in foreign currencies, mainly Malaysian Ringgit. There is no formal hedging policy with respect to the foreign exchange exposure. Exposure to exchange risk is monitored on an ongoing basis and we endeavour to keep the net exposure at an acceptable level.

DIVIDENDS

During the year ended 30 September 2017, Sunlight Paper declared dividends of approximately S\$2.0 million to its then shareholders and was fully settled as at the Latest Practicable Date.

We do not have a fixed dividend policy. The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to constitutional documents, any applicable laws and regulations, including the Cayman Companies Law, and the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 21 September 2017 and is an investment holding company. There were no reserves available for distribution to our Shareholders as at the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

Our Directors confirm that the related party transactions we had during the Track Record Period were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole. See note 19 of the Accountants' Report in Appendix I to this prospectus for further details.

FINANCIAL INFORMATION

PROPERTY INTERESTS AND PROPERTY VALUATION

AVISTA, an independent property valuer, has valued the leasehold factory building held and occupied by our Group in Singapore as at 31 January 2018. Our Group has the legal rights to transfer the relevant property subject to the prior written consent of JTC, the lessor of the land on which the property is situated. As advised by our Singapore Legal Advisers, in considering giving the written consent, JTC generally considers (i) the identity and business activity of the proposed transferee; (ii) the existing and proposed usage of the property; (iii) the development plan of the site; and (iv) the results of environmental baseline study, in the event that the proposed usage is considered potentially pollutive, among other factors. To our Directors' best knowledge, information and belief, there would be no material impediment in obtaining the prior written consent from JTC for such transfer. Accordingly, AVISTA has not attributed commercial value to the property since the property can only be transferred in the market after obtaining the consent from JTC. However, AVISTA is of the opinion that the value of the property as at 31 January 2018 would be S\$6,580,000, assuming the property could be freely transferred. The texts of its letter and valuation certificate are set out in Appendix III to this prospectus.

The statement below shows the reconciliation of the carrying amount of our leasehold factory building as selected from our audited combined financial information as at 30 September 2017 as sets forth in Appendix I to this prospectus with the valuation of property as at 31 January 2018 as sets forth in Appendix III to this prospectus:

	S\$'000
Carrying amount of our leasehold factory building as at 30 September 2017 as sets out in the Accountants' Report in Appendix I to this prospectus	6,600
Less: depreciation for the four months ended 31 January 2018	<u>(51)</u>
Carrying amount of our leasehold factory building as at 31 January 2018	<u>6,549</u>
Net valuation surplus	<u>31</u>
Reference value of the property as at 31 January 2018 as sets out in the property valuation report in Appendix III to this prospectus ^(Note)	<u><u>6,580</u></u>

Note: For reference purpose, AVISTA is of the opinion that the value of the property as at 31 January 2018 would be S\$6,580,000, assuming the property could be freely transferred.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets of our Group is prepared in accordance with Rule 7.31 of the GEM Listing Rules and is set out below to illustrate the effect of the Share Offer on the combined net tangible assets of our Group as at 30 September 2017, as if the Share Offer had taken place on 30 September 2017.

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The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not provide a true picture of the financial position of our Group had the Share Offer been completed as at 30 September 2017 or at any future date.

	Combined net tangible assets of our Group as at 30 September 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets of our Group as at 30 September 2017	Unaudited pro forma adjusted combined net tangible assets of our Group per Share	
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>	<i>(Note 4)</i>
Based on an Offer Price of HK\$0.25 per Share	8,041	4,988	13,029	0.02	0.10
Based on an Offer Price of HK\$0.30 per Share	8,041	6,543	14,584	0.02	0.11

Notes:

- (1) The combined net tangible assets of our Group as at 30 September 2017 is compiled based on the total equity of our Group as set out in the Accountants' Report as set out in Appendix I to this prospectus. Our Group has no goodwill or other intangible assets as at 30 September 2017.
- (2) The estimated net proceeds from the Share Offer are based on the estimated offer prices of HK\$0.25 per Share (being the minimum Offer Price) or HK\$0.30 per Share (being the maximum Offer Price), after deduction of the estimated underwriting fees and other listing expenses payable by our Group of approximately S\$4,139,000 and S\$4,265,000 based on the Offer Price of HK\$0.25 per Share and HK\$0.30 per Share respectively (excluding listing expenses of S\$724,000 which have been charged to our combined statements of profit or loss and other comprehensive income up to 30 September 2017), and 200,000,000 Shares expected to be issued under the Share Offer.
- (3) The unaudited pro forma adjusted combined net tangible assets of our Group per Share is arrived at after the adjustments referred to in the preceding notes and on the basis that 800,000,000 Shares are in issue (being the number of Shares expected to be in issue immediately after completion of the Share Offer), assuming that the Capitalisation Issue and the Share Offer had been completed as of 30 September 2017.
- (4) For the purpose of this statement of unaudited pro forma adjusted combined net tangible assets, the translation of Singapore dollars into Hong Kong dollars has been made at the rate of HK\$5.95 to S\$1.00. No representation is made that the Singapore dollars amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 30 September 2017.

FINANCIAL INFORMATION

KPMG LLP AS A FIRM OF ACCOUNTANTS ACCEPTABLE TO THE STOCK EXCHANGE UNDER RULE 24.13(2) OF THE GEM LISTING RULES

Rule 24.13 of the GEM Listing Rules provides that the annual accounts of an overseas issuer must be audited by a person, firm or company who must be a practising accountant of good standing. Such person, firm or company must also be independent of the overseas issuer to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the statements on independence issued by the International Federation of Accountants and, if the overseas issuer's primary listing is or is to be on the Stock Exchange, must be either:

- (a) qualified under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) for appointment as an auditor of a company; or
- (b) a firm of accountants acceptable to the Stock Exchange which has an international name and reputation and is a member of a recognised body of accountants.

KPMG LLP, an accounting limited liability partnership registered in Singapore under the Limited Liability Partnerships Act (Chapter 163A), Public Accountants and Chartered Accountants, Singapore, was appointed as the auditor of our Singapore subsidiary for the year ended 30 September 2016 and 2017. The statutory financial statements of our Singapore subsidiary for the year ended 30 September 2016 and 2017 were prepared in accordance with the Singapore Financial Reporting Standards, which are not materially different from IFRSs, and were audited by KPMG LLP.

We consider that KPMG LLP is a firm of accountants acceptable to the Stock Exchange in accordance with the requirements of Rule 24.13(2) of the GEM Listing Rules on the basis that:

- (i) both KPMG LLP and KPMG, Certified Public Accountants, Hong Kong, are member firms of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity;
- (ii) KPMG LLP is governed by the Accounting and Corporate Regulatory Authority (“ACRA”). ACRA was formed in 2004 as the national regulator of business entities, public accountants and corporate service providers in Singapore;
- (iii) KPMG LLP is registered with ACRA and is subject to their inspections; and
- (iv) KPMG LLP has confirmed that they are independent with respect to our Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Singapore and the International Ethics Standards Board for Accountants.

We will prepare our annual accounts in accordance with IFRSs. The annual accounts will be audited by KPMG LLP under International Standards on Auditing issued by the International Auditing and Assurance Standards Board as required by Rule 24.14 of the GEM Listing Rules.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 17.15 to 17.21 of the GEM Listing Rules.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Our sales experienced stable growth since 30 September 2017 and up to the Latest Practicable Date. Our business operation remained stable after the Track Record Period and up to the Latest Practicable Date as there had been no change to our general business model and no new contract of material nature has been entered into by our Group. We experienced an increase in purchase price of tissue products and expect to transfer such increase to our customers gradually, which our Directors do not expect to have any material adverse impact on our operations and financial performance. To our Directors' best knowledge, information and belief, up to the date of this prospectus, save for the effect of the Listing expenses as disclosed below, there are no material changes to the market condition which would materially affect the operation or performance of our principal business.

Assuming an Offer Price of HK\$0.275 per Share, being the mid-point of the indicative Offer Price range of HK\$0.25 to HK\$0.30 per Share, the total estimated Listing expenses in connection with the Share Offer (including underwriting commission) was HK\$25.0 million (equivalent to approximately S\$4.2 million). For the year ended 30 September 2016 and 2017, Listing expenses of nil and S\$0.7 million, respectively, were charged to our profit or loss. For the year ending 30 September 2018, we estimate that the Listing expenses of S\$1.9 million will be charged to profit or loss and S\$1.6 million will be accounted for as a deduction from equity upon successful Listing under relevant accounting standards. In addition, we expect the professional fees after Listing to increase by approximately HK\$2.8 million per annum due to our status as a listed company, such as audit and legal fees for providing annual legal services. As a result, our financial performance for the year ending 30 September 2018 is expected to be adversely affected by the expenses as mentioned in the foregoing. In particular, it is expected that our net results for the year ending 30 September 2018 would be significantly lower than that of the year ended 30 September 2017.

Our Directors confirmed that, up to the date of this prospectus, save for the impact of Listing expenses, there has been no material adverse change in our financial or trading position or prospect of our Company or its subsidiaries since 30 September 2017, being the end of the reporting period in the Accountants' Report set out in Appendix I to this prospectus, and there has been no event since 30 September 2017 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

We aim to expand our business to maintain and strengthen our market position by pursuing the following strategies:

- Upgrade our conversion line for the production of jumbo roll tissues;
- Acquire a new conversion line for the production of hand towels;
- Invest in an additional factory building in Singapore to be used as our warehouse;
- Strengthen our workforce and our sales and marketing effort; and
- Expand our product portfolio.

For details, see “Business — Our business strategies”.

IMPLEMENTATION PLAN

In pursuance of our business objectives, the implementation plans of our Group are set forth below for each of the six-month periods until 30 September 2019. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to “— Bases and assumptions”. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in “Risk Factors”.

FUTURE PLANS AND USE OF PROCEEDS

	For the period from the Latest Practicable Date to 31 March 2018	For the period from 1 April 2018 to 30 September 2018	For the period from 1 October 2018 to 31 March 2019	For the period from 1 April 2019 to 30 September 2019
Upgrade our conversion line for the production of jumbo roll tissues	— Liaise with the supplier regarding the new tissue rewinder to be purchased	— Downpayment of 30% of the purchase price for the new tissue rewinder	— Payment of the remaining 70% of the purchase price for the new tissue rewinder and associated costs including freight, insurance and installation	— Commercial production of jumbo roll tissues by the upgraded conversion line
Acquire a new production line for the production of hand towels	— Liaise with the supplier regarding the machinery for the new conversion line to be purchased	— Purchase of machinery for the new conversion line for the production of hand towels and payment of associated costs including freight, insurance and installation	— Installation of the new tissue rewinder	— Commercial production of hand towels
Invest in an additional factory building in Singapore to be used as our warehouse and purchase delivery trucks and lifting equipment	— Identify suitable sites and liaising with property agents, if needed	— Continue to identify suitable sites and liaising with property agents regarding purchase of suitable sites	— Setting up the new tissue rewinder to work together with the existing log cutter	— Continue to allocate resources for operations of the new warehouse
		— Shortlisting the suitable site to be acquired	— Trial run with different types of tissue paper	
		— Installation of the machinery for the new conversion line	— Commercial production of hand towels	
		— Trial run		
			— Acquire suitable site, such as entering into sales and purchase agreement, payment and completion	
			— Purchase of delivery trucks and lifting equipment, including forklifts, reach trucks and pallet truck	
			— Set up the new warehouse	

FUTURE PLANS AND USE OF PROCEEDS

Upgrade our conversion line for the production of jumbo roll tissues

As at the Latest Practicable Date, we had one conversion line, comprising a tissue rewinder and a log cutter, for the conversion of material reels of tissue paper into certain types of jumbo roll tissues. We intend to upgrade our conversion line by replacing the tissue rewinder, which is one of the major machinery of the conversion line, with a more advanced tissue rewinder from Europe. Our existing tissue rewinder has been in use for 25 years with a remaining useful life of approximately 3 years, which was estimated by our Directors based on the current conditions of the tissue rewinder. By upgrading our conversion line, we can increase our production of jumbo roll tissues and enhance our ability to replenish our stock of jumbo roll tissues instead of relying on our suppliers, as well as maximise our control over the quality of our products, therefore guarantee our commitment to deliver a reliable and stable supply of jumbo roll tissues with consistent quality. Our Directors consider that upgrading our conversion line will allow us to increase our production efficiency and stability of our conversion process, and eventually enjoying economies of scale and reduction in production cost, due to, among others, elimination of margins of suppliers and reduction in transportation cost incurred by our suppliers.

Set forth below are further details of the new tissue rewinder for upgrading our existing conversion line for the production of jumbo roll tissues:

Source of supply:	Europe
Designed winding speed:	Between 450 and 550 metres per minute
Timing of payment and planned capital expenditure:	(i) approximately HK\$1.8 million for the six months ending 30 September 2018 as downpayment of 30% of the purchase price; and (ii) approximately HK\$4.4 million for the six months ending 31 March 2019, comprising approximately HK\$4.1 million as payment for the remaining balance of the purchase price, and approximately HK\$0.3 million as payment for associated costs including freight, insurance and installation
Source of funding:	Net proceeds from the Share Offer

Acquisition of a new conversion line for the production of hand towels

We currently purchase hand towels from our suppliers. To increase our control over the quality of our products, replenish our stock of hand towels by ourselves and avoid complete reliance on our suppliers, we intend to utilise 4.3% of our net proceeds from the Share Offer, being approximately HK\$1.3 million, for the acquisition of a conversion line for the production of hand towels in Singapore. Hand towels are one of our main products, accounting for 34.5% and 32.0% of our revenue for the year ended 30 September 2016 and 2017, respectively. Our gross profit margin for hand towels is also the highest out of all tissue products for the corresponding periods, at 32.6% and 37.2%, respectively. We

FUTURE PLANS AND USE OF PROCEEDS

believe that the acquisition of a conversion line for the production of hand towels will increase our competitiveness and reiterate our ability to deliver a reliable and stable supply of hand towels.

Set forth below are further details of the new conversion line for the production of hand towels:

Source of supply:	China
Designed folding speed:	Between 400 and 600 sheets per minute
Machinery:	A hand towel folding machine, a cutter, and a packing machine
Timing of payment and planned capital expenditure:	Approximately HK\$1.3 million during the six months ending 30 September 2018
Source of funding:	Net proceeds from the Share Offer

Invest in an additional factory building in Singapore to be used as our warehouse and purchase delivery trucks and lifting equipment

In anticipation of the increase in our production of jumbo roll tissues and hand towels, the growing demand for our products and the expansion in our product portfolio, we expect our inventory level to increase. We intend to invest in an additional factory building to be used as our warehouse to increase our overall space to cope improve our logistics and delivery efficiency.

We currently intend to use approximately 65.0% of our total estimated net proceeds from the Share Offer, being approximately HK\$19.5 million, to finance the investment in, and acquisition of, an additional factory building in Singapore to be used as our warehouse, and purchase of delivery trucks and lifting equipment. Details of our intended use of HK\$19.5 million are as follows:

- approximately HK\$17.1 million, representing approximately 57.0% of our total estimated net proceeds from the Share Offer, for the investment in, and acquisition of, an additional factory building to be used as our warehouse. As we intend to invest in an additional factory building of approximately S\$6.5 million (equivalent to approximately HK\$38.7 million), the remaining balance of HK\$21.6 million will be funded by bank loan(s) and/or internal resources; and
- approximately HK\$2.4 million, representing 8.0% of our total estimated net proceeds from the Share Offer, for purchase of delivery trucks and lifting equipment, which include forklifts, reach trucks and pallet trucks. Out of the HK\$2.4 million, HK\$1.0 million will be used to purchase two delivery trucks, and the remaining HK\$1.4 million will be used to purchase lifting equipment, comprising three forklifts, three reach trucks and eight pallet trucks.

FUTURE PLANS AND USE OF PROCEEDS

Set forth below are further details of the additional factory building in Singapore:

Location:	Tuas, Singapore
Approximate gross floor area:	3,000 sq.m.
Timing of payment and planned capital expenditure:	Approximately HK\$17.1 million for the six months ending 31 March 2019
Source of funding:	Net proceeds from the Share Offer, bank loan(s) and/or internal resources

Our Directors have observed a continuous increase in procurement costs of tissue products over the years, and expect that such procurement costs to continue to increase, as the average import price of tissue products increased by US\$246.7 per tonne over 10 years, from US\$2,079.3 per tonne in 2006 to US\$2,326.0 per tonne in 2016, and is expected to further increase to US\$2,554.9 per tonne in 2021, due to, among others, a general increase in labour cost in the PRC, where our major supplier is located. Such increase in procurement costs will have a prominent effect when we further increase our operation scale and purchase volume. In order for us to increase our market share, enhance our competitiveness and reduce our procurement costs, it is vital for us to increase our production, and therefore upgrade our conversion line for the production of jumbo roll tissues and acquire a conversion line for the production of hand towels. As at the Latest Practicable Date, our machineries were aged over 20 years and near the end of their useful lives. They had relatively low level of efficiency, and require higher maintenance costs as compared to newer machineries. Our conversion line for the production of jumbo roll tissues had its fair share of wear and tear, and is in need of upgrading. Newer machineries can also cope with the increasing demand for diversified specifications and requirements from our customers. With a new tissue rewinder, our production efficiency will increase. When the upgraded and new conversion lines reach economies of scale, we believe such commercial production in mass quantities will eventually mean that our production costs are lower than the procurement costs for purchasing the same from suppliers. We will be able to replace our purchases from suppliers with our own production.

Our Directors believe that if our conversion line is not being timely upgraded, given its inefficient status and the eventual increase in procurement costs, our profit margins will reduce, and affect our profitability. Our ability to replenish stock will also be affected, leading to an increase in reliance on our suppliers. In the worst case scenario, if our inventory in our warehouse is insufficient to cover any sudden or unexpected increase in orders and/or urgent orders from customers, we may lose such customer.

Increasing our production of jumbo roll tissues and hand towels will also further increase our control over the quality of our products, as we will be directly responsible for the conversion process. We believe that we will be able to remain competitive and expand our market share if we maintain and enhance the quality of our products while maintaining our price competitiveness. An upgraded conversion line and a new conversion line are essential for us to have direct control over the quality and cost of our products, therefore allowing us to achieve our strategic goals.

We are confident that we will be able to operate the upgraded and new conversion lines with a bigger scale of production due to our years of experience as a tissue products converter. Not only are we a leading tissue products supplier for corporate customers in Singapore, we have been the first and only

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jumbo roll tissue converter in Singapore. We are the only tissue products supplier for corporate customers in Singapore with our own conversion facilities in Singapore. In addition, in 2001, Double Class sought our expertise when setting up its own conversion facilities since it lacked technical knowhow.

After the implementation of our strategies, we expect our inventory levels to increase, therefore increasing our need for working capital. We will monitor our inventory levels and keep our inventory levels appropriate. Despite the expected increase in our depreciation expenses as further explained in “— Implementation plan — Increase in depreciation and other expenses”, we are of the view that our cost savings will eventually outweigh the increase in cost and lead to an increase in our profitability in medium to long term.

Potential increase in depreciation and other expenses

Additional depreciation expenses are expected to be incurred primarily from the machinery to be acquired for our new conversion line and the upgrading of our existing conversion line in the amount of approximately S\$156,000 per year, the additional factory building to be acquired to be used as our warehouse in the amount of approximately S\$163,000 per year, and the delivery trucks and lifting equipment to be acquired for the warehouse in the amount of approximately S\$41,000 per year, resulting in a total depreciation expenses of approximately S\$360,000 per year.

We expect our operational expenses to be recorded for the coming years to increase as compared with that recorded during the Track Record Period, primarily due to the anticipated increase in staff cost and insurance cost associated with the investment in an additional factory building.

BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no change in the funding requirement for each of our future plans described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- the Share Offer will be completed in accordance with and as described in “Structure and Conditions of the Share Offer”;
- our Group will be able to retain key staff in the management and the main operational departments;

FUTURE PLANS AND USE OF PROCEEDS

- there will be no significant changes in our Group’s business relationships with our major customers;
- our Group will be able to continue its operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out under “Risk Factors”.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer), assuming an Offer Price of HK\$0.275 per Share, being the mid-point of the indicative Offer Price range of HK\$0.25 to HK\$0.30 per Share, will be HK\$30.0 million. We currently intend to apply the net proceeds from the Share Offer in the following manner:

- (i) approximately 20.7%, or HK\$6.2 million, will be used for upgrading our conversion line in Singapore for the production of jumbo roll tissues;
- (ii) approximately 4.3%, or HK\$1.3 million, will be used for acquiring a new conversion line for the production of hand towels;
- (iii) approximately 65.0%, or HK\$19.5 million, will be used for investing in an additional factory building in Singapore to be used as our warehouse and purchasing delivery trucks and lifting equipment; and
- (iv) approximately 10.0%, or HK\$3.0 million, will be used as working capital and other general corporate purposes.

FUTURE PLANS AND USE OF PROCEEDS

For the period from the Latest Practicable Date to 30 September 2019, our net proceeds from the Share Offer will be used as follows:

	For the six months ending				Total (HK\$ million)	Approximate % of the total net proceeds
	From the Latest Practicable date to 31 March 2018 (HK\$ million)	30 September 2018 (HK\$ million)	31 March 2019 (HK\$ million)	30 September 2019 (HK\$ million)		
	Upgrade our conversion line for the production of jumbo roll tissues	Nil	1.8	4.4		
Acquire a new conversion line for the production of hand towels	Nil	1.3	Nil	Nil	1.3	4.3%
Invest in an additional factory building in Singapore to be used as our warehouse and purchase delivery trucks and lifting equipment	Nil	Nil	19.5	Nil	19.5	65.0%
Working capital and other general corporate purposes	Nil	1.0	1.0	1.0	3.0	10.0%
Total:	<u>Nil</u>	<u>4.1</u>	<u>24.9</u>	<u>1.0</u>	<u>30.0</u>	<u>100.0%</u>

If the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$0.30 per Share, the net proceeds we receive from the Share Offer will increase by approximately HK\$4.6 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 range of the Offer Price, being HK\$0.25 per Share, the net proceeds we receive from the Share Offer will decrease by approximately HK\$4.6 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

We will bear the underwriting commissions, SFC transaction levy and Stock Exchange trading fee payable by us in connection with the issue of the new Shares together with any applicable fees relating to the Share Offer.

To the extent that the net proceeds are not immediately applied for 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 Singapore and/or Hong Kong. Our Directors consider that the net proceeds from the Share Offer together with the internal resources of our Group will be sufficient to finance the implementation of our Group's business plans as set out in "— Implementation plan".

Investors should be aware that any part of the business plans of our Group may or may not proceed according to the timeframe as described under "— Implementation plan" due to various factors such as changes in customers' demand and changes in market conditions. Under such circumstances, our Directors will evaluate carefully the situations and will hold the funds as short-term deposits in authorised banks and/or financial institutions in Singapore and/or Hong Kong until the relevant business plan materialises.

We will issue an announcement if there is any material change in the aforementioned use of proceeds.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR LISTING

The followings are our main purposes for seeking the Listing:

- our Directors believe that in order for us to increase our market share, it is vital for us to increase our production to enhance our competitiveness and reduce our procurement cost, as we have observed a continuous increase in procurement costs of tissue products over the years, which is expected to continue to increase. We expect that our production cost will decrease to a level below the procurement cost from our suppliers. In addition, we intend to further grow our business and expand our presence in the tissue products industry for corporate customers in ASEAN countries. In order to achieve these, we intend to implement our business strategies as set out in “Business — Our business strategies”, and we have funding needs to achieve our strategies. The total capital expenditure to be invested after the Listing in connection with our strategies stated in “Business — Our business strategies” is expected to be S\$8.1 million (equivalent to approximately HK\$48.5 million). For details, see “— Use of Proceeds”. As at 31 January 2018, our cash and cash equivalents amounted to S\$1.0 million (equivalent to approximately HK\$6.0 million) and our non-trade related banking facilities amounted to S\$2.0 million (equivalent to approximately HK\$11.9 million). Our total available fund immediately available for our capital expenditure and working capital requirements amounted to S\$3.0 million (equivalent to approximately HK\$17.9 million), which falls short of our planned capital expenditure. Our Directors also expect our working capital needs to further increase as a result of our expansion. Accordingly, we need external financing from the Share Offer to support our capital expenditure and expansion plan;
- providing a platform for our Group to access the capital markets for future secondary fund-raising through the issuance of shares and for debt securities, and which can also provide funding sources to cater for our Group’s further expansion plans (other than those future plans stated in this prospectus) as and when necessary. Furthermore, the ability to obtain bank financing is generally easier with a listed entity as compared to a private entity;
- broadening our shareholder base and enhance the liquidity of the Shares as compared to the limited liquidity of the Shares that are privately held before the Listing;
- enhancing our corporate profile, visibility and our market presence to generate reassurance among our customers and suppliers. By way of the Listing, we can elevate our corporate image and status and provide reassurance and confidence to our customers and suppliers, which in turn provides a stronger bargaining position when exploring new business opportunities with our customers and suppliers;

FUTURE PLANS AND USE OF PROCEEDS

- enhancing our operational efficiency and corporate governance through compliance with rigorous disclosure standards which we believe would enhance our internal control, operating systems and risk management; and
- enhancing employee incentive and commitment. Human resources and talents are vital to our business, being a listed company can help to attract, recruit and retain our valued management personnel, employees and skilled professionals to provide additional incentive. To this end, we have also put in place the Share Option Scheme for our employees in order to attract and retain talents. See “E. Share Option Scheme” in Appendix V to this prospectus for a summary of the principal terms of the Share Option Scheme.

Our executive Directors had considered and evaluated different listing venues including Hong Kong and Singapore and have concluded that Hong Kong is the suitable venue to pursue a listing after taking into account the following factors:

- our executive Directors consider that the level of trading activities on a stock exchange to be one of the key factors indicating the ease of conducting secondary funding activities after a listing. A secondary fundraising exercise such as a secondary placement of shares would generally be more attractive to investors if there is a more liquid market, where there will be more buyers, who may invest in our shares under the fundraising exercise, and sellers, who may realise their investment subsequently. According to the CIC Report, the average daily turnover of securities in Hong Kong was approximately HK\$66.9 billion (equivalent to approximately S\$11.2 billion) and approximately HK\$88.4 billion (equivalent to approximately S\$14.9 billion), respectively, in 2016 and 2017. By comparison, accordingly to the Stock Exchange of Singapore, the average daily turnover of securities in Singapore was approximately S\$1.1 billion and S\$1.2 billion, respectively, for the corresponding periods. As such, our executive Directors are of the view that it would be easier to conduct secondary fundraising in the Hong Kong stock market, if necessary, for our further expansion in the future, than in the Singapore stock market, as the Hong Kong market has higher liquidity;
- according to the CIC Report, the market capitalisation weighted average price-earnings ratio of companies listed on the Stock Exchange and those on the Stock Exchange of Singapore as at 31 January 2018 was approximately 39.1 times and 18.2 times, respectively. As such, our executive Directors are of the view that the valuation of companies listed in Hong Kong is generally higher than those listed in Singapore, and thus there is a higher probability for our Company to achieve a higher valuation if the Share Offer is conducted through the Hong Kong stock market instead of the Singapore stock market;
- the Stock Exchange is an international stock market and is mature in the global financial world. According to the global ranking of stock exchanges by market capitalisation on the SFC’s website, the Stock Exchange ranked seventh among the world’s leading stock exchanges in terms of market capitalisation as at the end of December 2017, with a total market capitalisation of US\$4,350.5 billion. It is also the third largest stock exchange in Asia, behind Japan and Shanghai, China, as at the end of December 2017; and

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- given the international and mature status of the Stock Exchange, our executive Directors believe that the listing of our Shares in Hong Kong has advantages which include a sound regulatory framework, free flow of capital and an advanced clearing and settlement infrastructure and financial services.

Our Directors believe that investors would be interested in investing in our Group despite the fact that our Group is based in Singapore for the following reasons. Our major customers encompass subsidiaries of listed companies. Such customers include (i) Customer B, a subsidiary of a company listed on the New York Stock Exchange, which is a Fortune 500 company and the leading global developer of integrated resorts and casino operator; (ii) CBM Pte Ltd, a subsidiary of City Developments Limited, a company listed on the Singapore Stock Exchange, which is an international real estate operating company with a global presence, and one of Singapore's largest companies by market capitalisation; and (iii) UEMS Solutions Pte Ltd, a subsidiary of UEM Edgenta Berhad, a company listed on the Main Board of Bursa Malaysia Securities Berhad, which is a leader in total asset solutions including consultancy, procurement and construction planning, operations and maintenance for a range of assets and building types such as residential properties, offices and roads. In addition, in 2016, we secured a three-year framework agreement for the supply of our tissue products to the largest international airport in Singapore. Our Directors believe that given the international background and reputable status of our customers, investors would be attracted by our Group's customer profile to invest in our Group.

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Pacific Foundation Securities Limited

Ruibang Securities Limited

Aristo Securities Limited

Yellow River Securities Limited

Frontpage Capital Limited

PUBLIC OFFER UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public 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 Stock Exchange and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Joint Bookrunners, at their sole and absolute discretion, may, for themselves and on behalf of the other Public Offer Underwriters, upon giving notice in writing to our Company pursuant to the Public Offer Underwriting Agreement, terminate the Public Offer Underwriting Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there has come to the notice of the Joint Bookrunners:
 - (i) that any statement contained in this prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Share Offer (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”), was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any respect or that any forecast, expression of opinion, intention or expectation expressed in

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any of the Relevant Documents is not, in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the other Underwriters), fair and honest and based on reasonable assumptions in all material respects, when taken as a whole; or

- (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute an omission therefrom, which is material in the context of the Share Offer; or
- (iii) any breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (in each case, other than on the part of any of the Underwriters), which is material; or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of the warrantors pursuant to the Public Offer Underwriting Agreement or under the Placing Underwriting Agreement; or
- (v) any change or development involving a prospective adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group ("**Group Company**"), which would result in a material adverse change, or any development likely to involve a prospective material adverse change, in the condition (financial, operational or otherwise), on the due incorporation, or in the earnings, affairs or prospects, assets or liabilities of our Group as a whole, whether or not arising in the ordinary course of business ("**Material Adverse Effect**"); or
- (vi) any breach of, or event or circumstance rendering untrue or incorrect in any respect, any of the warranties in the Public Offer Underwriting Agreement, which has resulted or may result in a Material Adverse Effect; or
- (vii) the approval by the Listing Division of the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws this prospectus or the Application Forms (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or
- (ix) any person (other than the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus or to the issue of this prospectus or the Application Forms; or
- (x) that a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the

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winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or

- (xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action of a material nature, or announced an intention to investigate or take other action of a material nature, against any of the Directors and senior management members of our Group as set out in “Directors and Senior Management”; or
 - (xii) a portion of the orders in the bookbuilding process, which is considered by the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) in their absolute opinion to be material, at the time the 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, and the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters), in their sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Share Offer; or
 - (xiii) any loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Joint Bookrunners (for themselves and on behalf of the other Underwriters) in their sole and absolute opinion to be material; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any local, national, regional, international event or circumstance, or series of events or circumstances, 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 local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or

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- (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or
- (iv) any new laws, or any change or development involving a prospective change in existing laws, or any event or circumstance or series of events or circumstance likely to result in any change or development involving a prospective change in the interpretation or application of existing laws by any court or other competent authority, in each case, in or affecting Hong Kong, Singapore, the PRC, the United States, the Cayman Islands, the European Union (or any member thereof) or any other jurisdictions relevant to any Group company or the Share Offer (the “**Specific Jurisdictions**”); or
- (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or
- (vi) the imposition of any economic sanctions, in whatever form, directly or indirectly, by, or for any of the Specific Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or
- (viii) any change or development involving a prospective change in, or a materialisation of, any of the risks set out in “Risk Factors”; or
- (ix) any litigation or claim of any third party being threatened or instigated against any Group company or any of the Controlling Shareholders; or
- (x) any of the Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of our Company vacating his office; or
- (xii) 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

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- (xiii) a contravention by any Group company or any Director of the GEM Listing Rules, the Companies Ordinance or any other laws applicable to the Share Offer; or
- (xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares pursuant to the terms of the Share Offer; or
- (xv) non-compliance of this prospectus or the Application Forms (and/or any other documents used in connection with the offering of the Offer Shares) or any aspect of the Share Offer with the GEM Listing Rules or any other laws applicable to the Share Offer; or
- (xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other offer documents in connection with the Share Offer pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group company or in respect of which any Group company is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters):

- (a) has or is or will or may or could be expected to have an adverse effect on the assets, liabilities, business, general affairs, management, shareholders equity, profits, losses, results of operation, financial, trading or other condition or prospects or risks of our Company or our Group or any Group company or on any present or prospective shareholder of our Company in his, her or its capacity as such; or
- (b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Public Offer Underwriting Agreement or the Share Offer to be performed or implemented or proceeded with as envisaged or to market the Share Offer or shall otherwise result in an interruption to or delay thereof; or
- (d) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

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UNDERTAKINGS

Undertakings to the Stock Exchange pursuant to the GEM Listing Rules

By Our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that we will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement or arrangement to issue any Shares or such other securities (whether or not such issue of Shares or such other securities will be completed within six months from the Listing Date), except pursuant to the Share Offer (including any options which were granted or to be granted under the Share Option Scheme) or under any of the circumstances provided under Rule 17.29 of the GEM Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange that, except pursuant to the Share Offer, they shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, 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 in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and
- (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 if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a Controlling Shareholder of our Company.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to us and the Stock Exchange that:

- (i) in the event that he/she/it pledges or charges any direct or indirect interest in the securities of our Company beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) as security for a bona fide commercial loan pursuant to Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, inform our Company immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

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- (ii) having pledged or charged any interest in securities under paragraph (a) above, he/she/it must inform our Company immediately in the event that he/she/it becomes aware that the pledge or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company will inform the Stock Exchange, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and, our Company shall, if so required by the Stock Exchange or the GEM Listing Rules, disclose such matters by way of an announcement and shall comply with all the requirements in accordance with Rule 17.43 of the GEM Listing Rules as soon as possible.

Undertakings pursuant to the Public Offer Underwriting Agreement

By Our Company

We have undertaken to each of the Sole Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, except pursuant to the Share Offer and the exercise of any options granted or to be granted under the Share Option Scheme, during the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-month Period**”) we will not, and will procure that our subsidiaries not to, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, 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 Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable); or

UNDERWRITING

- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period).

UNDERWRITING

Our Company has also undertaken that it will not, and will procure each other member of our Group not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that our Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”).

In the event that, during the Second Six-month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

By our Controlling Shareholders

Our Controlling Shareholders have provided the mandatory lock up undertaking in accordance with the GEM Listing Rules, including (a) not to dispose of any Shares in respect of which he/she/it is shown by this prospectus as the beneficial owner in the six months from Listing Date; and (b) not to cease to be our Controlling Shareholders in the six months from the date on which the period referred to in (a) expires. For details, see “Undertakings — Undertakings to the Stock Exchange pursuant to the GEM Listing Rules — By our Controlling Shareholders” above. Apart from the mandatory lock up undertaking, our Controlling Shareholders have further jointly and severally undertaken to each of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters for a lock up of 18 months after the first six months subsequent to the Listing Date on a voluntary basis. Details set out below:

Each of our Controlling Shareholders has, jointly and severally, and irrevocably undertaken to each of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, except in compliance with the requirements under Rule 13.15(5)(a) of the GEM Listing Rules, and such undertaking will not be waived without the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), at any time during the Second Six-month Period, it/he/she shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/he/she and the companies controlled by it/he/she (together, the “**Controlled Entities**”) shall not:

- (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge (other than any pledge or charge of our Company’s issued share capital after the consummation of the Share Offer 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 in compliance with Rule 13.18 of the GEM Listing Rules), hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him/her directly or indirectly through its Controlled Entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depository in connection with the issue of depository receipts;

UNDERWRITING

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities;
- (c) enter into any transaction with the same economic effect as any of the transactions referred to in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in (a), (b) or (c) above, which any of the foregoing transaction referred to in (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the Second Six-month Period).

The above voluntary lock-up undertaking is irrevocable and will not be waived.

In addition, at any time during the period of 12 months immediately following the Second Six-month Period (the “**Second 12-month Period**”), each of our Controlling Shareholders shall not, and shall procure that the Controlled Entities shall not, enter into any of the foregoing transactions described in (a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following such transaction, it/he/she would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be controlling shareholders (as defined in the GEM Listing Rules) of our Company. The above voluntary lock-up undertaking is irrevocable and will not be waived.

Until the expiry of the Second 12-month Period, in the event that any of our Controlling Shareholders enters into any of the foregoing transactions described in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction within the Second 12-month Period, it/he/she will take all reasonable steps to ensure that it/he/she will not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that within the period from the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

- (a) when it/he/she pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and
- (b) when it/he/she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

UNDERWRITING

PLACING

In connection with the Placing, our Company expects to enter into the Placing Underwriting Agreement with, inter alia, the Placing Underwriters on or around the Price Determination Date, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement.

Potential investors should note that if the Placing Underwriting Agreement is not entered into or is terminated, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms. It is expected that pursuant to the Placing Underwriting Agreement, our Company and the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement.

COMMISSION AND EXPENSES

The Underwriters are expected to receive an underwriting commission of 7.5% of the aggregate Offer Price of all the Offer Shares, under which the Underwriters may pay any sub-underwriting or placing commission in connection with the Share Offer. The Sole Sponsor will receive a sponsor fee of an amount separately agreed between our Company and the Sole Sponsor. The aggregate fees and commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer are currently estimated to be approximately HK\$25.0 million in aggregate, assuming an Offer Price of HK\$0.275, being the midpoint of the indicative Offer Price range, which will be payable by us.

SOLE SPONSOR'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sole Sponsor will receive a sponsor fee. The Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under "Commission and expenses" in this section above.

Save as contemplated pursuant to the Underwriting Agreements, none of the Sole Sponsor and the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

SOLE SPONSOR'S INDEPENDENCE

Giraffe Capital Limited satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises:

- (i) the Public Offer of 20,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in “Structure and Conditions of the Share Offer — the Public Offer” below; and
- (ii) the Placing of an aggregate of 180,000,000 Placing Shares (subject to reallocation).

Investors may apply for Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for Offer Shares under the Placing, but may not do both.

The Offer Shares will represent 25.0% of the enlarged issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer.

PRICING AND ALLOCATION

Determination of the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of the Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Tuesday, 3 April 2018, or such later date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), and in any event not later than Tuesday, 10 April 2018, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price range

The Offer Price will not be more than HK\$0.30 per Offer Share and is expected to be not less than HK\$0.25 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus.

Price payable on application

Applicants for Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.30 for each Public Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$3,030.23 per board lot of 10,000 Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.30 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Tuesday, 10 April 2018, the Share Offer will not proceed and will lapse.

Further details are set out in “How to Apply for Public Offer Shares”.

Changes to Offer Price range

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during a bookbuilding process in respect of the Placing, and with the consent of our Company, change the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make such change, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause there to be published on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.sunlightpaper.com.sg notices of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics, and any other financial information in this prospectus which may change as a result of any such change.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of an extension or reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants who have submitted their applications for Public Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any notice being published in relation to a change in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

ANNOUNCEMENT OF THE BASIS OF ALLOCATIONS

Announcement of the final Offer Price, together with the indication of the level of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on the Stock Exchange’s website at www.hkexnews.hk; and our Company’s website at www.sunlightpaper.com.sg.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares will be conditional on, among other things:

- (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer and Shares will fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme on GEM and such approval not having been withdrawn;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements; and
- (iii) the Offer Price having been determined and the execution of the related agreement on or before the Price Determination Date,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by our Company on the websites of our Company's website at www.sunlightpaper.com.sg and the Stock Exchange's website at www.hkexnews.hk on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to Apply for the Public Offer Shares — 13. Refund of application monies". In the meantime, all 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).

Share certificates for the Offer Shares are expected to be issued on Friday, 13 April 2018 and will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in "Underwriting — Public Offer Underwriting Arrangements and Expenses — Grounds for termination" has not been exercised at or before that time.

The Shares will be traded in board lots of 10,000 Shares each and the stock code of the Shares will be 8451.

THE PUBLIC OFFER

Our Company is initially offering 20,000,000 Public Offer Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares initially available under the Share Offer. The

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Public Offer Shares initially offered under the Public Offer, subject to any reallocation of Offer Shares between the Placing and the Public Offer, will represent 2.5% of our Company's enlarged issued share capital after completion of the Capitalisation Issue and Share Offer.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional and institutional 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 Public Offer is subject to the conditions as set out in “— Conditions of the Share Offer”.

Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 20,000,000 Public Offer Shares, being 100% of the 20,000,000 Public Offer Shares initially available under the Public Offer will be rejected.

Reallocation

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then 40,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 60,000,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then 60,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 80,000,000 Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and
- (c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then 80,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

number of Shares available for subscription under the Public Offer will be increased to 100,000,000 Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners. With reference to Guidance Letter HKEX-GL91-18, if such reallocation is done other than pursuant to paragraph (a), (b) or (c) above, the maximum total number of Offer Shares that may be allocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer i.e. 40,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Placing Shares under the Placing.

PLACING

Number of the Placing Shares

The number of the Offer Shares to be initially offered for subscription under the Placing will be 180,000,000 new Shares representing 90% of the Offer Shares initially available under the Share Offer (subject to reallocation). Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Offer Shares initially offered under the Placing will represent 22.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. The Placing Shares will be selectively placed to certain professional and institutional and other investors who 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. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in "Structure and Conditions of the Share Offer — Pricing and allocation", and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

DEALING

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Monday, 16 April 2018. Our Shares will be traded in board lot of 10,000 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to Stock Exchange granting the listing of, and permission to deal in, our Shares on GEM and our Company complies with the stock admission requirements of HKSCC, our 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.

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 our Shares to be admitted into CCASS.

If you are unsure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, you should seek the advice of your stockbroker or other professional adviser.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for the Public Offer Shares, you may:

- (a) use a **WHITE** or **YELLOW** Application Form;
- (b) apply online via **White Form eIPO** service at www.eipo.com.hk; or
- (c) 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 Joint Bookrunners, the **White Form eIPO** service provider and their respective agents and nominees may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you (or the person(s) for whose benefit you are applying):

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are outside the United States, and are not a United States Person (as defined in Regulation S); and
- (d) are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Joint Bookrunners or their respective agents and nominees may accept or reject it at its discretion, and on any conditions it thinks 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 **White Form eIPO** service for the Public Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are a connected person (as defined under the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- are a close associate of any of the above; and/or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR THE PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **White Form eIPO** service at www.eipo.com.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 27 March 2018 until 12:00 noon on Tuesday, 3 April 2018 from:

(a) any of the following address of the Public Offer Underwriters:

(i) **Pacific Foundation Securities Limited**

11th Floor
New World Tower II
16–18 Queen's Road Central
Hong Kong

(ii) **Ruibang Securities Limited**

9th Floor
Sang Woo Building
227–228 Gloucester Road
Wanchai
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iii) **Aristo Securities Limited**
 Room 101, 1st Floor
 On Hong Commercial Building
 145 Hennessy Road
 Wanchai
 Hong Kong

(iv) **Yellow River Securities Limited**
 Unit D, 4/F, Trust Tower
 68 Johnston Road
 Wanchai
 Hong Kong

(v) **Frontpage Capital Limited**
 26th Floor, Siu On Centre
 188 Lockhart Road
 Wanchai
 Hong Kong

(b) or any of the following sub-branches of the receiving bank, DBS Bank (Hong Kong) Limited:

	Branch	Address
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central, Central
	Happy Valley Branch	G/F, 18A–22 King Kwong Street, Happy Valley
Kowloon	Mei Foo Branch	Shops N26A & N26B, Stage V, Mei Foo Sun Chuen, 10 & 12 Nassau Street
	Nathan Road — SME Banking Centre	2/F, Wofoo Commercial Building, 574–576 Nathan Road, Mongkok
New Territories	Ma On Shan Branch	Shops 205–206, Level 2, Ma On Shan Plaza, Ma On Shan
	Yuen Long Branch	G/F, 1–5 Tai Tong Road, Yuen Long

HOW TO APPLY FOR PUBLIC OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 27 March 2018 until 12:00 noon on Tuesday, 3 April 2018 from:

- (i) the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- (ii) 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 "Ting Hong Nominees Limited — Sunlight Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the sub-branches of the receiving bank listed above, at the following times:

Tuesday, 27 March 2018	—	9:00 a.m. to 5:00 p.m.
Wednesday, 28 March 2018	—	9:00 a.m. to 5:00 p.m.
Thursday, 29 March 2018	—	9:00 a.m. to 5:00 p.m.
Tuesday, 3 April 2018	—	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, 3 April 2018, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications 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 **White Form eIPO** service, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- undertake to execute all relevant documents and instruct and authorise our Company, the Joint Bookrunners, the Sole Sponsor, and/or the Joint Lead Managers (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 Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;
- 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;

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- 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;
- confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- agree that none of our Company, the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- 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 Placing nor participated in the Placing;
- agree to disclose to our Company, the Hong Kong Share Registrar, receiving bank, the Joint Bookrunners, the Sole Sponsor, 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;
- 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 Joint Bookrunners, the Sole Sponsor, 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;
- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application will be governed by the laws of Hong Kong;
- represent, warrant and undertake that (i) you understand that the Public 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 Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- warrant that the information you have provided is true and accurate;
- agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- 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 Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Refund

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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 are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

- 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;
- understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and their respective agents and nominees will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (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 WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “— 2. Who can apply for the Public Offer Shares” may apply through the **White Form eIPO** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for submitting applications under the White Form eIPO

You may submit your application online to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 27 March 2018 until 11:30 a.m. on Tuesday, 3 April 2018 and the

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latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 3 April 2018 or such later time under “— 10. Effect of Bad Weather on the Opening of the Application Lists”.

No multiple applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different payment 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 **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Environmental protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2.0 for each “SUNLIGHT (1977) HOLDINGS LIMITED” **White Form eIPO** application submitted via the website www.eipo.com.hk to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

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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 Public 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 Joint Lead Managers and the Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public 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 Public 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 Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

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- confirm that you understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and their respective agents and nominees will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public 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 Public 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 Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer 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 Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

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- 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 Public Offer 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 giving **electronic application instructions** to apply for the Public 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 our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance and the Articles; 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 Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and 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 final Offer Price is less than the Offer Price per Public Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and 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.

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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 10,000 Public Offer Shares. Instructions for more than 10,000 Public 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 Public 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:

Tuesday, 27 March 2018	—	9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 28 March 2018	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 29 March 2018	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 3 April 2018	—	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 Tuesday, 27 March 2018 until 12:00 noon on Tuesday, 3 April 2018 (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, 3 April 2018 the last application day or such later time as described in “— 10. Effect of Bad Weather on the Opening of the Application Lists”.

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 Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public 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 Public 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 (WUMP) 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

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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 banker, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through **White Form eIPO** service is also only a facility provided by **White Form eIPO** 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 Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or persons applying through the **White Form eIPO** service will be allotted any Public 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, 3 April 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public 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 **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and

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- 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 PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Public Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and 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 **White Form eIPO** service in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Public 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 www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and 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).

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 3 April 2018. 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, 3 April 2018 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 “Expected Timetable”, an announcement will be made in such event.

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11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the indication of the level of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on our Company's website at www.sunlightpaper.com.sg and the Stock Exchange's website at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- (a) in the announcement to be posted on our website at www.sunlightpaper.com.sg and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Friday, 13 April 2018;
- (b) from the designated results of allocations website at www.iporeresults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID Number/Business Registration Number" function on a 24-hour basis from 8:00 a.m. on Friday, 13 April 2018 to 12:00 midnight on Thursday, 19 April 2018;
- (c) by telephone enquiry line by calling (852) 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, 13 April 2018 to Monday, 16 April 2018; and
- (d) in the special allocation results booklets which will be available for inspection during opening hours from Friday, 13 April 2018, Saturday, 14 April 2018 and Monday, 16 April 2018 at all the receiving bank's designated sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which we 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 Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in "Structure and Conditions of the Share Offer".

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 PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or

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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). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (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 may withdraw their applications.

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, such acceptance will be subject to the satisfaction of such conditions.

(b) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners, the **White Form eIPO** 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.

(c) If the allotment of the Public Offer Shares is void:

The allotment of the Public Offer Shares will be void if the Stock Exchange 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 Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) 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) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;

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- 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 Joint Bookrunners believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

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\$0.30 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure of the Share Offer — Conditions of the Share Offer" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and 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 or before Friday, 13 April 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- (b) 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 Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the final Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the final Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest).

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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 before Friday, 13 April 2018. 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 Monday, 16 April 2018 provided that the Share Offer has become unconditional and the right of termination described in "Underwriting — Public Offer underwriting arrangements and expenses — The Public Offer Underwriting Agreement — Grounds for termination" 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

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public 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 the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 13 April 2018 or such other date as notified by us.

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 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, 13 April 2018, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Friday, 13 April 2018, 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 Friday, 13 April 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(i) If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

(ii) If you are applying as a CCASS investor participant

We will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "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 Friday, 13 April 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) If you apply through the White Form eIPO service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 13 April 2018, or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-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 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, 13 April 2018 by ordinary post at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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-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.

(d) If you apply via Electronic Application Instructions to HKSCC

Allocation of the Public Offer Shares

For the purposes of allocating the Public 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 Friday, 13 April 2018 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 Public Offer Shares in the manner specified in “— Publication of Results” above on Friday, 13 April 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 April 2018 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 Public 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 Public 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 Friday, 13 April 2018. Immediately following the credit of the Public 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 Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications initially paid on application (including brokerage, SFC transaction levy and 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 Friday, 13 April 2018.

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 GEM 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 set out on pages I-1 to I-37, received from the Company's joint reporting accountants, KPMG LLP, Public Accountants and Chartered Accountants, Singapore and KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SUNLIGHT (1977) HOLDINGS LIMITED

Introduction

We report on the historical financial information of Sunlight (1977) Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-1 to I-37, which comprises the combined statements of financial position of the Group as at 30 September 2016 and 2017, the statement of financial position of the Company as at 30 September 2017, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows, for each of the years ended 30 September 2016 and 2017 (the “**Relevant Periods**”), and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-1 to I-37 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 March 2018 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 of Section B to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with the Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give

a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 of Section B to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 30 September 2016 and 2017, the Company's financial position as at 30 September 2017 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 of Section B to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 16 of Section B to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its incorporation.

KPMG LLP

Public Accountants and Chartered Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
27 March 2018

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27 March 2018

A. HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG LLP, Public Accountants and Chartered Accountants, Singapore ("**KPMG Singapore**"), under separate terms of engagement with the Company in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("**Underlying Financial Statements**").

Combined statements of profit or loss and other comprehensive income*(Expressed in Singapore dollars)*

	Note	Year ended 30 September	
		2016 \$'000	2017 \$'000
Revenue	4	12,343	12,186
Cost of sales		<u>(9,085)</u>	<u>(8,693)</u>
Gross profit		3,258	3,493
Other income		144	123
Distribution expenses		(1,126)	(1,085)
Administrative expenses		(743)	(762)
Listing expenses		—	(724)
Other expenses		<u>(13)</u>	<u>(27)</u>
Profit from operations		1,520	1,018
Interest expenses on finance leases		<u>(7)</u>	<u>(10)</u>
Profit before taxation	5	1,513	1,008
Income tax expense	8	<u>(246)</u>	<u>(268)</u>
Profit for the year		<u>1,267</u>	<u>740</u>
Other comprehensive income for the year			
<i>Item that will not be reclassified to profit or loss:</i>			
Deficit on revaluation of property, plant and equipment held for own use		(216)	(231)
Related tax		<u>37</u>	<u>39</u>
Other comprehensive income for the year, net of tax		<u>(179)</u>	<u>(192)</u>
Total comprehensive income for the year		<u>1,088</u>	<u>548</u>

The accompanying notes form an integral part of the Historical Financial Information.

Combined statements of financial position
(Expressed in Singapore dollars)

		At 30 September	
	<i>Note</i>	2016	2017
		<i>\$'000</i>	<i>\$'000</i>
Non-current assets			
Property, plant and equipment	9	8,034	7,420
Current assets			
Inventories	10	714	718
Trade and other receivables	11	1,918	1,893
Prepayments		24	257
Short-term bank deposits	12	2,985	—
Cash and cash equivalents		<u>1,912</u>	<u>3,095</u>
		<u>7,553</u>	<u>5,963</u>
Current liabilities			
Trade and other payables	13	2,259	1,843
Amounts due to directors		2,155	—
Dividends payable to shareholders		—	2,030
Current portion of finance lease liabilities	14	164	119
Current tax liabilities		<u>263</u>	<u>302</u>
		4,841	4,294
Net current assets		<u>2,712</u>	<u>1,669</u>
Total assets less current liabilities		<u>10,746</u>	<u>9,089</u>
Non-current liabilities			
Finance lease liabilities	14	129	16
Deferred tax liabilities	15	<u>1,094</u>	<u>1,032</u>
		<u>1,223</u>	<u>1,048</u>
NET ASSETS		<u>9,523</u>	<u>8,041</u>
CAPITAL AND RESERVES			
Share capital	16	580	580
Revaluation reserve	16	4,903	4,711
Retained profits		<u>4,040</u>	<u>2,750</u>
TOTAL EQUITY		<u>9,523</u>	<u>8,041</u>

The accompanying notes form an integral part of the Historical Financial Information.

Statement of financial position of the Company
As at 30 September 2017
(Expressed in Singapore dollars)

	2017 \$'000
Current assets	
Cash and cash equivalents	_____*
NET ASSETS	=====*
CAPITAL	
Share capital	_____*
TOTAL EQUITY	=====*

* The balance represents an amount less than \$1,000

The accompanying notes form an integral part of the Historical Financial Information.

Combined statements of changes in equity*(Expressed in Singapore dollars)*

	Attributable to equity shareholders of the Company			
	Share capital	Revaluation reserve	Retained profits	Total
	\$'000	\$'000	\$'000	\$'000
At 1 October 2015	580	5,082	2,773	8,435
Changes in equity for 2016:				
Profit for the year	—	—	1,267	1,267
Other comprehensive income	—	(179)	—	(179)
Total comprehensive income for the year	—	(179)	1,267	1,088
At 30 September 2016 and 1 October 2016	<u>580</u>	<u>4,903</u>	<u>4,040</u>	<u>9,523</u>
Changes in equity for 2017:				
Profit for the year	—	—	740	740
Other comprehensive income	—	(192)	—	(192)
Total comprehensive income for the year	—	(192)	740	548
Incorporation of and issue of shares by the Company	—*	—	—	—*
Dividends declared in respect of the current year (<i>Note 16(b)</i>)	—	—	(2,030)	(2,030)
At 30 September 2017	<u>580</u>	<u>4,711</u>	<u>2,750</u>	<u>8,041</u>

* The balance represents an amount less than \$1,000

The accompanying notes form an integral part of the Historical Financial Information.

Combined statements of cash flows
(Expressed in Singapore dollars)

	Note	Year ended 30 September	
		2016 \$'000	2017 \$'000
Cash flows from operating activities			
Profit before taxation		1,513	1,008
Adjustments for:			
Impairment loss on trade receivables	5	4	—*
Depreciation	5	412	355
Interest expenses on finance leases		7	10
Interest income from short-term bank deposits	5	(41)	(36)
Loss on disposal of property, plant and equipment	5	<u>9</u>	<u>27</u>
		1,904	1,364
Changes in working capital:			
Decrease/(increase) in inventories		60	(4)
(Increase)/decrease in trade and other receivables, and prepayments		(76)	22
Decrease in trade and other payables		<u>(782)</u>	<u>(416)</u>
Cash generated from operations		1,106	966
Tax paid		<u>(5)</u>	<u>(252)</u>
Net cash from operating activities		<u>1,101</u>	<u>714</u>
Cash flows from investing activities			
Short-term bank deposits (placed)/withdrawn		(713)	2,985
Interest received		42	36
Payment for the purchase of property, plant and equipment		(376)	(15)
Proceeds from disposal of property, plant and equipment		<u>92</u>	<u>16</u>
Net cash (used in)/from investing activities		<u>(955)</u>	<u>3,022</u>

	Year ended 30 September	
	2016	2017
	<i>\$'000</i>	<i>\$'000</i>
Cash flows from financing activities		
Interest paid	(7)	(10)
Repayment of finance leases	(124)	(158)
Advances from/(repayment to) directors	460	(2,155)
Payment of listing expenses	—	(230)
Issue of shares by the Company	<u>—</u>	<u>—*</u>
Net cash from/(used in) financing activities	<u>329</u>	<u>(2,553)</u>
Net increase in cash and cash equivalents	475	1,183
Cash and cash equivalents at beginning of year	<u>1,437</u>	<u>1,912</u>
Cash and cash equivalents at end of year	<u><u>1,912</u></u>	<u><u>3,095</u></u>

* *The balance represents an amount less than \$1,000*

Non-cash transactions

The Group acquired motor vehicles with an aggregate cost of \$717,000 and \$1,000 of which \$368,000 and \$Nil was acquired by way of finance leases during the years ended 30 September 2016 and 2017, respectively.

The accompanying notes form an integral part of the Historical Financial Information.

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

These notes form an integral part of the Historical Financial Information.

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Sunlight (1977) Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 21 September 2017 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised).

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation mentioned below. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the sales of tissue products and hygiene-related products to corporate customers.

Prior to the incorporation of the Company, the above mentioned principal activities were carried out by Sunlight Paper Products Pte. Ltd. (“**Sunlight Paper**”). To rationalise the corporate structure in preparation of the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited, the Group underwent the group reorganisation (the “**Reorganisation**”), as detailed in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus. Upon completion of the Reorganisation, the Company became the holding company of the Group. Sunlight Paper was controlled by Mr. Chua Liang Sie, Ms. Chua Joo Gek, Mr. Chua Liang Chui and Mr. Pang Fook Kiau (together the “**Controlling Shareholders**”) before and after the Reorganisation and there were no changes in the business of Sunlight Paper. The Reorganisation only involved inserting newly formed entities with no substantive operations as the new holding companies of Sunlight Paper. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition, with Sunlight Paper treated as the acquirer for accounting purposes. The Historical Financial Information has been prepared and presented as a continuation of the financial statements of Sunlight Paper with the assets and liabilities of Sunlight Paper recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for the Company and SPP Investments Limited (“**SPP Investments**”) as they are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of Sunlight Paper were prepared in accordance with Singapore Financial Reporting Standards issued by the Accounting Standards Council in Singapore.

Upon completion of the Reorganisation and as at the date of this report, the direct or indirect interest in the subsidiaries of the Group are as follows:

Name of subsidiaries	Principal activities	Place and date of incorporation	Particulars of issued and paid-up shares	Proportion of ownership interest		At the date of this report
				At 30 September 2016	At 30 September 2017	
Directly held						
SPP Investments	Investment holding	The British Virgin Islands (“ BVI ”)/ 6 October 2017	1 ordinary share of \$1 each	—	—	100%
Indirectly held						
Sunlight Paper ^(a)	Supply of tissue products for corporate customers	Singapore/ 8 July 1977	580,000 ordinary shares/ \$580,000	100%	100%	100%

(a) The statutory financial statements of Sunlight Paper for the years ended 30 September 2016 and 2017 were audited by KPMG LLP, Singapore (“**KPMG Singapore**”).

All companies comprising the Group have adopted 30 September as their financial year end.

2 STATEMENT OF COMPLIANCE

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) which includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IAS”) and Interpretations issued by the International Accounting Standards Board (“IASB”). Further details of the significant accounting policies adopted are set out in Note 3.

The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 30 September 2017. The revised and new accounting standards and interpretations issued but not yet effective are set out below.

	Effective from
Amendments to IFRS 12, <i>Disclosure of Interests in Other Entities</i> (Annual Improvements to IFRS Standards 2014–2016 Cycle)	1 January 2017
Amendments to IAS 7, <i>Statement of Cash Flows: Disclosure Initiative</i>	1 January 2017
Amendments to IAS 12, <i>Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
IFRS 9, <i>Financial Instruments</i>	1 January 2018
IFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
IFRIC 22, <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to IFRS 1, <i>First-time Adoption of International Financial Reporting Standards</i> (Annual Improvements to IFRS Standards 2014–2016 Cycle)	1 January 2018
Amendments to IFRS 2, <i>Share-based Payment: Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to IFRS 4, <i>Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to IAS 28, <i>Investments in Associates and Joint Ventures</i> (Annual Improvements to IFRS Standards 2014–2016 Cycle)	1 January 2018
Amendments to IAS 40, <i>Investment Property: Transfers of Investment Property</i>	1 January 2018
IFRS 16, <i>Leases</i>	1 January 2019
IFRIC 23, <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
IFRS 17, <i>Insurance Contracts</i>	1 January 2021
Amendments to IFRS 10, <i>Consolidated Financial Statements</i> and IAS 28, <i>Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date yet to be confirmed

For those new standards and amendments to standards that are expected to have an effect on the Historical Financial Information of the Group and the Company in future financial periods, the Group’s finance team assesses the transition options and the potential impact on its financial statements, and to implement these standards. Management provides updates to the Board of Directors on the progress of implementing these standards. These updates cover project implementation status, key reporting and business risks and the implementation approach. The Group does not plan to adopt these standards early.

Discussions on selected new accounting standards are as follows:

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidances including IAS 18, *Revenue*, IAS 11, *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company do not expect the adoption of IFRS 15 would result in significant impact on the Group's results. However, there will be additional qualitative and quantitative disclosures upon the adoption of IFRS 15.

IFRS 9, *Financial Instruments*

IFRS 9 replaces most of the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Classification and measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its preliminary assessment, the Group does not believe that the new classification requirements would have a material impact on its accounting for trade receivables and loans. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under IFRS 9.

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group is currently refining its impairment loss estimation methodology to quantify the impact on its financial statements but this is not likely to have a significant impact on the financial statements of the Group.

IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses. The Group's preliminary assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

IFRS 16, Leases

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard — i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 October 2019. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

The Group has started an initial assessment of the potential impact on the Historical Financial Information. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of land. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

As set out in Note 18, the minimum operating lease commitments of the Group in respect of land at 30 September 2017 amounted to \$434,000. The directors of the Company do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated financial statements as right-of-use assets and lease liabilities.

The directors of the Company anticipate that the application of other new and amendments to IFRSs will have no material impact on the consolidated financial statements of the Group in the future.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except as otherwise described in the notes below.

(b) Functional and presentation currency

The Company, the investment holding subsidiary and the subsidiary incorporated in the Cayman Islands, the British Virgin Islands, and Singapore respectively have their functional currencies in Singapore dollars. The Historical Financial Information is presented in Singapore dollars and has been rounded to the nearest thousand.

(c) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Notes 9, 10 and 11, which contain information about the assumption relating to valuation of leasehold factory building under property, plant and equipment, allowance for inventories and impairment losses of trade receivables.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, 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, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included in the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions are eliminated in full in preparing the Historical Financial Information.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-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.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of an equity-accounted investee or an available-for-sales financial assets depending on the level of influence retained. The fair value is the transaction price unless fair value can be more reliably estimated using valuation technique whose variables include only data from observable markets. Cost includes attributable transaction costs.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

(e) Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of the entities comprising the Group at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(f) Financial instruments*(i) Non-derivative financial assets*

The Group initially recognises loans and receivables on the date that they originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group classifies non-derivative financial assets into the loans and receivables category.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, short-term bank deposits with maturities of three months or more and cash and cash equivalents. Cash and cash equivalents comprise cash and bank balances.

(ii) Non-derivative financial liabilities

The Group initially recognises financial liabilities (including liabilities designated at fair value through profit or loss) on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables, amounts due to directors and dividends payable to shareholders.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(g) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(h) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for leasehold factory building which are measured at revalued amount. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation. Revaluations are carried out by independent professional valuers regularly such that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the reporting date.

Any increase in revaluation amount is credited to the revaluation reserve unless it offsets a previous decrease in value of the same asset that was recognised in profit or loss. A decrease in value is recognised in profit or loss where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained profits and is not taken into account in arriving at the gain or loss on disposal.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Depreciation is also recognised as an expense in profit or loss on a reducing balance method results in a decreasing charge over the useful life.

Depreciation is recognised from the date of the property, plant and equipment are installed and are ready for use.

The estimated useful lives during the Relevant Periods are as follows:

Straight line method

Leasehold factory building	—	60 years
Computers	—	3 years
Renovation	—	5 years

Reducing balance method

Plant, equipment, furniture and fittings	—	10% to 20%
Motor vehicles	—	20%

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

(i) **Leases**

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

Leased assets

Leases of property, plant and equipment that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(j) Impairment*(i) Non-derivative financial assets*

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise and indications that a debtor will enter bankruptcy.

(ii) Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories which are measured at the lower of cost and net realisable value and leasehold factory building which are measured at revalued amount, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed 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.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out principles and comprises all cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated costs necessary to make the sale.

(l) Employee benefits*(i) Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) Short-term benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(m) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Revenue recognition*(i) Sale of goods*

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Rental income

Rental income from factory building for use as a mobile base station is recognised in profit or loss on a straight-line basis over the term of the lease. Rental income is recognised as "other income".

(iii) *Interest income*

Interest income comprise interest income on short-term deposits. Interest income is recognised using the effective interest method. Interest income is recognised as “other income”.

(iv) *Trademark income*

Trademark income is recognised based on a percentage of licensee’s gross revenue net of discount given. Trademark income is recognised as “other income”.

(o) **Finance costs**

Finance costs comprise interest expense on finance lease. All borrowing costs are recognised in profit or loss using the effective interest method.

(p) **Tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(q) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (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) Both entities 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 company 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).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

(r) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(s) Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Board of directors.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

4 REVENUE AND OPERATING SEGMENTS

The principal activities of the Group are supplying tissue products for corporate customers.

Information reported to the Group's Chief Operating Decision Maker ("CODM") for the purpose of resource allocation and assessment of performance is specifically focused on the key products sold, namely, tissue products and hygiene products.

Information regarding the results of each reportable segment is included below. Performance is measured based on the following bases, as included in the internal management reports that are reviewed by the Group's CODM. Both segment revenue and profit are used to measure performance as management believes that such information is the most relevant in evaluating the level of activities and results of these segments.

- Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. Assistance provided by one segment to another, including sharing of assets, is not measured.
- The measure used for reporting segment profit is gross profit.
- Management considers the disclosure of segment assets and liabilities for tissue products, hygiene-related products and others respectively is not practical and not meaningful. Hence, no disclosure of segment assets and liabilities has been made.
- In addition to receiving segment information concerning segment profit, management is provided with segment information concerning revenue.

	Tissue products \$'000	Hygiene- related products \$'000	Others \$'000	Total \$'000
2016				
Revenue from external customers and reportable segment revenue	<u>11,352</u>	<u>891</u>	<u>100</u>	<u>12,343</u>
Segment profit	<u>2,911</u>	<u>346</u>	<u>1</u>	<u>3,258</u>
	Tissue products \$'000	Hygiene- related products \$'000	Others \$'000	Total \$'000
2017				
Revenue from external customers and reportable segment revenue	<u>11,030</u>	<u>971</u>	<u>185</u>	<u>12,186</u>
Segment profit	<u>3,128</u>	<u>363</u>	<u>2</u>	<u>3,493</u>

Reconciliations of reportable segment profit

	Year ended 30 September	
	2016 \$'000	2017 \$'000
Profit		
Reportable segment profit	3,258	3,493
Other income	144	123
Unallocated expenses	(1,882)	(2,598)
Interest expenses on finance leases	<u>(7)</u>	<u>(10)</u>
Combined profit before taxation	<u>1,513</u>	<u>1,008</u>

The Group's revenue from external customers are mainly located in Singapore. The Group carries out its operations in Singapore and all of the Group's non-current assets are located in Singapore.

Major customers

The following are major customers with revenue equal to or more than 10% of the Group's total revenue during the Relevant Periods:

	2016 \$'000	2017 \$'000
Company A	1,596	1,730
Company B	<u>1,484</u>	<u>1,393</u>
	<u>3,080</u>	<u>3,123</u>

5 PROFIT BEFORE TAXATION

The following items have been included in arriving at profit before taxation:

	2016	2017
	<i>\$'000</i>	<i>\$'000</i>
Cost of inventories sold	8,570	8,180
Impairment loss on trade receivables	4	—*
Depreciation of property, plant and equipment	412	355
Loss on disposal of property, plant and equipment	9	27
Interest income from short-term bank deposits	(41)	(36)
Auditor's remuneration	23	20
Operating lease expenses	38	35
Operating lease income	(22)	(22)
Staff costs	1,260	1,303
Contribution to defined contribution plan, included in staff costs	102	102
Trademark income	(44)	(45)
	<u>(44)</u>	<u>(45)</u>

* The balance represents an amount less than \$1,000

6 DIRECTORS' EMOLUMENTS

Directors' emoluments during the Relevant Periods which were included in staff costs as disclosed in Note 5 is as follows:

	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
2016					
Chairman and executive director					
Chua Liang Sie	—	120	46	13	179
Executive directors					
Chua Joo Gek	—	84	32	9	125
Chua Liang Chui	—	114	41	14	169
Chua Wenhao	—	46	8	9	63
	<u>—</u>	<u>364</u>	<u>127</u>	<u>45</u>	<u>536</u>
2017					
Chairman and executive director					
Chua Liang Sie	—	120	46	13	179
Executive directors					
Chua Joo Gek	—	84	32	9	125
Chua Liang Chui	—	114	41	13	168
Chua Wenhao	—	58	8	12	78
	<u>—</u>	<u>376</u>	<u>127</u>	<u>47</u>	<u>550</u>

Mr. Chua Liang Sie, Ms. Chua Joo Gek, Mr. Chua Liang Chui and Mr. Chua Wenhao were appointed as directors of the Company on 21 September 2017 (date of incorporation) and were re-designated as executive directors on 30 October 2017. Mr. Teo Beng Fwee, Mr. Yeo Hai Thong Michael and Mr. Law Kin Ho were appointed as independent non-executive directors of the Company on 21 March 2018.

During the Relevant Periods, remuneration of Mr. Chua Liang Sie, Ms. Chua Joo Gek, Mr. Chua Liang Chui and Mr. Chua Wenhao were paid by Sunlight Paper for their directorship in this company.

During the years ended 30 September 2016 and 2017, no emoluments have been paid to the directors as inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or had agreed to waive any emoluments.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four individuals are directors for the Relevant Periods whose emoluments are disclosed in Note 6. The emoluments in respect of the remaining individual are as follows:

	2016 \$'000	2017 \$'000
Short-term employee benefits	46	65
Discretionary bonuses	8	8
Contributions to defined contribution plans	<u>9</u>	<u>12</u>
	<u>63</u>	<u>85</u>

8 INCOME TAX EXPENSE

	2016 \$'000	2017 \$'000
Amount recognised in profit or loss		
Current tax expense		
Current year	263	302
Adjustment for prior years	<u>(2)</u>	<u>(11)</u>
	<u>261</u>	<u>291</u>
Deferred tax credit		
Originating and reversal in temporary differences	(15)	(12)
Adjustment for prior years	<u>—*</u>	<u>(11)</u>
	<u>(15)</u>	<u>(23)</u>
Total income tax expense	<u>246</u>	<u>268</u>

Amount recognised in other comprehensive income

	2016			2017		
	Before tax \$'000	Tax expense \$'000	Net of tax \$'000	Before tax \$'000	Tax expense \$'000	Net of tax \$'000
Revaluation of property, plant and equipment	<u>(216)</u>	<u>37</u>	<u>(179)</u>	<u>(231)</u>	<u>39</u>	<u>(192)</u>

Reconciliation of effective tax rate

	2016 \$'000	2017 \$'000
Profit before tax	<u>1,513</u>	<u>1,008</u>
Tax using the Singapore tax rate of 17%	257	171
Non-deductible expenses	44	164
Tax exempt income and tax incentives	(33)	(35)
Corporate income tax rebate	(20)	(10)
Adjustment for prior years	<u>(2)</u>	<u>(22)</u>
	<u>246</u>	<u>268</u>

* The balance represents an amount less than \$1,000

The Group is not subject to any income tax in the Cayman Islands and the BVI.

Singapore Income Tax has been provided at the statutory rate of 17% on the estimated chargeable income arising in Singapore for the years ended 30 September 2016 and 2017.

9 PROPERTY, PLANT AND EQUIPMENT

	Leasehold factory building	Computers	Renovation	Plant equipment, furniture and fittings	Motor vehicles	Total
	At revalued amount \$'000	At cost \$'000	At cost \$'000	At cost \$'000	At cost \$'000	\$'000
Cost or valuation						
At 1 October 2015	7,370	28	15	1,307	1,255	9,975
Additions	—	—*	—	27	717	744
Disposals	—	—	—	—	(530)	(530)
Revaluation	(380)	—	—	—	—	(380)
At 30 September 2016 and 1 October 2016	6,990	28	15	1,334	1,442	9,809
Additions	—	15	—	—	—*	15
Disposals	—	(28)	—	(287)	(68)	(383)
Revaluation	(390)	—	—	—	—	(390)
At 30 September 2017	<u>6,600</u>	<u>15</u>	<u>15</u>	<u>1,047</u>	<u>1,374</u>	<u>9,051</u>
Accumulated depreciation						
At 1 October 2015	—	28	15	1,208	705	1,956
Depreciation for the year	164	—*	—	15	233	412
Disposals	—	—	—	—	(429)	(429)
Revaluation	(164)	—	—	—	—	(164)
At 30 September 2016 and 1 October 2016	—	28	15	1,223	509	1,775
Depreciation for the year	159	2	—	10	184	355
Disposals	—	(28)	—	(258)	(54)	(340)
Revaluation	(159)	—	—	—	—	(159)
At 30 September 2017	<u>—</u>	<u>2</u>	<u>15</u>	<u>975</u>	<u>639</u>	<u>1,631</u>
Carrying amounts						
At 30 September 2016	<u>6,990</u>	<u>—*</u>	<u>—</u>	<u>111</u>	<u>933</u>	<u>8,034</u>
At 30 September 2017	<u>6,600</u>	<u>13</u>	<u>—</u>	<u>72</u>	<u>735</u>	<u>7,420</u>

* The balance represents an amount less than \$1,000

The Group acquired motor vehicles with a carrying amount of \$717,000 and \$1,000 during the years ended 30 September 2016 and 2017, respectively. The net carrying amount of leased motor vehicles was \$737,000 and \$590,000 as at 30 September 2016 and 2017, respectively. The lease obligations are secured by the respective motor vehicles.

As at 30 September 2017, leasehold factory building with carrying amount of \$6,600,000 is pledged as security to secure banking facilities granted to the Group amounting to \$4,000,000. The banking facilities remained undrawn as at 30 September 2017.

Fair value hierarchy

Leasehold factory building is stated at revalued amount based on the fair value amount provided by Independent property valuer, AVISTA Valuation Advisory Limited, a registered professional surveyor in Hong Kong, who have appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuer provides the fair value of the Group's leasehold factory building on an annual basis.

The fair value measurement for the property, plant and equipment stated at revalued amount has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of the property, plant and equipment stated at revalued amount, as well as the significant unobservable inputs used.

	Valuation technique	Significant unobservable inputs	Range
Industrial property — Singapore	Market approach by making reference to comparable sales transactions as available in the relevant market.	Adjustments applied to market comparables, taking in consideration the remaining lease tenure, timing of such transactions and location of comparable properties.	2017: Discount of 0.0% to 1.6% of comparables 2016: Discount of 0.0% to 1.6% of comparables

The carrying amounts of leasehold factory building held for own use that would have been recognised had the assets been carried at cost less accumulated depreciation and impairment loss were \$1,219,000 and \$1,192,000 as at 30 September 2016 and 2017, respectively. The fair value measurement is negatively correlated to the discount factor applied to market comparables.

Sale or transfer of the leasehold factory building held for own use is subject to consent from JTC Corporation.

10 INVENTORIES

	2016	2017
	<i>\$'000</i>	<i>\$'000</i>
Raw materials	4	7
Finished goods	632	635
Goods-in-transit	<u>78</u>	<u>76</u>
	<u>714</u>	<u>718</u>

The analysis of the amount of inventories recognised as an expense included in "Cost of sales" is as follows:

	2016	2017
	<i>\$'000</i>	<i>\$'000</i>
Carrying amount of inventories sold	8,570	8,174
Write down of inventories	<u>—</u>	<u>6</u>
	<u>8,570</u>	<u>8,180</u>

Allowance for inventories

A review is made periodically of inventory for excess inventory, obsolescence or decline in net realisable value and allowance is recorded against the inventory balance. These reviews require management to estimate future demand for the products. In any case, the net realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the reporting date and inherently involves estimates regarding the future expected value. The benchmarks for determining the amount of allowance or write down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgment and materially affects the carrying amount of inventories at the reporting date. Possible changes in these estimates could result in revisions to the valuation of inventory. An increase in allowance for inventories will increase purchase and other related cost and decrease current assets.

11 TRADE AND OTHER RECEIVABLES

	Group	
	2016	2017
	<i>\$'000</i>	<i>\$'000</i>
Trade receivables	1,837	1,797
Less: Allowance for impairment	(4)	—
	<u>1,833</u>	<u>1,797</u>
Other receivables	77	88
Deposits	8	8
	<u>8</u>	<u>8</u>
	<u>1,918</u>	<u>1,893</u>

Trade and other receivables are expected to be recovered or recognised as expense within 1 year. Other receivables and deposits are neither past due nor impaired.

As of the end of the reporting period, the ageing analysis of trade receivables based on the invoice date is as follows:

	2016	2017
	<i>\$'000</i>	<i>\$'000</i>
Within 30 days	1,027	1,027
Between 31 and 60 days	571	576
Between 61 and 90 days	209	176
More than 90 days	26	18
	<u>26</u>	<u>18</u>
	<u>1,833</u>	<u>1,797</u>

The Group's exposure to credit risks, and impairment losses related to trade and other receivables, are disclosed in Note 20.

Impairment losses of trade receivables

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and determines the amount of impairment loss as a result of the inability of the customers to make required payments. The Group determines the estimates based on the ageing of the trade receivables balance, credit-worthiness of individual debtors and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated. An increase in impairment losses will increase other expenses and decrease current assets.

12 SHORT-TERM BANK DEPOSITS

	2016	2017
	\$'000	\$'000
Short-term bank deposits	<u>2,985</u>	<u>—</u>

The weighted average effective interest rate of short-term bank deposits of the Group as at 30 September 2016 ranged from 1.45%–1.90% per annum. Interest rate reprices within 12 months.

Short-term bank deposits were placed in a licensed bank in Singapore as at 30 September 2016 and were held in trust by the directors of Sunlight Paper.

13 TRADE AND OTHER PAYABLES

	Group	
	2016	2017
	\$'000	\$'000
Trade payables	1,835	1,345
Other payables	125	169
Accrued employee benefits	272	307
Accrued expenses	<u>27</u>	<u>22</u>
	<u>2,259</u>	<u>1,843</u>

Trade and other payables are expected to be settled within one year or repayable on demand.

As of the end of the reporting period, the ageing analysis of trade payables based on the invoice date is as follows:

	2016	2017
	\$'000	\$'000
Within 30 days	682	527
Between 31 and 60 days	731	788
Between 61 and 90 days	279	30
More than 90 days	<u>143</u>	<u>—</u>
	<u>1,835</u>	<u>1,345</u>

The Group's exposure to liquidity and foreign currency risks related to trade and other payables is disclosed in Note 20.

14 FINANCE LEASE LIABILITIES

Finance leases liabilities are payable as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
	\$'000	\$'000	\$'000
2016			
Repayable			
— Within 1 year	174	10	164
— Between 1 and 5 years	<u>137</u>	<u>8</u>	<u>129</u>
	<u>311</u>	<u>18</u>	<u>293</u>

	Future minimum lease payments \$'000	Interest \$'000	Present value of minimum lease payments \$'000
2017			
Repayable			
— Within 1 year	126	7	119
— Between 1 and 5 years	<u>17</u>	<u>1</u>	<u>16</u>
	<u>143</u>	<u>8</u>	<u>135</u>

Terms and conditions of outstanding finance lease liabilities are as follows:

	Nominal interest rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
2016	4.56–6.84	2017–2018	<u>293</u>	<u>293</u>
2017	5.92–6.84	2018–2019	<u>135</u>	<u>135</u>

The finance lease liabilities are secured by motor vehicles as disclosed in Note 9.

The Group's exposure to liquidity risk related to finance lease liabilities is disclosed in Note 20.

15 DEFERRED TAX LIABILITIES

Movements in deferred tax liabilities of the Group during the Relevant Periods are as follows:

	At 1 October 2015 \$'000	Recognised in profit or loss (Note 8) \$'000	Recognised in other comprehensive income (Note 8) \$'000	At 30 September 2016 \$'000	Recognised in profit or loss (Note 8) \$'000	Recognised in other comprehensive income (Note 8) \$'000	At 30 September 2017 \$'000
Property, plant and equipment							
— Depreciation	105	(15)	—	90	(23)	—	67
— Revaluation	<u>1,041</u>	<u>—</u>	<u>(37)</u>	<u>1,004</u>	<u>—</u>	<u>(39)</u>	<u>965</u>
	<u>1,146</u>	<u>(15)</u>	<u>(37)</u>	<u>1,094</u>	<u>(23)</u>	<u>(39)</u>	<u>1,032</u>

16 CAPITAL AND RESERVE

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's combined equity is set out in the combined statements of changes in equity.

(b) Dividends

The Company did not pay any dividends during the period from 21 September 2017 (date of incorporation) to 30 September 2017.

During the years ended 30 September 2016 and 2017, the Group's subsidiary namely Sunlight Paper, declared interim tax exempt dividends at \$Nil and \$3.50 per ordinary share and in an aggregate amount of \$Nil and \$2,030,000 to the then shareholders respectively.

(c) Share capital

The Company was incorporated in the Cayman Islands on 21 September 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the same date, the Company allotted and issued 1 fully paid share at par.

Upon the completion of the Reorganisation on 11 October 2017, the Company became the holding company of the Group.

Since the Reorganisation was not completed as at 30 September 2017, the share capital in the combined statements of financial position as at 30 September 2016 and 2017 represented the share capital of the companies comprising the Group.

(d) Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment.

(e) Capital management

The Group defines capital to be its share capital and retained profits. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital base to support its business and maximise shareholders value. The Group has determined that it is in a sound capital position given its capital and resources available.

The Group monitors its cash flow, debt maturity profile, cost of funds and overall liquidity position on a continuous basis. The directors also monitor the return on capital and the amount of dividends payments to shareholders.

There are no changes in the Group's approach to capital management during the Relevant Periods. The Group is not subject to externally imposed capital requirements.

(f) Distributable reserves

The Company was incorporated on 21 September 2017. There were no reserves available for distribution to equity shareholders.

17 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion for the purpose of this Historical Financial Information is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on the basis as disclosed in note 1 of Section B.

18 OPERATING LEASES COMMITMENTS**Leases as lessee**

At the reporting date, the Group has commitments for future minimum lease payment under non-cancellable operating leases as follows:

	2016	2017
	<i>\$'000</i>	<i>\$'000</i>
Payable:		
Within 1 year	36	34
Between 1 and 5 years	143	134
More than 5 years	<u>319</u>	<u>266</u>
	<u>498</u>	<u>434</u>

The lease of land is for an initial term of 30 years with an option for a further term of 30 years. Lease payments are usually increased to reflect market rentals. None of the leases includes contingent rentals.

Leases as lessor

At the reporting date, the Group has commitments for future minimum lease receivable under non-cancellable operating leases as follows:

	2016	2017
	\$'000	\$'000
Receivable:		
Within 1 year	<u>20</u>	<u>20</u>

The Group granted its factory building for use as a mobile base station for a term of one year, with an option to renew the lease term after the date.

19 RELATED PARTY TRANSACTIONS

Identification of related parties

For the purposes of the Historical Financial Information, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the directors of the Group, and certain members of senior management of the Group.

Significant related party transactions

During the Relevant Periods, transactions with the following parties are considered to be related party transactions:

Name of related party	Relationship with the Group
Mr. Chua Liang Chui	Director and one of the Controlling Shareholders
Sunlight Hygiene Products (Shenzhen) Limited	Supplier. Mr. Chua Liang Chui was appointed as director of the supplier on 15 July 2015 and ceased to hold such position since 13 June 2017. During his directorship, he had not taken any executive or management role in the supplier and had not taken any remuneration.

Significant related party transactions during the Relevant Periods are as follows:

	2016	2017
	\$'000	\$'000
Purchase of goods	<u>1,319</u>	<u>1,599</u>

Key management personnel compensation

Compensation paid and payable to key management personnel compensation comprises:

	2016	2017
	<i>\$'000</i>	<i>\$'000</i>
Short-term employee benefits	364	403
Discretionary bonuses	127	143
Contributions to defined contribution plans	<u>45</u>	<u>52</u>
	<u><u>536</u></u>	<u><u>598</u></u>

Personal guarantees by directors

At 30 September 2017, Mr. Chua Liang Sie, Ms. Chua Joo Gek and Mr. Chua Liang Chui, have given personal guarantees to a licensed bank in respect of banking facilities granted to the Group. Mr. Chua Liang Sie, Ms. Chua Joo Gek and Mr. Chua Liang Chui confirm such personal guarantees will be released and replaced by guarantees of the Group upon listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited.

Amounts due to directors

Amounts due to directors are non-trade in nature, unsecured, interest-free and repayable on demand.

20 FINANCIAL RISK MANAGEMENT**Overview**

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- foreign currency risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

Risk management framework

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the costs of risks occurring and the cost of managing the risks. Management continually monitors the Group's risk management process to ensure than an appropriate balance between risk and control is achieved.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

Management regularly monitors credit risk exposure to customers. Management believes that concentration of credit risk is limited due to ongoing evaluations on all customers and, where necessary, maintaining an allowance for doubtful receivables which will adequately provide for potential credit risks.

At the reporting date, the significant credit risk is from the Group's trade receivables. The Group places its cash and cash equivalents with financial institutions of high credit rating. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The ageing of trade receivables at the reporting date is:

	Gross 2016	Impairment losses 2016	Gross 2017	Impairment losses 2017
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Not past due	1,103	—	1,117	—
Past due 0–30 days	494	—	487	—
Past due 31–60 days	210	—	175	—
More 60 days	30	(4)	18	—
	<u>1,837</u>	<u>(4)</u>	<u>1,797</u>	<u>—</u>

The movement in the allowance for impairment in respect of trade and other receivables during the Relevant Periods is as follows:

	2016	2017
	<i>\$'000</i>	<i>\$'000</i>
At 1 October	—	4
Impairment loss recognised	4	—*
Impairment loss utilised	<u>—</u>	<u>(4)</u>
At 30 September	<u>4</u>	<u>—</u>

* The balance represents an amount less than \$1,000

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due up to 60 days. These receivables are mainly arising by customers that have a good record with the Group.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows	
			Within 1 year \$'000	Between 1 and 5 years \$'000
2016				
Trade and other payables	2,259	2,259	2,259	—
Amounts due to directors	2,155	2,155	2,155	—
Finance lease liabilities	293	311	174	137
	<u>4,707</u>	<u>4,725</u>	<u>4,588</u>	<u>137</u>
2017				
Trade and other payables	1,843	1,843	1,843	—
Dividends payable to shareholders	2,030	2,030	2,030	—
Finance lease liabilities	135	143	126	17
	<u>4,008</u>	<u>4,016</u>	<u>3,999</u>	<u>17</u>

Foreign currency risk

The Group incurs foreign currency risk on certain assets and liabilities denominated in foreign currencies, mainly Malaysian Ringgit (“MYR”). There is no formal hedging policy with respect to the foreign exchange exposure. Exposure to exchange risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level. For presentation purposes, the amount of the exposure are expressed in SGD.

The Group's exposures to foreign currency are as follows:

	2016 MYR \$'000	2017 MYR \$'000
Trade and other payables	<u>76</u>	<u>60</u>

Sensitivity analysis

A 10% strengthening of Singapore dollar against MYR at the reporting date would increase profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2016 Profit after tax \$'000	2017 Profit after tax \$'000
MYR	<u>6</u>	<u>5</u>

A 10% weakening of Singapore dollar against MYR would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Fair values

The carrying amounts of financial assets and liabilities with maturities of less than one year (comprising trade and other receivables, cash and cash equivalents, and trade and other payables), approximate their fair values because of the short periods to maturity.

21 EVENTS AFTER THE FINANCIAL YEAR

On 21 March 2018, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each, to HK\$100,000,000, divided into 10,000,000,000 shares of a par value of HK\$0.01 each.

On 11 October 2017, the companies comprising the Group underwent and completed the Reorganisation in preparation for the listing of the Company's shares. Further details of the Reorganisation are set out in the in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 September 2017.

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION
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The information set forth in this appendix does not form part of the Accountants' Report from KPMG LLP, Public Accountants and Chartered Accountants, Singapore and KPMG, Certified Public Accountants, Hong Kong, the joint reporting accountants of the Company, as set forth in Appendix I to this prospectus, 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 to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group is prepared in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and is set out below to illustrate the effect of the Share Offer on the combined net tangible assets of the Group as at 30 September 2017, as if the Share Offer had taken place on 30 September 2017.

The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not provide a true picture of the financial position of the Group had the Share Offer been completed as at 30 September 2017 or at any future date.

	Combined net tangible assets of the Group as at 30 September 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets of the Group as at 30 September 2017	Unaudited pro forma adjusted combined net tangible assets of the Group per Share	
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>	<i>(Note 4)</i>
Based on an Offer Price of HK\$0.25 per share	<u>8,041</u>	<u>4,988</u>	<u>13,029</u>	<u>0.02</u>	<u>0.10</u>
Based on an Offer Price of HK\$0.30 per share	<u>8,041</u>	<u>6,543</u>	<u>14,584</u>	<u>0.02</u>	<u>0.11</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The combined net tangible assets of the Group as at 30 September 2017 is compiled based on the total equity of the Group as set out in the Accountants' Report as set out in Appendix I to this prospectus. The Group had no goodwill or other intangible assets as at 30 September 2017.
2. The estimated net proceeds from the Share Offer are based on the estimated offer prices of HK\$0.25 per Share (being the minimum Offer Price) or HK\$0.30 per Share (being the maximum Offer Price), after deduction of the estimated underwriting fees and other listing expenses payable by the Group of approximately S\$4,139,000 and S\$4,265,000 based on the Offer Price of HK\$0.25 per Share and HK\$0.30 per Share respectively (excluding listing expenses of S\$724,000 which have been charged to our combined statements of profit or loss and other comprehensive income up to 30 September 2017), and 200,000,000 Shares expected to be issued under the Share Offer.
3. The unaudited pro forma adjusted combined net tangible assets of the Group per Share is arrived at after the adjustments referred to in the preceding notes and on the basis that 800,000,000 Shares are in issue (being the number of Shares expected to be in issue immediately after completion of the Share Offer), assuming that the Capitalisation Issue and the Share Offer had been completed as of 30 September 2017.
4. For the purpose of this statement of unaudited pro forma adjusted combined net tangible assets, the translation of Singapore dollars into Hong Kong dollars has been made at the rate of HK\$5.95 to S\$1.00. No representation is made that the Singapore dollars amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate.
5. No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2017.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the joint reporting accountants, KPMG LLP, Public Accountants and Chartered Accountants, Singapore and KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the directors of Sunlight (1977) Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Sunlight (1977) Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted combined net tangible assets as at 30 September 2017 and related notes as set out in Part A of Appendix II to the prospectus dated 27 March 2018 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed initial listing of shares of the Company (the "Share Offer") on the Group's financial position as at 30 September 2017 as if the Share Offer had taken place at 30 September 2017. As part of this process, information about the Group's financial position as at 30 September 2017 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firms apply Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 7.31 of the GEM Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical or forecast financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular 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 events or transactions as at 30 September 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgement, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group, and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

KPMG LLP

Public Accountants and Chartered Accountants

16 Raffles Quay #22-00

Hong Leong Building

Singapore 048581

27 March 2018

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

27 March 2018

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this prospectus received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 January 2018 of the property interest of the Company.



23rd Floor, Siu On Centre, No. 188 Lockhart Road,
Wan Chai, Hong Kong

TEL : (852) 3702 7338 FAX : (852) 3914 6388

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www.avaval.com

27 March 2018

The Board of Directors
Sunlight (1977) Holdings Limited
11 Tuas South Street 5,
Singapore 637590

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of Sunlight (1977) Holdings Limited (“**Sunlight**” or the “**Company**”) for us to carry out the valuation of the property interest held by the Company and its subsidiaries (hereinafter together referred to as the “**Group**”) in the Singapore, we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 31 January 2018 (the “**valuation date**”).

PREMISES OF VALUE

The valuation is our opinion of market value which is defined by the Hong Kong Institute of Surveyors as “the estimated amount for which an asset or liability should exchange on the date of valuation 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”.

BASIC OF VALUATION

In valuing the property interest, we have complied with all the requirements set out in Chapter 8 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”), the HKIS Valuation Standards (2017 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

VALUATION METHODOLOGY

In valuing the property interest, we have valued by market approach by making reference to comparable market transactions in our assessment of the property interest. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

TITLE INVESTIGATION

In preparing our valuation, we have carried out land registration searches at the Singapore Land Authority. However, we have not searched the original documents to verify ownership or to ascertain any amendment which does not appear on the copies handed to us. We are not aware of any title defects, easements or right of way affecting the property and our valuation assume that none exists, except only where otherwise stated. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's Singapore legal adviser — Virtus Law LLP, concerning the validity of title of the property in Singapore.

SITE INVESTIGATION

We have inspected the exterior and, where possible, the accessible portions of the interior of the property being appraised. The inspection was carried out by Mr. Oswald Au (Director of AVISTA Valuation Advisory Limited) from 12 October 2017 to 13 October 2017. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the property is free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the property taking into account the general appearance, the apparent standard and age of fixtures and fittings and the existence of utility services. Hence it must be stressed that we have had regard to you with a view as to whether the buildings are free from defects or as to the possibility of latent defects which might affect our valuation. In the course of our inspection, we did not note any serious defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the property. We are therefore unable to report that the property is free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the property.

We have not been commissioned to carry out detailed site measurements to verify the correctness of the land or building areas in respect of the property but have assumed that the area provided to us is correct. Based on our experience of valuation of similar property, we consider the assumptions so made to be reasonable.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interest. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the property or on adjoining or neighbouring land or that the property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approval, zoning, easements, tenure, completion date of building, development proposal, identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

VALUATION ASSUMPTIONS

We have assumed that the respective title owner of the property has an enforceable title of the property interest, and we have assumed that the design and construction of the property are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the property will be used for the purposes for which the property is designed and built, or to which it is currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the property described and that no encroachment or trespass exists, unless noted in the report.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature, which could affect their values.

We have further assumed that the property was not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the property in between dates of our inspection and the valuation date.

CURRENCY

Unless otherwise stated, all amounts are denominated in Singapore Dollar (SGD). The valuation certificate is attached hereby.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS(GP) AAPI MSc(RE)
Registered Professional Surveyor (GP)
Director

Note: Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years' experience in the valuation of property including Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

VALUATION CERTIFICATE

The property interest held by the Group for owner occupation in Singapore

Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Company as at 31 January 2018 SGD
An industrial property located at 11 Tuas South Street 5, Singapore 637590	<p>The property comprises 1 parcel of land with a total site area of approximately 2,999.9 sq.m. and 1 block of 2-storey building erected thereon completed in around 2003.</p> <p>The building has a gross floor area of approximately 2,993.42 sq.m.</p> <p>The property is situated in the western part of Singapore, with approximately 50 km driving distance to Singapore Changi Airport.</p> <p>The property is held under the Government leasehold estate for an initial term of 30 years commencing from 16 August 2000 and expiring on 15 August 2030, with an option to renew for an additional term of 30 years commencing from 16 August 2030 and expiring on 15 August 2060.</p>	The property was occupied by the Group for workshop, ancillary area and office purpose.	<p>No commercial value* (100% interest attributable to the Company: No commercial value)</p> <p>Reference value as at 31 January 2018 SGD</p> <p style="text-align: right;">6,580,000</p> <p>(* For the details, please refer to Note 7)</p>

Notes:

1. The registered proprietor of the private leasehold estate is Sunlight Paper Products Pte. Ltd., an indirect wholly-owned subsidiary of the Company, vide IA/394878U registered on 22 September 2007.
2. We have been provided with a legal opinion regarding the property interest by the Company's Singapore legal advisers, which contains, *inter alia*, the following:
 - a. Sunlight Paper Products Pte. Ltd. is the registered proprietor of the Leasehold Property comprised in the 30-year Lease which commenced from 16 August 2000. The Lease Agreement provides that in consideration of Sunlight Paper Products Pte. Ltd.'s minimum investment on building and civil works, the Lessor will grant Sunlight Paper Products Pte. Ltd. a further 30 years' lease subject to terms and conditions which include, amongst others, a revised rental. In a letter dated 28 January 2005, the Lessor informed Sunlight Paper Products Pte. Ltd. that based on the audited accounts submitted by it, it qualified for a 30+30 year lease with effect from 16 August 2000. Searches made by Sunlight Paper Products Pte. Ltd. on 31 October 2017 and 13 March 2018, respectively on the Lessor's website indicates that the lease to Sunlight Paper Products Pte. Ltd. expires on 15 August 2060;
 - b. Sunlight Paper Products Pte. Ltd. has legal rights to the Leasehold Property as set out in the Instrument of Lease;

- c. The Company has the right to assign, charge, let, sublet and mortgage the leasehold property, subject to the lessor's prior written consent; and
 - d. The leasehold property is subject to a mortgage registered in favour of DBS Bank Ltd. on 12 October 2017, and during the continuance of the mortgage, the Company has to obtain the mortgagee's prior written consent for any sale, transfer, lease or mortgage of the leasehold property.
3. Pursuant to property detailed information issued by the relevant Singapore governmental organization, JTC Corporation, the building has a gross floor area of approximately 2,993.42 sq.m.
4. The property lies with an area zoned "Business 2" under the Singapore Master Plan 2014.
5. The land rent payable as at 1 August 2017 in respect of the subject property is SGD3,091.87, including the 7% of Goods and Services Tax ("GST").
6. The property is subject to a mortgage in favor of DBS Bank Ltd vide IE/998480M registered on 12 October 2017.
7. In the course of our valuation, we have attributed no commercial value to the property since the property cannot be freely transferred in the market unless prior written consent has been obtained from the lessor. For reference purpose, we are of the opinion that the value of the property as at the valuation date would be SGD6,580,000, assuming the property could be freely transferred.
8. In our valuation, we have made reference to some transaction price references of comparables in the subject or nearby development. We have adopted the range of unit rates on gross floor area between SGD1,900 and SGD2,600 per sq.m. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.
9. As confirmed by the Company, there are no material environmental and planning issues.

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 21 September 2017 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

- 1.1 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.
- 1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 21 March 2018 with effect from the Listing Date. A summary of certain provisions of the Articles is set out below.

2.1 Shares

2.1.1 *Classes of shares*

The share capital of the Company consists of ordinary shares.

2.1.2 *Variation of rights of existing shares or classes of shares*

Subject to the Cayman 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. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, 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 authorised 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.

2.1.3 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 to such shares 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; (e) cancel any shares which, at the date 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; and (g) change the currency of denomination of its share capital.

2.1.4 Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), 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 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. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

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 on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, 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 is provided 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 GEM Listing Rules, 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 on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

2.1.5 Power of the Company to purchase its own shares

The Company may 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 or any, 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.

2.1.6 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.

2.1.7 Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks 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 of such shares 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 payment 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, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member 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 shall 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 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 appointed time, 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.

2.2 Directors

2.2.1 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 so appointed 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 so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. 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 shall 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 to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (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 has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven 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 or retirement from the Board.

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 the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (a) resign;
- (b) dies;
- (c) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (d) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) he is prohibited from being or ceases to be a director by operation of law;
- (f) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (g) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

- (h) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

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(s) or 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.

2.2.2 Power to allot and issue shares and warrants

Subject to the provisions of the Cayman 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 to it such rights, or such restrictions, whether with regard to dividends, 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 of the share, it is 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 in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman 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.

2.2.3 Power to dispose of the assets of the Company or any of its subsidiaries

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 Cayman 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.

2.2.4 Borrowing powers

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 Cayman 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.

2.2.5 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 among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all 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 as the Board may determine, 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 and such other benefits 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 subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or 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.

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.

2.2.6 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.

2.2.7 Loans and provision of security for loans to Directors

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(s) (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.

2.2.8 Disclosure of interest in contracts with the Company or 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 for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, 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 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, 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 established by it. 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 in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, 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:

- (a) 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;
- (b) 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;
- (c) any proposal concerning an offer of shares, 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;
- (d) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) 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) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its

subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (e) 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, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.2.9 Proceedings of the Board

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.

2.3 Alterations to the constitutional documents and the Company's name

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, with the sanction of a special resolution of the Company.

2.4 Meetings of member

2.4.1 Special and ordinary resolutions

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 Cayman 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 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 notice has been duly given.

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.

2.4.2 Voting rights 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: (a) 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 this purpose as paid up on the share; and (b) 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. 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 GEM 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 (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (a) at least two members;
- (b) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (c) a member or members holding shares in the Company conferring a right to vote at the meeting 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 GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

2.4.3 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.

2.4.4 Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company 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 personally, by post to such member's registered address 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 shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

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:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (b) 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 holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

2.4.5 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.

2.4.6 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 a duly authorised officer or attorney. 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 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.

2.5 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 of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) 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, book or document of the Company except as conferred by the Cayman 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 summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

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.

2.6 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:

- 2.6.1 all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which 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;
- 2.6.2 all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- 2.6.3 the Board may deduct from any dividends 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, the Board may resolve:

- (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (b) 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. 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 used 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.

2.7 Inspection of corporate records

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 members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

2.8 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 summarised in paragraph 3.6 of this Appendix.

2.9 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:

2.9.1 if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

2.9.2 if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, 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.

If 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 Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or 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 so divided 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 thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.10 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman 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 21 September 2017 subject to the Cayman 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 Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also 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.

3.2 Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. 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 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:

3.2.1 paying distributions or dividends to members;

3.2.2 paying up unissued shares of the company to be issued to members as fully paid bonus shares;

3.2.3 any manner provided in section 37 of the Cayman Companies Law;

3.2.4 writing-off the preliminary expenses of the company; and

3.2.5 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, 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.

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.

3.3 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 act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 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; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. 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.

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 held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman 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, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

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, in respect of a treasury share.

3.6 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 to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution 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 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 on such affairs. In addition, 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.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to 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).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

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 a company keeps its books of account at any place other than at its registered office or 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.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- 3.10.1 no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- 3.10.2 no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (a) on or in respect of the shares, debentures or other obligations of the Company; or
 - (b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 16 October 2017.

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 for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is 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.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right 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.

3.14 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. There is 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.

3.15 Register of Directors and officers

Pursuant to the Cayman 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 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up 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 (other than a limited duration company, for which specific rules apply) occurs where the company 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. In the case of a voluntary winding up, the 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 are 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 disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

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 takes 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, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is 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.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the 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 has 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, 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.

3.18 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 that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts 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.

3.19 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 Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. 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**

- (a) Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 21 September 2017. Our Company has established its principal place of business in Hong Kong at 13/F, Wah Yuen Building, 149 Queen's Road Central, Central, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 23 October 2017. Ms. Yeung, Josephine Yan of 13/F, Wah Yuen Building, 149 Queen's Road Central, Central, Hong Kong, has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.
- (b) As our Company was incorporated in the Cayman Islands, the corporate structure and the Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of the Memorandum and Articles and certain aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares at a nominal value of HK\$0.01 each.

The following sets out the changes in the share capital since the date of our Company's incorporation:

- (a) On 21 September 2017, one fully paid Share was issued and allotted to the initial subscriber. On the same day, the aforementioned one Share was transferred to YJH Group by the initial subscriber.
- (b) On 11 October 2017, as part of the Reorganisation, Mr. LS Chua, Ms. Chua, Mr. LC Chua and Mr. Pang transferred their entire interest in Sunlight Paper to SPP Investments at a consideration of S\$8,537,600 which was satisfied by way of allotment and issue of an aggregate 579,999 Shares to YJH Group credited as fully paid up in the capital of our Company.
- (c) On 11 October 2017, YJH Group entered into a sale and purchase agreement with Ultimate Joy, pursuant to which YJH Group agreed to transfer and Ultimate Joy agreed to acquire 23,200 Shares at a consideration of S\$500,000. As a result, YJH Group and Ultimate Joy held 556,800 Shares and 23,200 Shares respectively.
- (d) Pursuant to a Shareholders' resolution of our Company passed on 21 March 2018, the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 Shares in the authorised share capital of our Company.

- (e) Conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors will be authorised to capitalise the amount of HK\$5,994,200 standing to the credit of the share premium account of by applying such sums towards payment in full at par a total of 599,420,000 Shares to be allotted and issued to the Shareholders whose names are on the register of members prior to the Share Offer pro rata to their then existing shareholding in our Company.
- (f) Immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account of any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK\$8,000,000 divided into 800,000,000 Shares, all fully paid or credited as fully paid and 200,000,000 Shares in the authorised share capital will remain unissued. Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of the company and, without prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save for the above and as mentioned in “A. Further information about our Company — 4. Resolutions in writing of our Shareholders passed on 21 March 2018” below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital of the subsidiaries

Save as disclosed above and under “History, Reorganisation and Corporate Structure”, there has been no other alteration in the share capital of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Resolutions in writing of our Shareholders passed on 21 March 2018

Pursuant to the resolutions in writing of our Shareholders passed 21 March 2018:

- (a) the Articles were approved and adopted and effective on the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of a par value of HK\$0.01 each by the creation of an additional 9,962,000,000 new Shares;
- (c) conditional upon (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (ii) the Offer Price being fixed on or around the Price Determination Date; (iii) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and (iv) the obligations of the Underwriters under the Underwriting Agreements

becoming unconditional and the Underwriting Agreements not being terminated in accordance with its terms or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

- (1) the Capitalisation Issue and the Share Offer were approved and our Directors were authorised to effect the same and to allot and issue the new Shares pursuant to the Capitalisation Issue and the Share Offer;
- (2) the proposed Listing was approved and our Directors were authorised to implement the Listing;
- (3) conditional upon the share premium account of our Company being credited as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK\$5,994,200 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,420,000 Shares for allotment and issue to the Shareholders of our Company whose names appeared on the register of members of our Company as at the close of business on the date which the said resolution has been passed (or another date as our Directors may direct) to their respective shareholdings in our Company, and the Shares allotted and issued shall carry the same rights as the then existing issued Shares;
- (4) a general unconditional mandate was granted to our Directors to, inter alia, allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by our Directors other than pursuant to (A) a rights issue, (B) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, or (C) a specific authority granted by our Shareholders in general meeting, shall not exceed the aggregate of:
 - (i) 20% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer; and
 - (ii) The total nominal or par value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in sub-paragraph (5) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (A) the conclusion of our next annual general meeting, (B) the expiration of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting, or (C) the date on which the resolution is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting (the “**Relevant Period**”) (the “**Issue Mandate**”);
- (5) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and

the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the GEM Listing Rules with an aggregate of not more than 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer, such mandate to remain in effect during the Relevant Period (the “**Repurchase Mandate**”); and

- (6) the Issue Mandate as referred to in sub-paragraph (4) above was extended by an amount representing the aggregate nominal or par value of the Shares repurchased by our Company pursuant to the Repurchase Mandate as referred to in sub-paragraph (5) above.

5. Corporate reorganisation

In preparation for the Listing, our Group underwent the Reorganisation. See “History, Reorganisation and Corporate Structure” for further details.

6. Repurchase of the Shares

(i) *Relevant legal and regulatory requirements*

The GEM Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase the Shares that are listed on the Stock Exchange. The mandate is required to be given by way of an ordinary resolution passed by our Shareholders in a general meeting.

(ii) *Shareholders’ approval*

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolutions in writing passed by all Shareholders on 21 March 2018, our Directors were granted a general unconditional mandate to repurchase up to 10% of the total number of Shares in issue immediately following the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which our Company’s securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. Such mandate will expire at the earliest of (i) the conclusion of our Company’s next annual general meeting, (ii) the date by which our Company’s next general meeting is required by applicable laws and the Articles of Association to be held, or (iii) such mandate being revoked or varied by ordinary resolutions of our Shareholders in a general meeting (the “**Relevant Period**”).

(iii) *Source of funds*

Our Company’s repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with the Articles and the applicable laws of Hong Kong. Our Company may not repurchase the Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock

Exchange. Subject to the foregoing, under the Cayman Islands law, any repurchases by the Company may be made out of profits of the Company, out of the share premium of the Company, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of either or both of the profits of the Company or the share premium accounts of the Company, before or at the time the Shares are repurchased or, if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(iv) Reasons for repurchases

Our Directors believe that it is in our Company's and our Shareholders' best interests for our Directors to have general authority to execute repurchases of the Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets per Share and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit our Company and our Shareholders.

(v) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules, the Companies Ordinance and the applicable laws of Hong Kong. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise in accordance with the trading rules of the Stock Exchange from time to time.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe 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 Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(vi) Share capital

The exercise in full of the current Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), could accordingly result in up to 80,000,000 Shares being repurchased by our Company during the Relevant Period.

(vii) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any of the Shares to our Company.

Our 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 GEM Listing Rules, the Articles, the Companies Ordinance and any other applicable laws of Hong Kong.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in our Company's voting rights is increased, the increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

No connected person of our Company has notified our Group that he or she or it has a present intention to sell his or its Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

Our Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (a) sale and purchase agreement dated 11 October 2017 entered into among Mr. LS Chua, Ms. Chua, Mr. LC Chua and Mr. Pang (collectively as vendors), SPP Investments (as purchaser) and our Company, pursuant to which Mr. LS Chua, Ms. Chua, Mr. LC Chua and Mr. Pang transferred the entire issued share capital of Sunlight Paper, being 580,000 shares, to SPP Investments at a consideration of S\$8,537,600 which was satisfied by way of allotment and issue of an aggregate 579,999 Shares to YJH Group credited as fully paid up in the capital of our Company;
- (b) instrument of transfer dated 11 October 2017 entered into between Mr. LS Chua (as transferor) and SPP Investments (as transferee) for the transfer of 220,000 shares in Sunlight Paper, in consideration of the allotment and issue of, credited as fully paid, 219,999 Shares to YJH Group;
- (c) instrument of transfer dated 11 October 2017 entered into between Ms. Chua (as transferor) and SPP Investments (as transferee) for the transfer of 100,000 shares in Sunlight Paper, in consideration of the allotment and issue of, credited as fully paid, 100,000 Shares to YJH Group;
- (d) instrument of transfer dated 11 October 2017 entered into between Mr. LC Chua (as transferor) and SPP Investments (as transferee) for the transfer of 100,000 shares in Sunlight Paper, in consideration of the allotment and issue of, credited as fully paid, 100,000 Shares to YJH Group;

- (e) instrument of transfer dated 11 October 2017 entered into between Mr. Pang (as transferor) and SPP Investments (as transferee) for the transfer of 160,000 shares in Sunlight Paper, in consideration of the allotment and issue of, credited as fully paid, 160,000 Shares to YJH Group;
- (f) agreement on assignment of registered trademark dated 26 October 2017 entered into between Double Class (as assignor) and Sunlight Paper (as assignee) pursuant to which Double Class agreed to transfer four registered trademarks (registered numbers 1122636, 4124367, 4138107 and 9222748) to Sunlight Paper at a consideration of RMB75,000;
- (g) assignment dated 26 October 2017 entered into between Double Class (as assignor) and Sunlight Paper (as assignee) pursuant to which Double Class agreed to transfer one registered trademark (registration no. 200312761) in Hong Kong to Sunlight Paper at a consideration of HK\$35,000;
- (h) the Deed of Indemnity;
- (i) the Deed of Non-competition; and
- (j) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(i) Trademark

As at the Latest Practicable Date, our Group had registered the following trademarks and series of trademarks which are material in relation to our business:

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Expiry Date
1.		Sunlight Paper	Singapore	16	T0502211B	21 February 2025
2.		Sunlight Paper	Malaysia	16	06003098	2 March 2026
3.		Sunlight Paper	Singapore	21	40201715079W	4 August 2027
4.		Sunlight Paper	Singapore	16, 21	40201715078Q	4 August 2027
5.	SUNLIGHT	Sunlight Paper	Singapore	16, 21	40201715077P	4 August 2027
6.		Sunlight Paper	Hong Kong	16, 21	304298950	11 October 2027
7.		Sunlight Paper	Hong Kong	16	200312761	9 September 2019

(Note 1)



Note:



- The trademark was previously registered to Double Class and transferred to Sunlight Paper on 26 October 2017. Such transfer of registration was recorded on 25 January 2018.

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks and series of trademarks, the registration of which has not yet been granted:

No.	Trademark	Applicant	Place of application	Class	Application/ Filing date	Application number
1.		Sunlight Paper	Hong Kong	16, 21	12 October 2017	304298969
2.	SUNLIGHT	Sunlight Paper	Hong Kong	21	12 October 2017	304298978
3.		Sunlight Paper	Macau	16	9 October 2017	N/128735(192)
4.		Sunlight Paper	Macau	16	9 October 2017	N/128733(147)
5.	SUNLIGHT	Sunlight Paper	Macau	16	9 October 2017	N/128734(108)
6.		Sunlight Paper	Taiwan	16	28 August 2017	106054131
7.		Sunlight Paper	Thailand	16	31 August 2017	170130757

As at the Latest Practicable Date, our Group had applied for transfer of registration of the following trademarks and series of trademarks, the transfer of registration of which is pending final approval notice:

No.	Trademark	Assignor	Assignee	Place of registration	Class	Date of transfer application	Assignment application number
1.	 (Note 1)	Double Class	Sunlight Paper	PRC	16	9 November 2017	20170000265173
2.	 (Note 1)	Double Class	Sunlight Paper	PRC	16	9 November 2017	20170000265176

No.	Trademark	Assignor	Assignee	Place of registration	Class	Date of transfer application	Assignment application number
3.	 (Note 1)	Double Class	Sunlight Paper	PRC	16	9 November 2017	20170000265175
4.	 (Note 1)	Double Class	Sunlight Paper	PRC	16	9 November 2017	20170000265174

Note:

- The trademarks were previously registered to Double Class and were transferred to Sunlight Paper on 26 October 2017.

(ii) *Domain name*

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Registrant	Expiry date
www.sunlightpaper.com.sg	Sunlight Paper	28 November 2019

C. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(a) *Interests and short positions of the Directors in the share capital and the associated corporations following the completion of the Capitalisation Issue and Share Offer*

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the interests of the Directors and chief executives in the equity or debt securities of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or under the GEM Listing Rules, to be notified to our Company and the Stock Exchange, in each case, once the Shares are listed will be as follows:

(i) *Interests in our Shares*

Name of Director/ Chief executive	Capacity/Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding (Note 2)
Mr. LS Chua	Interest in a controlled corporation	576,000,000	72.00%
Ms. Chua	Interest in a controlled corporation	576,000,000	72.00%
Mr. LC Chua	Interest in a controlled corporation	576,000,000	72.00%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 800,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme).

(ii) *Interests in associated corporation of our Company*

Name of Director/Chief executive	Name of associated corporation	Capacity/Nature	Number of shares <i>(Note)</i>	Approximate percentage of shareholding
Mr. LS Chua	YJH Group	Beneficial owner	220,000	37.93%
Ms. Chua	YJH Group	Beneficial owner	100,000	17.24%
Mr. LC Chua	YJH Group	Beneficial owner	100,000	17.24%

Note: All interests stated are long positions.

(b) *Interests and short positions of the substantial Shareholders in the share capital of our Company following the completion of the Capitalisation Issue and the Share Offer*

So far as the Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the following persons (other than the Directors and chief executive) will have an interest or short position 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, 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 our Company or any of the subsidiaries:

Name	Capacity/nature of interest	Number of Shares <i>(Note 1)</i>	Percentage of shareholding in our Company
Mr. LS Chua <i>(Note 2)</i>	Interest in a controlled corporation	576,000,000 (L)	72.00%
Ms. Chua <i>(Note 2)</i>	Interest in a controlled corporation	576,000,000 (L)	72.00%
Mr. LC Chua <i>(Note 2)</i>	Interest in a controlled corporation	576,000,000 (L)	72.00%
Mr. Pang <i>(Note 2)</i>	Interest in a controlled corporation	576,000,000 (L)	72.00%
YJH Group <i>(Note 2)</i>	Beneficial owner	576,000,000 (L)	72.00%

Note:

- The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
- YJH Group is owned as to approximately 37.93% by Mr. LS Chua, 17.24% by Ms. Chua, 17.24% by Mr. LC Chua and 27.59% by Mr. Pang. On 11 October 2017, Mr. LS Chua, Ms. Chua, Mr. LC Chua and Mr. Pang entered into a deed of concert parties arrangement. For details, see “History, Reorganisation and Corporate Structure — Concert parties arrangement”.

D. FURTHER INFORMATION ABOUT OUR DIRECTORS**1. Particulars of Directors' service contracts**

Each of our executive Directors has entered into a service contract with our Company pursuant to which each of them agreed to act as an executive Director for an initial period of three years commencing from the Listing Date which may only be terminated in accordance with the provisions of the service contract or by either our Company or any of our executive Directors giving the other party not less than three months' prior notice in writing.

Each of our executive Directors is entitled to a basic salary as set out below, subject to an annual review by the Remuneration Committee of our Board during the term. The annual remuneration of our executive Directors provided under the service contracts with our Company are as follows:

Name	Annual remuneration (S\$)
Mr. LS Chua	Nil
Ms. Chua	Nil
Mr. LC Chua	Nil
Mr. WH Chua	Nil

Each of our independent non-executive Directors has entered into an appointment letter with our Company for an initial term of three years commencing from the Listing Date with the following annual remuneration:

Name	Annual remuneration (S\$)
<i>Independent non-executive Director</i>	
Mr. Teo Beng Fwee	30,000
Mr. Yeo Hai Thong Michael	30,000
Mr. Law Kin Ho	30,000

Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration during the Track Record Period

- (a) The aggregate remuneration (including salaries, allowances and benefits in kind, discretionary bonus, and contributions to defined contribution plans) paid to our Directors for the year ended 30 September 2016 and 2017 were approximately S\$536,000 and S\$550,000, respectively.
- (b) Under the arrangements currently in force, the aggregate remuneration paid or payable to, and benefits in kind receivable by (including discretionary bonus) our Directors for the year ending 30 September 2018 are expected to be approximately S\$595,000.
- (c) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the year ended 30 September 2016 and 2017, as an inducement to join or upon joining our Group or 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.
- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the year ended 30 September 2016 and 2017.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executives has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporation (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 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 to be notified to our Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;
- (b) none of our Directors or experts referred to under the paragraph headed "F. Other information — 8. Consents of experts" below in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been 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 our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

- (d) none of our Directors has any existing or proposed service contracts 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));
- (e) taking no account of Shares which may be taken up under the Share Offer or any Shares which may be allotted and issued upon the exercise of any options which have been or will 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 Share Offer will have an interest or short position in the 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 SFO or 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 member of our Group; and
- (f) so far as is known to our Directors, as at the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers.

E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted pursuant to the resolutions in writing of all Shareholders passed on 21 March 2018:

1. Purpose

The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to our Company.

2. Who may join

Our Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (a) any full-time or part-time employees, executives or officers of our Group;
- (b) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) of our Group; and
- (c) any suppliers, customers, consultants, agents, advisers, joint venture partners and related entities to our Group. The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by our Directors from time to time on the basis of the participants' contribution to the development and growth of our Group. In order for a person to satisfy our Directors that he is qualified to be (or where applicable, continues to qualify to be) a participant, such person shall provide all such information as our Directors may request for the purpose of assessing his eligibility (or continuing eligibility).

3. Maximum number of Shares

- (a) The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 30% of our Company's issued share capital from time to time. No options may be granted under any schemes of our Company or the subsidiary of our Company if such grant will result in the maximum number being exceeded.
- (b) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange which amounts to 80,000,000 Shares (the "**General Mandate Limit**").
- (c) Subject to 3(a) above and without prejudice to 3(d) below, our Company may issue a circular to its shareholders in compliance with Note (1) to Rule 23.03(3) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and seek approval of its Shareholders in general meeting to refresh the General Mandate Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled or lapsed in accordance with the Share Option Scheme or exercised options) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted.
- (d) Subject to 3(a) above and without prejudice to 3(c) above, our Company may issue a circular to its shareholders in compliance with Note (1) to Rule 23.03(3) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and seek separate shareholders' approval in general meeting to grant options beyond the General Mandate Limit or, if applicable, the limit referred to in 3(c) above to participants specifically identified by our Company before such approval is sought.

4. Maximum entitlement of each participant and connected persons

- (a) Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of all options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each participant in any 12-month period (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of our Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) must not exceed 1% of the Shares in issue for the time being (the "**Individual Limit**").
- (b) Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders in compliance with the Note to Rule 23.03(4) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and the

approval of the Shareholders in general meeting with such participant and his close associates abstaining from voting (or his associates if the participant is a connected person). The number and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 23.03(9) of the GEM Listing Rules.

- (c) In addition to the Shareholders' approval set out in Note (1) to Rule 23.03(3) and Note to Rule 23.03(4) of the GEM Listing Rules, any grant of options to any Director, chief executive or substantial Shareholder (as such term as defined in the GEM Listing Rules) or any of their respective associates or any of its subsidiaries (within the meaning of the Companies Ordinance) must be approved by the independent non-executive directors (excluding any independent non-executive Director who is the proposed grantee of the options in question).
- (d) Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Share Option Scheme or any other share option schemes of our Company to such person in the 12-month period up to and including the date of such grant:
 - (i) representing in aggregate more than 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by the Shareholders. Our Company must send a circular to the Shareholders in accordance with the GEM Listing Rules. All of the connected persons must abstain from voting in favour at such general meeting. Any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such option must be taken on a poll.

5. Minimum period of holding an option and performance target

Our Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

6. Subscription price for Shares

The subscription price of a Share in respect of any option granted under the Share Option Scheme, subject to any adjustments made in accordance with the Share Option Scheme, shall be such price as the Board in its absolute discretion shall determine, provided that such price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a Business Day); (ii) the average closing price of the

Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the date of grant of the option (which must be a Business Day); and (iii) the nominal value of the Shares. A consideration of HK\$1.00 is payable on acceptance of the offer of the grant of an option.

7. Rights are personal to grantee

An option granted under the Share Option Scheme shall not be transferable or assignable and is personal to the grantee.

8. Time of exercise of option

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period. After the expiration of the option period, no further options shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the ten-year period.

9. Rights on ceasing employment or death

If the grantee of an option, who is an employee of our Group at the time of the grant of the option, ceases to be an employee of our Company by reason of death, ill-health or retirement in accordance with his contract of employment, before exercising the option in full, the grantee or, if appropriate his legal personal representative(s) may exercise the option up to the grantee's entitlement as at the date of death (to the extent not already exercised) within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group, whether salary is paid in lieu of notice or not (or such longer period as our Directors may determine), failing which it will lapse.

If the grantee of an option, who is an employee of our Group at the time of the grant of the option, ceases to be an employee of our Group for any reason other than death, ill-health or retirement in accordance with his contract of employment or certain other grounds, before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine, in which case the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation or termination, which date shall be the last day on which the grantee was actually at work with our Group, whether salary is paid in lieu of notice or not, failing which it will lapse.

10. Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase 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 association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees (or his personal representative(s)) on the same terms, mutatis mutandis, and

assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional or such scheme or arrangement is formally proposed to the Shareholders, a grantee (or his personal representative(s)) shall, notwithstanding any other terms on which his options were granted, be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in accordance with the provisions of the Share Option Scheme at any time within fourteen (14) days thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be.

11. Rights on winding-up

In the event of an effective resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee of an option (or his personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to our Company elect to exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice within two (2) Business Days prior to the proposed general meeting of our Company considering such winding up, such notice to be accompanied by the subscription price for the Shares in respect of which the notice is given, whereupon the grantee will be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his options, to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares the subject of such election. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date of commencement of the winding-up of our Company.

12. Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of our Company's Memorandum of Association and the Articles for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise 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 Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

13. Duration of the Share Option Scheme

Unless terminated by our Board or by our Company by ordinary resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of its adoption.

14. Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that any material alteration to its terms and conditions, any change to the terms of options granted (except for changes which automatically take effect under the existing terms of the Share Option Scheme) and the matters contained in the relevant provisions of the GEM Listing Rules shall not be altered to the advantage of the grantees or prospective grantees without the prior sanction of any resolution of our Company in general meeting. The amended terms of the Share Option Scheme or the options must still comply with the applicable requirements under the GEM Listing Rules. Any change to the authority of the Directors or scheme administrators (if applicable) in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

15. Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, or reduction of the share capital of our Company or otherwise howsoever, then, in any such case, our Company shall instruct the auditors for the time being or an independent financial adviser to our Company to certify in writing the adjustment, if any, to be made either generally or as regards any particular grantee, to (a) the number of Shares to which the Share Option Scheme or any option(s) relates insofar as unexercised, and/or (b) the subscription price of any unexercised option, and/or (c) the maximum number of Shares referred to in the sub-paragraph headed “3. Maximum number of Shares” above, and an adjustment as so certified by the auditors or the independent financial adviser to our Company shall be made, provided that (i) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iii) no such adjustment shall be made the effect of which would be to increase the proportion of the issued share capital of our Company for which any grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment; (iv) the issue of Shares or securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and (v) for the avoidance of doubt, any adjustments shall be made in compliance with the GEM Listing Rules and the “Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rules 23.03(13) and the note immediately after the rule” set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 or other relevant guidance as the Stock Exchange may from time to time issue. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements that they give a participant the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled.

16. Cancellation of options

Our Directors may effect the cancellation of any options granted but not exercised on such terms as may be agreed with the relevant grantee, as our Directors may in their absolute discretion see fit and in a manner that complies with all applicable legal requirements for cancellation. Where our Company cancels any options granted and offer to grant or grant new options to the same grantee, the offer or

grant of such new options may only be made under the Share Option Scheme if there are available unissued options (excluding the cancelled options) within each of the limits as referred of in the subparagraph headed “3. Maximum number of Shares” above.

17. Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

- (a) the Share Option Scheme being approved and adopted by the Shareholders in a general meeting or by way of written resolution of the Shareholders;
- (b) the granting of the approval by the Stock Exchange for the Listing of, and permission to deal in, the Shares on GEM being obtained and the commencement of dealings in the Shares on GEM; and
- (c) the Listing Division of the Stock Exchange granting the Listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

18. Termination of the Share Option Scheme

Our Company may by resolution in general meeting or our Board at any time terminate the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior to such termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

19. Status of the GEM Listing Rules

The Share Option Scheme shall comply with the GEM Listing Rules as amended from time to time. In the event that there are differences between the terms of the Share Option Scheme and the GEM Listing Rules, the GEM Listing Rules shall prevail.

20. Present status of the Share Option Scheme

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Division of the Stock Exchange for the Listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme, as described above.

F. OTHER INFORMATION**1. Tax and other indemnity**

Our Controlling Shareholders (the “**Indemnifiers**”) have entered into the Deed of Indemnity in favour of our Company (for itself and as trustees for its subsidiaries) (the “**Group Member(s)**”), pursuant to which each of the Indemnifiers have jointly and severally agreed and undertaken to indemnify and at all times keep each of the Group Members indemnified, on demand, and hold each of the Group Members harmless from and against all or any depletion in, loss of or reduction in, the value of their respective assets, or increase in their respective liabilities, or any loss or depreciation of any relief by any of the Group Members, as a result of or being:

- (a) any amount which is or hereafter becomes payable by a Group Member by virtue of Section 35 of the Estate Duty Ordinance (Chapter 111 of the laws of Hong Kong) (“**Estate Duty Ordinance**”) (or equivalent thereof under the laws of any jurisdiction outside Hong Kong) under the provisions of Section 43 of the Estate Duty Ordinance (or equivalent thereof under the laws of any jurisdiction outside Hong Kong) by reason of the death of any person and by reason of the assets of any of the Group Members or any of such assets being deemed for the purpose of estate duty to be included in the property passing on his or her death by reason of that person making or having made a transfer of any property other than an interest limited to cease on his death or property which he transferred on or before the date upon which the Deed of Indemnity becomes unconditional (the “**Relevant Date**”) in a fiduciary capacity as provided in Section 35 of the Estate Duty Ordinance interpreted in accordance with the provisions contained in Section 3 of the Estate Duty Ordinance (a “**Relevant Transfer**”) to any of the Group Members;
- (b) any amount recoverable or recovered (now or hereafter) against a Group Member under the provisions of Section 43(7) of the Estate Duty Ordinance in respect of any duty payable under Section 43(1)(c) or 43(6) (or equivalent thereof under the laws of any jurisdiction outside Hong Kong) of the Estate Duty Ordinance by reason of the death of any person and by reason of any assets of any of the Group Members being deemed for the purpose of estate duty to be included in the property passing on his death by reason of that person making or having made a Relevant Transfer to any of the Group Members;
- (c) any amount which a Group Member is obliged or hereafter becomes obliged to pay by virtue of Section 43(1)(c) of the Estate Duty Ordinance or in respect of the death of any person in any case where any assets of another company are deemed for the purpose of estate duty to be included in the property passing on that person’s death by reason of that person making or having made a Relevant Transfer to that other company and by reason of any of the Group Members having received any distributed assets of that other company on their distribution within the meaning of the Estate Duty Ordinance (or equivalent thereof under the laws of any jurisdiction outside Hong Kong), but only to the extent to which any of the Group Members is unable to recover an amount or amounts in respect of that duty from any other person under the provisions of Section 43(7)(a) of the Estate Duty Ordinance (or equivalent thereof under the laws of any jurisdiction outside Hong Kong); and
- (d) any claim which has arisen or may arise wholly or partly in respect of or in consequence of any act or omission occurring on or before the Relevant Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

The Indemnifiers have also agreed and undertaken to indemnify and at all times keep each of the Group Members indemnified, on demand, against any taxation claim wholly or partly resulting from, or relating to, or in consequence of, any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the Relevant Date or any event, occurring or deemed to occur on or before the Relevant Date, whether alone or in conjunction with any other event, whenever occurring and whether or not the relevant taxation is chargeable against or attributable to any other person including any and all taxation resulting from the receipt by any Group Member of any amount payable by the Indemnifiers under this Deed.

The Indemnifiers will, however, not be liable for any taxation or taxation claim:

- (a) to the extent (if any) that provision has been made for such taxation in the audited accounts of our Group for the Track Record Period; or
- (b) to the extent that liability for such taxation would not have arisen but for some act or omission of, or transaction entered into by a Group Member (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifier otherwise than in the course of normal day to day operations or carried out, made or entered into pursuant to a legally binding commitment created on or before Listing; or
- (c) to the extent that any provisions or reserve made for taxation in the audited accounts of our Group up to 30 September 2017 is finally established to be an over-provision or an excessive reserve; or
- (d) to the extent that such taxation arises or is incurred as a consequence of any change in the law having retrospective effect and coming into force after the date of execution of the Deed of Indemnity or to the extent that such taxation arises or is increased by an increase in rates of taxation after the Relevant Date with retrospective effect.

2. Litigation

As at the Latest Practicable Date, neither our Company nor any of the subsidiaries are involved in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group.

3. The Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any Offer Shares and any Shares falling to be issued pursuant to the Capitalisation Issue or pursuant to the exercise of any options which may be granted under the Share Option Scheme. The Sole Sponsor has confirmed to the Stock Exchange that it is independent of our Company in accordance with Rule 6A.07 of the GEM Listing Rules.

4. Preliminary expenses

The estimated preliminary expenses incurred or proposed to be incurred by our Company are approximately US\$4,300 and are payable by our Company.

5. Sole Sponsor's fees

The Sole Sponsor's fees of our Company are HK\$4.4 million and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

7. Qualifications of experts

The qualifications of the experts (as defined under the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
Giraffe Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
KPMG	Certified Public Accountants
KPMG LLP	Public Accountants and Chartered Accountants
Virtus Law LLP	Legal advisers to our Company as to Singapore law
Appleby	Legal advisers to our Company as to Cayman Islands law
AVISTA Valuation Advisory Limited	Property valuer
China Insights Industry Consultancy Limited	Industry consultant

8. Consents of experts

Each of Giraffe Capital Limited, KPMG, KPMG LLP, Virtus Law LLP, Appleby, AVISTA Valuation Advisory Limited and China Insights Industry Consultancy Limited has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters, all of which are dated the date of this prospectus, and/or the references to their names in the form and context in which they are respectively included in this prospectus, all of which are dated the date of this prospectus.

None of the experts named above has any shareholding interests 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.

9. Agency fees or commission received

The Underwriters will receive an underwriting commission, and the Sole Sponsor will receive a sponsor fee, as referred to under “Underwriting — Commission and expenses”.

10. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 30 September 2017 (being the date to which the latest audited combined financial statements of our Group were made up) and up to the date of this prospectus.

11. Miscellaneous

Save as disclosed in this prospectus:

- (a) none of the Directors nor any of the parties listed in “7. Qualifications of experts” above in this appendix has any direct or indirect interest in the promotion of our Company or any of the subsidiaries, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company or any of the subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of the subsidiaries;
- (b) none of our Directors nor any of the parties listed in “7. 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;
- (c) none of the parties listed in “7. Qualifications of experts” above in this appendix:
 - (i) is interested legally or beneficially in any of the Shares or any shares in any of the subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities;
- (d) 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 from any other stock exchange;
- (e) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (f) our Company has not issued or agreed to issue any founder shares, management shares or deferred shares;
- (g) our Company has no outstanding convertible debt securities;

- (h) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of our Company or any of the subsidiaries and our Company has not issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (i) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscribing, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in or debentures of our Company;
- (j) no amount or securities or benefit has been paid or allotted or given within the two years preceding the date of this prospectus to any of the promoters of our Company nor is any such securities or amount or benefit intended to be paid or allotted or given;
- (k) there has been no material adverse change in the financial or trading position or prospects of our Company since 30 September 2017, being the date on which the latest audited financial information of our Group was reported in the Accountants' Report set out in Appendix I to this prospectus;
- (l) there is no arrangement under which future dividends are waived or agreed to be waived;
- (m) as at the Latest Practicable Date, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong;
- (n) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 24 months preceding the date of this prospectus;
- (o) the English text of this prospectus shall prevail over the Chinese text; and
- (p) none of our Company or any of the subsidiaries is presently listed on any stock exchange or traded on any trading system.

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all 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.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in the section headed “F. Other information — 8. Consents of experts” in Appendix V to this prospectus and copies of the material contracts referred to in the section headed “B. Further information about the business of our Group — 1. 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 offices of Stephenson Harwood of 18th Floor, United Centre, 95 Queensway, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles of Association;
- (b) the accountants’ report prepared by KPMG and KPMG LLP, the text of which is set out in Appendix I to this prospectus;
- (c) the letter relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (d) the audited combined financial statements of our Group for the year ended 30 September 2016 and 2017;
- (e) the property valuation report prepared by AVISTA Valuation Advisory Limited, the text of which is set out in Appendix III to this prospectus;
- (f) the Singapore legal opinions issued by Virtus Law LLP, our legal advisers as to Singapore law;
- (g) the letter of advice prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix IV to this prospectus;
- (h) the Companies Law;
- (i) the CIC Report;
- (j) the rules of Share Option Scheme;
- (k) the service agreements and letters of appointment entered into between our Company and Company and each of our Directors referred to in the paragraph headed “D. Further information about our Directors — 1. Particulars of Directors’ service contracts” in Appendix V to this prospectus;
- (l) the material contracts referred to in “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix V to this prospectus; and
- (m) the written consents referred to in “F. Other information — 8. Consents of experts” in Appendix V to this prospectus.

SUNLIGHT (1977) HOLDINGS LIMITED

日光(1977)控股有限公司