

**A. FURTHER INFORMATION ABOUT THE GROUP****1. Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 26 August 2009. The registered office of the Company as at the date of this prospectus is situated at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands. The Company was registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 1 March 2010. In connection with such registration, Chim Wai Shing Jackson has been appointed as the authorised representative of the Company for acceptance of service of process and notices on behalf of the Company in Hong Kong. The principal place of business of the Company in Hong Kong is situated at Suite 2703-04, 27th Floor, Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong.

As the Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution which comprises a memorandum and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

**2. Changes in share capital of the Company**

As at the date of the Company's incorporation, its authorised share capital was HK\$380,000 divided into 3,800,000 Shares of par value of HK\$0.1 each. The following sets out the changes in the share capital since the date of the Company's incorporation:

- (a) On 26 August 2009, one Share was allotted and issued to Offshore Incorporations (Cayman) Limited at par and such Share was transferred to Chim Wai Shing Jackson on the same date at par value.
- (b) On 23 September 2009, the Company allotted and issued 9 Shares at par to Nian's Holding and Chim Wai Shing Jackson transferred one Share at par to Gerfalcon Holding.
- (c) On 3 February 2010, a shareholders' resolution was passed to increase the authorised share capital of the Company, from HK\$380,000 divided into 3,800,000 Shares of par value of HK\$0.1 each, to HK\$200,000,000 divided into 2,000,000,000 Shares of par value of HK\$0.1 each.
- (d) Pursuant to the Reorganisation, on 4 February 2010, the Company entered into a sale and purchase agreement with Nian's Holding, Gerfalcon Holding and other parties, under which the Company acquired the entire issued shares of Costin BVI in consideration of the allotment and issue of 269,991 Shares and 29,999 Shares to Nian's Holding and Gerfalcon Holding respectively, all credited as fully paid, and the 9 and one nil paid Shares then held by Nian's Holding and Gerfalcon Holding credited as fully paid.
- (e) On 5 February 2010, Nian's Holding transferred 60,000 Shares to the Pre-IPO Investor at a consideration of US\$7,936,507 pursuant to the Pre-IPO Investment Agreements.

Assuming that the Global Offering and the Capitalisation Issue become unconditional, but taking no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, the authorised share capital of the Company will be HK\$200,000,000 divided into 2,000,000,000 Shares and the issued share capital of the Company will be HK\$80,000,000 divided into 800,000,000 Shares, all fully paid or credited as fully paid, with 1,200,000,000 remaining unissued, immediately after completion of the Global Offering and the Capitalisation Issue. Other than pursuant to the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme, there is no present intention to issue any part of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Except as described above and in the sub-section 4 below, “Written resolutions passed by all the Shareholders” on 12 May 2010, there have been no changes in the share capital of the Company since its incorporation.

### 3. Changes in the share capital of the subsidiaries of the Company

The subsidiaries of the Company are referred to in the Accountants’ Report of the Group as set out in Appendix I. The changes in the share capital (or registered capital, as the case may be) of the subsidiaries of the Company occurred within the two years immediately preceding the date of this prospectus were as follows:

#### *Costin BVI*

On 25 August 2009, Costin BVI was incorporated in the BVI with an authorised share capital US\$50,000 divided into 50,000 ordinary shares of US\$1 each.

On 23 September 2009, 9 shares and one share were allotted and issued at par to Nian’s Holding and Gerfalcon Holding respectively.

On 24 September 2009, Nian’s Holding, Gerfalcon Holding and Costin BVI entered into a share transfer agreement with Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Sze Fo Chau and Hui Cheung Mau, pursuant to which Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Sze Fo Chau and Hui Cheung Mau transferred 100% issued share capital in Gerfalcon Hong Kong to Costin BVI for a consideration of 9 shares and one share being allotted and issued by Costin BVI to Nian’s Holding and Gerfalcon Holding respectively, all credited as fully paid.

On 4 February 2010, Nian’s Holding, Gerfalcon Holding and other parties entered into a sale and purchase agreement with the Company, pursuant to which Nian’s Holding and Gerfalcon Holding transferred 100% issued share capital in Costin BVI to the Company for a consideration of 269,991 Shares and 29,999 Shares being allotted and issued by the Company to Nian’s Holding and Gerfalcon Holding respectively, all credited as fully paid, and the 9 and one nil paid Shares then held by Nian’s Holding and Gerfalcon Holding credited as fully paid (“**Costin BVI Transfer**”). After completion of the Costin BVI Transfer, Costin BVI was wholly owned by the Company.

*Gerfalcon Hong Kong*

On 13 November 2008, Gerfalcon Hong Kong was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each. On the same date, one share was allotted and issued at par to Chim Wai Kong and Chim Wai Shing Jackson respectively.

On 23 September 2009, Gerfalcon Hong Kong allotted and issued 34 shares, 24 shares, 12 shares, 4 shares and 4 shares at par to Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Sze Fo Chau and Hui Cheung Mau respectively.

On 24 September 2009, Nian's Holding, Gerfalcon Holding and Costin BVI entered into a share transfer agreement with Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Sze Fo Chau and Hui Cheung Mau, pursuant to which Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Sze Fo Chau and Hui Cheung Mau transferred 100% issued share capital in Gerfalcon Hong Kong to Costin BVI for a consideration 9 shares and one share being allotted and issued by Costin BVI to Nian's Holding and Gerfalcon Holding respectively, all credited as fully paid ("**Gerfalcon Hong Kong Transfer**"). After completion of the Gerfalcon Hong Kong Transfer, Gerfalcon Hong Kong was wholly owned by Costin BVI.

On 3 February 2010, a shareholders' resolution of Gerfalcon Hong Kong was passed to increase the authorised share capital of Gerfalcon Hong Kong, from HK\$10,000 divided into 10,000 ordinary shares of par value of HK\$1.00 each, to HK\$100,000,000 divided into 100,000,000 ordinary shares of par value of HK\$1.00 each.

Pursuant to a loan capitalisation agreement dated 4 February 2010, Gerfalcon Hong Kong allotted and issued 23,789,920 ordinary shares of HK\$1.00 each to Costin BVI, credited as fully paid.

*Gerfalcon International*

On 31 August 2009, Gerfalcon International was incorporated in the BVI with an authorised share capital US\$50,000 divided into 50,000 ordinary shares of US\$1 each.

On 24 September 2009, one share was allotted and issued at par to Costin BVI.

*Gerfalcon PRC*

On 14 September 2009, Gerfalcon PRC was established in the PRC as a wholly foreign-owned limited company by Gerfalcon Hong Kong with a registered capital of US\$13,990,000.

*Xinhua Company*

On 22 June 1999, Xinhua Company was established in the PRC as a joint stock company with a registered capital of RMB30,000,000 with the equity interest owned as to 30%, 30%, 12%, 12%, 5%, 5%, 5% and 1% by Chim Wai Kong, Chim Wai Shing Jackson,

Chim Fo Che, Nian Wei Deng, Sze Fo Chau, Hong Lian Qiao, Hui Cheung Mau and Hong Ming Qu respectively. On 28 October 2005, the registered capital was increased to RMB80,000,000 with the equity interest owned as to 35%, 25%, 12%, 12%, 4%, 4%, 4% and 4% by Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Nian Wei Deng, Sze Fo Chau, Hong Lian Qiao, Hui Cheung Mau and Hong Ming Qu.

On 17 March 2010, a share transfer agreement (supplemented by a supplemental agreement dated 20 April 2010) was entered into between the Founders of Xinhua Company as transferors on the one hand and Gerfalcon PRC and Gerfalcon Trading as transferees on the other hand, pursuant to which, the Founders of Xinhua Company transferred 99% and 1% shareholding in Xinhua Company to Gerfalcon PRC and Gerfalcon Trading respectively at an aggregate cash consideration of RMB80.0 million. The filing in respect of the above transfers was made with the relevant administration of industry and commerce on 22 March 2010 and the payment of the consideration in relation to the acquisition was fully paid by 12 May 2010. As a result, Xinhua Company was owned by Gerfalcon PRC and Gerfalcon Trading as to 99% and 1% respectively.

#### *Gerfalcon Trading*

On 17 March 2010, Gerfalcon Trading was established in the PRC by Gerfalcon Hong Kong as a wholly foreign-owned enterprise with limited liability and a registered capital of HK\$1,000,000.

#### **4. Written resolutions passed by all the Shareholders**

By resolutions approved in writing by all the Shareholders on 3 February 2010 and 4 February 2010, the Company resolved, among other things:

- (a) that the authorised share capital of the Company was increased from HK\$380,000 to HK\$200,000,000 by the creation of 1,996,200,000 new Shares ranking *pari passu* in all respects with the then existing issued Shares; and
- (b) that the acquisition by the Company of 100% issued share capital in Costin BVI was approved and in consideration of the acquisition, the Directors were authorised to allot and issue 269,991 Shares and 29,999 Shares to Nian's Holding and Gerfalcon Holding respectively, all credited as fully paid, and the 9 and one nil paid Shares then held by Nian's Holding and Gerfalcon Holding credited as fully paid.

By resolutions approved in writing by all the Shareholders on 12 May 2010, the Company resolved, among other things:

- (a) that to adopt and approve the Memorandum of Association and the Articles of Association, the terms of which are summarised in the section entitled "Appendix IV — Summary of the Constitution of the Company and the Companies Law".

- (b) that conditional upon the satisfaction of the conditions as stated in the section headed “Structure of the Global Offering” in this prospectus:
- (i) the Global Offering be and was hereby approved and the Directors were authorised to allot and issue, and to approve the transfer of, such number of Shares in connection with the Global Offering and any exercise of the Over-allotment Option as they see fit, on and subject to the terms and conditions stated in this prospectus and in the relevant Application Forms; and
  - (ii) the rules of the Share Option Scheme were approved and adopted, and the Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal in Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme, and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme, subject to the conditions therein;
- (c) conditional on the share premium account of the Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering (including any additional Shares issued pursuant to the exercise of the Over-allotment Option), the Directors be and hereby authorised to capitalise the amount of HK\$59,970,000 from the amount standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 599,700,000 Shares for allotment and issue to the holders of Shares whose name appears on the register of members of the Company at the close of business on 12 May 2010 (Cayman time) (or as they may direct), pro-rata (as nearly as possible without involving fractions) to their then existing shareholdings in the Company;
- (d) a general unconditional mandate was given to the Directors to allot, issue and deal with Shares (otherwise than pursuant to (1) a rights issue; or (2) pursuant to any script dividend scheme; or (3) the exercise of any subscription warrants which may be issued by the Company from time to time; or (4) pursuant to the exercise of options under the Share Option Scheme; or (5) an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company; or (6) the Capitalisation Issue) with an aggregate nominal value of not more than the sum of:
- (i) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue; and
  - (ii) the aggregate nominal value of the Share capital of the Company repurchased by the Company (if any) pursuant to the repurchase mandate granted under paragraph (e) below;
- (e) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to repurchase Shares to be listed on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognised by the SFC and the

Stock Exchange for this purpose such number of Shares will represent up to 10% of the aggregate nominal amount of the issued share capital of the Company immediately following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may fall to be issued upon exercise of the Over-allotment Option);

- (f) the general unconditional mandate as mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above; and

Each of the general mandates referred to in paragraphs (d), (e) and (f) above will remain in effect until the earliest of (1) the conclusion of the next annual general meeting of the Company; (2) the expiration of the period within which the next annual general meeting of the Company is required to be held by any applicable law or the Articles of Association; or (3) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

## 5. The Reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on the Stock Exchange, pursuant to which the Company became the holding company of the Group. The Group underwent the following restructuring:

- (a) On 13 November 2008, Gerfalcon Hong Kong was incorporated in Hong Kong with limited liability with an authorised capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. One share was allotted and issued to Chim Wai Kong and one share was allotted and issued to Chim Wai Shing Jackson at par on the same date.
- (b) On 25 August 2009, Nian's Holding was incorporated in the BVI with limited liability with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 23 September 2009, 2,800 shares, 2,000 shares and 960 shares were allotted and issued at par to Chim Wai Kong, Chim Wai Shing Jackson and Chim Fo Che respectively.
- (c) On 25 August 2009, Gerfalcon Holding was incorporated in the BVI with limited liability with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 23 September 2009, 1,000 shares and 1,000 shares were allotted and issued at par to Sze Fo Chau and Hui Cheung Mau respectively.
- (d) On 25 August 2009, Costin BVI was incorporated in the BVI with limited liability with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 23 September 2009, 9 shares and one share were allotted and issued at par to Nian's Holding and Gerfalcon Holding respectively.

- (e) On 26 August 2009, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised capital of HK\$380,000 divided into 3,800,000 Shares of par value of HK\$0.1 each. One Share was allotted and issued to Offshore Incorporations (Cayman) Limited upon incorporation at par and such Share was transferred to Chim Wai Shing Jackson on the same day. On 23 September 2009, Chim Wai Shing Jackson transferred one Share nil paid at par to Gerfalcon Holding and 9 Shares were allotted and issued by the Company to Nian's Holding nil paid.
- (f) On 31 August 2009, Gerfalcon International was incorporated in the BVI with an authorised share capital US\$50,000 divided into 50,000 ordinary shares of US\$1 each. One share was allotted and issued at par to Costin BVI on 24 September 2009.
- (g) On 14 September 2009, Gerfalcon PRC was established in the PRC by Gerfalcon Hong Kong as a wholly foreign owned enterprise with limited liability and a registered capital of US\$13,990,000.
- (h) On 23 September 2009, Gerfalcon Hong Kong allotted and issued at par 34 shares, 24 shares, 12 shares, 4 shares and 4 shares to Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Sze Fo Chau and Hui Cheung Mau respectively.
- (i) On 24 September 2009, Nian's Holding, Gerfalcon Holding and Costin BVI entered into a share transfer agreement with Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Sze Fo Chau and Hui Cheung Mau as referred to in item 13 of the paragraph headed "Summary of material contracts", pursuant to which Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Sze Fo Chau and Hui Cheung Mau transferred 100% issued share capital in Gerfalcon Hong Kong for a consideration of 9 shares and one share being allotted and issued by Costin BVI to Nian's Holding and Gerfalcon Holding respectively, all credited as fully paid.
- (j) On 9 October 2009, Nian's Investment was incorporated in the BVI with limited liability with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One share was allotted and issued at par to JMJ Holdings Limited. JMJ Holdings Limited is a company incorporated in the BVI and provided by RBS Coutts Trustees (Switzerland) Ltd. for the purpose of Nian's Brother Trust.
- (k) On 20 October 2009 and 29 December 2009 and 17 March 2010, Gerfalcon PRC and Xinhua Company and the Founders entered into the Structure Contracts.
- (l) On 3 February 2010, the authorised share capital of Gerfalcon Hong Kong was increased from HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each to HK\$100,000,000 divided into 100,000,000 ordinary shares of HK\$1.00 each by the creation of an additional 99,990,000 ordinary shares of HK\$1.00 each.
- (m) On 3 February 2010, the authorised share capital of the Company was increased from HK\$380,000 divided into 3,800,000 Shares of HK\$0.1 each to HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.1 each by the creation of an additional 1,996,200,000 Shares of HK\$0.1 each.

- (n) On 4 February 2010, Gerfalcon Hong Kong entered into a loan capitalisation agreement with Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Sze Fo Chau and Hui Cheung Mau as referred to in item 22 of the paragraph headed “Summary of material contracts”, pursuant to which Gerfalcon Hong Kong allotted and issued 23,789,920 ordinary shares of HK\$1 each to Costin BVI, credited as fully paid.
- (o) On 4 February 2010, a sale and purchase agreement was entered into among Nian’s Holding, Gerfalcon Holding, the Company and other parties as referred to in item 23 of the paragraph headed “Summary of material contracts”, pursuant to which, the Company acquired from Nian’s Holding and Gerfalcon Holding 18 shares and 2 shares of US\$1 each in the issued share capital of Costin BVI respectively in consideration of which the Company (i) allotted and issued 269,991 and 29,999 Shares to Nian’s Holding and Gerfalcon Holding respectively, all credited as fully paid, and (ii) credited as fully paid at par the 9 and one nil paid Shares then held by Nian’s Holding, Gerfalcon Holding. Upon completion of the above share swap, the Company becomes the holding company of the Group.
- (p) On 5 February 2010, Nian’s Holding transferred 60,000 Shares to the Pre-IPO Investor at a consideration of US\$7,936,507 pursuant to the Pre-IPO Investment Agreements.
- (q) On 16 February 2010, each of Chim Wai Kong, Chim Wai Shing Jackson and Chim Fo Che entered into an instrument of transfer with Nian’s Investment, pursuant to which, Chim Wai Kong, Chim Wai Shing Jackson and Chim Fo Che transferred 100% interest in Nian’s Holding to Nian’s Investment for purpose of establishing the Nian’s Brother Trust for the benefit of their family members.

On 17 March 2010, Gerfalcon Trading was established in the PRC by Gerfalcon Hong Kong as a wholly foreign-owned enterprise with limited liability and a registered capital of HK\$1,000,000.

After Gerfalcon PRC had received RMB 81 million service fee from Xinhua Company in accordance with the terms of the exclusive management and technical consultancy agreement dated 20 October 2009 and the supplemental agreements thereof dated 29 December 2009 and 17 March 2010, the Structure Contracts were then all terminated amongst Gerfalcon PRC, Xinhua Company and the Founders on 17 March 2010.

On 17 March 2010, a transfer agreement was entered into between the Founders of Xinhua Company as transferors on the one hand and Gerfalcon PRC and Gerfalcon Trading as transferees on the other hand pursuant to which and a supplemental agreement dated 20 April 2010, the Founders of Xinhua Company had transferred 99% and 1% shareholding in Xinhua Company to Gerfalcon PRC and Gerfalcon Trading respectively at a consideration of RMB80.0 million.



## 6. Repurchases by the Company of its own securities

This section includes information relating to the repurchase of the securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

### (a) *Provision of the Listing Rules*

#### (i) *Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by ordinary resolutions of shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

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*Note:* Pursuant to the resolutions in writing passed by all the Shareholders on 12 May 2010, a general unconditional mandate ("**Repurchase Mandate**") were given to the Directors to repurchase up to 10% of the aggregate nominal value of the issued share capital of the Company immediately following completion of the Global Offering and the Capitalisation Issue (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. This mandate will expire at the earliest of (i) the conclusion of the next annual shareholders' general meeting of the Company, (ii) the date by which the Company's next shareholders' general meeting is required by applicable laws and the Articles of Association to be held, or (iii) the time when such mandate is being revoked or varied by ordinary resolutions of the Shareholders in a general meeting (the "Relevant Period").

#### (ii) *Source of Funds*

Repurchase must be made out of funds legally available for the purpose in accordance with the Memorandum of Association and the Articles of Association and the applicable laws of the Cayman Islands. 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.

#### (iii) *Shares to be repurchased*

The Listing Rules provide that the Shares which are proposed to be repurchased by a company must be fully paid up.

### (b) *Reasons for Repurchases*

The Directors believe that it is in the best interests of the Company and its Shareholders for the Directors to have general authority to repurchase the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead

to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

The 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 or the gearing levels of the Company which, in the opinion of the Directors, are from time to time appropriate for the Company. However, there might be a material adverse impact on the working capital requirement of the Company as set out in this prospectus in the event that the Repurchase Mandate is exercised in full.

**(c) *Funding of Repurchases***

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

**(d) *Exercise of Repurchase Mandate***

The exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option), could accordingly result in up to 80,000,000 Shares being repurchased by the Company during the course of the period prior to the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association to be held; or (iii) the revocation or variation by an ordinary resolution of the Shareholders in a general meeting.

**(e) *General***

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules) has any present intention to sell any of the Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum of Association and Articles of Association and the applicable laws of the Cayman Islands.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. The Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

No connected person (as defined by the Listing Rules) has notified the Company that he/she/ it has a present intention to sell his/her/its Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

### 1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this prospectus that are or may be material:

- (1) a tenancy agreement dated 20 December 2007 between Hua Xin Weaving as tenant and Xinhua Company as landlord (“**2007 Tenancy**”) in respect of leasing various factory units for a term of 36 months commencing in December 2007 and expiring in December 2010 at a monthly rental of RMB78,689.93.
- (2) a supplemental agreement to the 2007 Tenancy dated 10 January 2008 between Hua Xin Weaving as tenant and Xinhua Company as landlord (“**2007 Supplemental Tenancy**”) in respect of increasing the monthly rental of the 2007 Tenancy to RMB86,596.65.
- (3) a further supplemental agreement to the 2007 Tenancy and the 2007 Supplemental Tenancy dated 29 December 2008 between Hua Xin Weaving and Xinhua Company in respect of the termination of the 2007 Tenancy and the 2007 Supplemental Tenancy.
- (4) an asset transfer agreement dated 21 March 2008 entered into between Xinhua Company and Hua Xin Weaving, pursuant to which, certain quantities of assets were acquired by Xinhua Company from Hua Xin Weaving at a consideration of RMB381,651.96 and at the same time one set of electricity supply system was transferred by Xinhua Company to Hua Xin Weaving at a consideration of RMB27,060.75.
- (5) a land transfer agreement dated 1 December 2008 entered into between Hua Xin Non-weaving as transferor and Xinhua Company as transferee in respect of the transfer of the land use rights of a parcel of land with a site area of 4,000 sq.m. at a consideration of RMB1,448,000.
- (6) a tenancy agreement dated 11 December 2008 between Hua Xin Weaving as tenant and Xinhua Company as landlord in respect of leasing two premises located at Xinhua Industrial Garden for a term of 1 year commencing from 1 January 2009 to 31 December 2009 at a monthly rental of RMB107,297.30.
- (7) a tenancy agreement dated 3 January 2009 between Hua Xin Weaving as tenant and Xinhua Company as landlord (“**2009 Tenancy Agreement**”) in respect of leasing four premises located at Xinhua Industrial Garden for a term of 1 year commencing from 1 January 2009 to 31 December 2009 at a monthly rental of RMB104,765.04.

- (8) an undated land transfer agreement entered into between the Fujian Province Jinjiang City State-owned Land Resources Bureau of the PRC (中華人民共和國福建省晉江市國土資源局) as transferor and Xinhua Company as transferee in respect of the transfer of a land with the area of 120,127 sq.m. before 27 April 2009 for a consideration of RMB63,680,000.
- (9) a tenancy agreement dated 1 May 2009 between Xinhua Company as landlord and Jinjiang An Fa Motor Vehicle Training Co., Ltd. (晉江安發機動車培訓有限公司) as tenant (“**2009 Tenancy Agreement 1**”) in respect of leasing a land in the total area of 30.44 acres (20,293.28 sq.m.) for the use of motor vehicle driving training for a term of 2 years commencing from 1 May 2009 to 31 May 2011 at an annual rental of RMB300,000.
- (10) a tenancy agreement dated 1 May 2009 between Xinhua Company as landlord and Jinjiang An Fa Motor Vehicle Training Co., Ltd. (晉江安發機動車培訓有限公司) as tenant (“**2009 Tenancy Agreement 2**”) in respect of leasing a land in the total area of 34 acres (22,667.80 sq.m.) and a real estate in the total area of 2,080.83 sq.m. for the use of motor vehicle driving training for a term of 2 years commencing from 1 May 2009 to 31 May 2011 at an annual rental of RMB639,640.
- (11) a tenancy agreement dated 1 July 2009 between Xinhua Company as landlord and Gerfalcon Hong Kong as tenant in respect of leasing a vacant land in the total area of 6,666.7 sq.m. for a term of 3 years commencing from 1 July 2009 to 30 June 2012 at an annual rental of RMB155,600.00.
- (12) a supplemental agreement to the 2009 Tenancy Agreement 1 and 2009 Tenancy Agreement 2 dated 20 August 2009 between Xinhua Company as landlord and Jinjiang An Fa Motor Vehicle Training Co., Ltd. (晉江安發機動車培訓有限公司) as tenant in respect of changing the area of the land leased under the 2009 Tenancy Agreement 1 from 30.44 acres to 10 acres, and changing the area of the land leased under 2009 Tenancy Agreement 2 from 34 acres to 10 acres.
- (13) a share transfer agreement dated 24 September 2009 entered into among Nian’s Holding, Gerfalcon Holding and Costin BVI with Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Sze Fo Chau and Hui Cheung Mau, pursuant to which Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Sze Fo Chau and Hui Cheung Mau transferred 100% issued share capital in Gerfalcon Hong Kong to Costin BVI for a consideration of 9 shares and one share being allotted and issued by Costin BVI to Nian’s Holding and Gerfalcon Holding respectively, all credited as fully paid.
- (14) a property rights transfer agreement dated 28 September 2009 and a supplemental agreement dated 28 September 2009 between Xinhua Company as transferor and Hua Xin Weaving as transferee in respect of transferring Xinhua Company’s rights in respect of certain buildings located at Xinhua Industrial Garden at a consideration of approximately RMB31.1 million.

- (15) a supplemental agreement to the 2009 Tenancy Agreement dated 20 October 2009 between Hua Xin Weaving as tenant and Xinhua Company as landlord in respect of changing the four premises leased under the 2009 Tenancy Agreement to three premises located at Xinhua Industrial Garden.
- (16) an exclusive management and technical consultancy agreement dated 20 October 2009, a supplemental agreement dated 29 December 2009 and a further supplemental agreement dated 17 March 2010 entered into between Gerfalcon PRC and Xinhua Company, pursuant to which Gerfalcon PRC shall provide to Xinhua Company management and technical consultancy services.
- (17) an operational agreement dated 20 October 2009 and a supplemental agreement in respect thereof dated 29 December 2009 entered into between Gerfalcon PRC, Xinhua Company and the Founders of Xinhua Company namely Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Nian Wei Deng, Sze Fo Chau, Hui Cheung Mau, Hong Lian Qiao and Hong Ming Qu, pursuant to which the shareholders of Xinhua Company and Xinhua Company agreed and undertook that they would not, and would procure that Xinhua Company would not, carry out any act which would likely affect the assets, interests, operations, business, employees, rights and obligations of Xinhua Company.
- (18) an option agreement relating to exclusive acquisition of business and/or assets of Xinhua Company dated 20 October 2009 and a supplemental agreement in respect thereof dated 29 December 2009 entered into amongst Gerfalcon PRC, Xinhua Company and the Founders of Xinhua Company namely Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Nian Wei Deng, Sze Fo Chau, Hui Cheung Mau, Hong Lian Qiao and Hong Ming Qu, pursuant to which Gerfalcon PRC or its nominee was granted by Xinhua Company an option for an exclusive right to acquire from Xinhua Company in whole or in part the business and/or assets of Xinhua Company.
- (19) eight option agreements for exclusive acquisition of the equity interest in Xinhua Company all dated 20 October 2009 and eight supplemental agreements in respect thereof all dated 29 December 2009 entered into amongst Gerfalcon PRC, Xinhua Company and each of the Founders of Xinhua Company respectively, namely Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Nian Wei Deng, Sze Fo Chau, Hui Cheung Mau, Hong Lian Qiao and Hong Ming Qu, pursuant to which Gerfalcon PRC or its nominee was granted by each Founder of Xinhua Company an option for an exclusive right to acquire from each of them their respective shares in Xinhua Company.
- (20) eight share pledge agreements all dated 20 October 2009 and eight supplemental agreements in respect thereof all dated 29 December 2009 entered into amongst Gerfalcon PRC and each Founder of Xinhua Company respectively, namely Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Nian Wei Deng, Sze Fo Chau, Hui Cheung Mau, Hong Lian Qiao and Hong Ming Qu, pursuant to which each Founder of Xinhua Company pledged all their respective shares and interests in Xinhua Company in favour of Gerfalcon PRC.






- (21) a tenancy agreement dated 31 December 2009 entered into between Xinhua Company as landlord and Hua Xin Weaving as tenant in respect of leasing six buildings within five premises with a total area of 20,290.68 sq.m. located at Xinhua Industrial Garden for a term of 1 year commencing from 1 January 2010 to 31 December 2010 with a monthly rental of RMB223,197.48.
- (22) a loan capitalisation agreement dated 4 February 2010 entered into among Gerfalcon Hong Kong, Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Sze Fo Chau and Hui Cheung Mau, pursuant to which, Gerfalcon Hong Kong allotted and issued 23,789,920 ordinary shares of HK\$1.00 each to Costin BVI, credited as fully paid, in consideration of Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Sze Fo Chau and Hui Cheung Mau capitalising a loan in an aggregate amount of US\$3,050,000, provided to Gerfalcon Hong Kong in proportion to their respective ultimate equity interest in Gerfalcon Hong Kong, in full in the share capital of Gerfalcon Hong Kong.
- (23) a sale and purchase agreement dated 4 February 2010 entered into among Nian's Holding, Gerfalcon Holding, the Company and other parties, pursuant to which, the Company acquired from Nian's Holding and Gerfalcon Holding 18 shares and 2 shares of US\$1.00 each in the issued share capital of Costin BVI respectively in consideration of which the Company (i) allotted and issued 269,991 and 29,999 Shares to Nian's Holding and Gerfalcon Holding respectively, all credited as fully paid, and (ii) credited as fully paid at par the 9 and one nil paid Shares then held by Nian's Holding, Gerfalcon Holding respectively. Upon completion of the above share swap, the Company becomes the holding company of the Group.
- (24) a termination agreement for the Structure Contracts dated 17 March 2010 entered into amongst Gerfalcon PRC, Xinhua Company and the Founders of Xinhua Company in respect of terminating all the Structure Contracts made between the relevant parties with effect from 17 March 2010.
- (25) a consultancy service agreement dated 17 March 2010 entered into between Gerfalcon PRC and Gerfalcon Trading, pursuant to which, Gerfalcon Trading provided consultancy service of, inter alia, marketing and quality control to Gerfalcon PRC at a consideration of RMB1.0 million.
- (26) a share transfer agreement dated 17 March 2010 and a supplemental agreement dated 20 April 2010 entered into between the Founders of Xinhua Company as transferors on the one hand and Gerfalcon PRC and Gerfalcon Trading as transferees on the other hand in connection with the transfer of 99% and 1% shareholding in Xinhua Company by the Founders of Xinhua Company to Gerfalcon PRC and Gerfalcon Trading respectively at a consideration of RMB80 million.
- (27) an agreement of gift dated 17 March 2010 entered into between Gerfalcon PRC and Gerfalcon Trading as beneficiaries on the one hand and the eight Founders of Xinhua Company namely Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Nian Wei Deng, Sze Fo Chau, Hui Cheung Mau, Hong Lian Qiao and Hong Ming Qu as donors on the other hand in connection with a fund of RMB80 million.






- (28) a deed of non-competition dated 1 June 2010 given by the Controlling Shareholders, Chim Fo Che, Nian Wei Deng, Sze Fo Chau, Hui Cheung Mau, Hong Lian Qiao and Hong Ming Qu as covenantors in favour of the Company regarding non-competition by the covenantors with the Group.
- (29) a deed of indemnity dated 7 June 2010 entered into between Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Hong Ming Qu, Nian Wei Deng, Hui Cheung Mau, Sze Fo Chau, Hong Lian Qiao, Nian's Holding, Nian's Investment and Gerfalcon Holding in favour of the Company and as trustee for the other members of the Group in connection with, amongst other things, certain estate duty and tax indemnities.
- (30) the Hong Kong Underwriting Agreement.

## 2. Intellectual property rights







### (a) Trademark

As at the Latest Practicable Date, the Group has the following registered trademarks:

Trademark	Name of Proprietor	Class	Goods/Services	Registration Number	Effective Period	Place of Registration
	Xinhua Company	24	Fabric, fabric lining for footwear, and woven products of interior decorating	1350721	7 January 2010 to 6 January 2020	PRC
	Xinhua Company	25	Clothing, clothing for sports, trousers, winter coat with hoods, windbreakers, shoes, sports shoes, hats, ties and sweaters	1489604	14 December 2000 to 13 December 2010	PRC
	Xinhua Company	25	Clothing, clothing for sports, trousers, winter coat with hoods, windbreakers, hats, ties and sweaters	1501366	7 January 2001 to 6 January 2011	PRC
	Xinhua Company	25	Clothing	1501621	7 January 2001 to 6 January 2011	PRC
	Xinhua Company	25	Clothing	1513330	28 January 2001 to 27 January 2011	PRC

<u>Trademark</u>	<u>Name of Proprietor</u>	<u>Class</u>	<u>Goods/Services</u>	<u>Registration Number</u>	<u>Effective Period</u>	<u>Place of Registration</u>
	Xinhua Company	7	Machines for making paper, apparatus for printing, cornering machines for the punching of materials, machines for manufacturing textiles, manually operated machine for manufacturing woven materials, machines for finishing textiles, knitting machines, plane rug machine, machines for dyeing, condensers (steam)	1697848	14 January 2002 to 13 January 2012	PRC
	Xinhua Company	23	Yarn, hemp thread and yarn, elastic yarn for textile use, nylon thread and yarn and wax-coated yarn	1700937	21 January 2002 to 20 January 2012	PRC
	Xinhua Company	32	Beer, beverages manufacturing ingredients, juices, water (beverages), mineral water, tea beverages (water), carbonated beverages, peanut milk (soft drinks), soymilk and green bean beverages	1707307	28 January 2002 to 27 January 2012	PRC
	Xinhua Company	24	Blanket, bath towels, pillow towels, floor towels, textiles for seat cushions and sanitary hand gloves	1712984	14 February 2002 to 13 February 2012	PRC
	Xinhua Company	27	Plastic and rubber tiles for floor coverings, anti-slip material for use under floor coverings, artificial lawn floor coverings, rubber floor coverings, floor mats, insulated materials for floor coverings, floor coverings for use of sports activities, floor rugs and floor mats for automobiles	1720729	28 February 2002 to 27 February 2012	PRC










Trademark	Name of Proprietor	Class	Goods/Services	Registration Number	Effective Period	Place of Registration
	Xinhua Company	27	Plastic and rubber tiles for floor coverings, anti-slip material for use under floor coverings, artificial lawn floor coverings, rubber floor coverings, floor mats, insulated materials for floor coverings, floor coverings for use of sports activities, floor rugs and floor mats for automobiles	1720730	28 February 2002 to 27 February 2012	PRC
	Xinhua Company	25	Clothing, clothing for babies, soccer shoes, gymnastic shoes, socks, gloves (clothing), belt (clothing accessories), wedding gowns and shower caps	1728991	14 March 2002 to 13 March 2012	PRC
	Xinhua Company	16	Drapes of paper, copper plate paper, patterns for making clothes, name cards, certificates, manuals, cards and playing cards	1750732	21 April 2002 to 20 April 2012	PRC
	Xinhua Company	18	Imitation hides, cow hides, hide boards, animal hides, umbrella, walking stick, belts for riding and belts (not for clothing accessories purpose)	1750867	21 April 2002 to 20 April 2012	PRC
	Xinhua Company	17	Synthetic rubber, insulated materials, latex, asbestos, asbestos fibres, asbestos sheets, and rubber or plastic fillings	1805047	14 July 2002 to 13 July 2012	PRC
	Xinhua Company	27	Floor rugs, floor mats, floor mats for automobiles, mats, rubber tiles for floor coverings, tiles, hide, rubber floor mats and pillow mats	1995623	14 August 2002 to 13 August 2012	PRC

<u>Trademark</u>	<u>Name of Proprietor</u>	<u>Class</u>	<u>Goods/Services</u>	<u>Registration Number</u>	<u>Effective Period</u>	<u>Place of Registration</u>
<b>CO.ST.IN</b>	Xinhua Company	35	Advertising planning, business management support, business management consultation, import and export agency, consultation relating to personnel management, relocation of business premises, compilation of computer information database, auditing, leasing of automatic vending machine and professional consultation relating to trading business	4143099	7 September 2007 to 6 September 2017	PRC
<b>CO.ST.IN</b>	Xinhua Company	24	Non-woven fabrics, textile filter materials, fabrics, bed sheets (textiles), Tibet Buddhism worship materials, flags, clothes for funeral burying services, silk woven art products, woven textiles and beddings	4143098	7 February 2008 to 6 February 2018	PRC
<b>COSTIN</b>	Xinhua Company	4	Lubricating oil, fuel, coal, wax for industrial use, candles, dust removal ingredients, lubricating grease, oil for industrial use, oil for weaving use and alcohol (fuel)	4553159	28 June 2008 to 27 June 2018	PRC
<b>COSTIN</b>	Xinhua Company	20	Craftworks made of resin, furniture, craftworks made of bamboo, plastic decorations for use with food, clothing hanger not made from metal, sleeping bag, curtain rings, billboards, picture frames, and liquid fuel container not made of metal	4553162	28 June 2008 to 27 June 2018	PRC
<b>COSTIN</b>	Xinhua Company	25	Clothing, baby suits, swimming suits, waterproof clothing, costumes, soccer shoes, shoes, hat, socks, gloves (clothing), ties, belt (clothing accessories) and wedding gowns	4553093	28 November 2008 to 27 November 2018	PRC

<u>Trademark</u>	<u>Name of Proprietor</u>	<u>Class</u>	<u>Goods/Services</u>	<u>Registration Number</u>	<u>Effective Period</u>	<u>Place of Registration</u>
<b>COSTIN</b>	Xinhua Company	24	Non-woven fabrics, fabrics, silk woven art products, mat for machines producing printed textiles, textile towels, beddings, textile or plastic curtains, gloves for washing, Tibet Buddhism worship materials, flags and clothes for funeral burying services	4553161	21 December 2008 to 20 December 2018	PRC
<b>168</b>	Xinhua Company	24	Non-woven fabrics, fabrics, silk woven art products, mat for machines producing printed textiles, textile towels, beddings, textile or plastic curtains, filtering fabrics, Tibet Buddhism worship materials and flags	4999807	14 May 2009 to 13 May 2019	PRC
<b>COSTIN 克思丁</b>	Xinhua Company	22	Ropes, nettings, woven materials, fillings, textile fibres, raw materials for fibres textiles, waterproof canvas, feathers (from birds), straw wrapping for bottle packaging and nets for shading	4984329	21 May 2009 to 20 May 2019	PRC
<b>168</b>	Xinhua Company	22	Ropes, nettings, woven materials, fillings, textile fibres, raw materials for fibres textiles, waterproof canvas, feathers (from birds), straw wrapping for bottle packaging and nets for shading	4999808	28 May 2009 to 27 May 2019	PRC
<b>168</b>	Gerfalcon PRC	22	Ropes, nettings, woven materials, fillings, textile fibres, raw materials for fibres textiles, waterproof canvas, feathers (from birds), straw wrapping for bottle packaging and nets for shading	301433961	22 September 2009 to 21 September 2019	Hong Kong

<u>Trademark</u>	<u>Name of Proprietor</u>	<u>Class</u>	<u>Goods/Services</u>	<u>Registration Number</u>	<u>Effective Period</u>	<u>Place of Registration</u>
<b>COSTIN</b> 克思頓	Gerfalcon PRC	22	Ropes, nettings, woven materials, fillings, textile fibres, raw materials for fibres textiles, waterproof canvas, feathers (from birds), straw wrapping for bottle packaging and nets for shading	301433970	22 September 2009 to 21 September 2019	Hong Kong
<b>COSTIN</b>	Gerfalcon PRC	4	Lubricating oil, fuel, coal, wax for industrial use, candles, dust removal ingredients, lubricating grease, oil for industrial use, oil for weaving use and alcohol (fuel)	301433989	22 September 2009 to 21 September 2019	Hong Kong
<b>COSTIN</b>	Gerfalcon PRC	20	Craftworks made of resin, furniture, craftworks made of bamboo, plastic decorations for use with food, clothing hanger not made from metal, sleeping bag, curtain rings, billboards, picture frames, and liquid fuel container not made of metal	301433989	22 September 2009 to 21 September 2019	Hong Kong
<b>COSTIN</b>	Gerfalcon PRC	24	Non-woven fabrics, fabrics, Tibet Buddhism worship materials, flags, clothes for funeral burying services, silk woven art products, mat for machines producing printed textiles, textile towels, textile or plastic curtains, gloves for washing and beddings	301433989	22 September 2009 to 21 September 2019	Hong Kong
<b>COSTIN</b>	Gerfalcon PRC	25	Clothing, baby suits, swimming suits, waterproof clothing, costumes, soccer shoes, shoes, hat, socks, gloves (clothing), tie, belt (clothing accessories) and wedding gowns	301433989	22 September 2009 to 21 September 2019	Hong Kong

<u>Trademark</u>	<u>Name of Proprietor</u>	<u>Class</u>	<u>Goods/Services</u>	<u>Registration Number</u>	<u>Effective Period</u>	<u>Place of Registration</u>
	Gerfalcon PRC	35	Advertising planning, business management support, business management consultation, import and export agency, consultation relating to personnel management, relocation of business premises, compilation of computer information database, auditing, leasing of automatic vending machine and professional consultation relating to trading business	301466028	5 November 2009 to 4 November 2019	Hong Kong
	Gerfalcon PRC	24	Non-woven fabrics, textile filter materials, fabrics, bed sheets (textiles), Tibet Buddhism worship materials, flags, clothes for funeral burying services, silk woven art products, woven textiles and beddings	301433998	22 September 2009 to 21 September 2019	Hong Kong
	Gerfalcon PRC	35	Advertising planning, business management support, business management consultation, import and export agency, consultation relating to personnel management, relocation of business premises, compilation of computer information database, auditing, leasing of automatic vending machine and professional consultation relating to trading business	301433998	22 September 2009 to 21 September 2019	Hong Kong
	The Company	1	Filter materials (chemical ingredients), filter materials (minerals), filter materials (botanical materials), ceramic particle materials for use as filter core, ceramic particle materials for use as filtering media, purifier (purifying ingredients), water purifying chemical materials, active carbon, carbon for use by filters, filter materials (unprocessed rubber)	301434005	22 September 2009 to 21 September 2019	Hong Kong

<u>Trademark</u>	<u>Name of Proprietor</u>	<u>Class</u>	<u>Goods/Services</u>	<u>Registration Number</u>	<u>Effective Period</u>	<u>Place of Registration</u>
	The Company	7	Board framed pressed filters solely for the production of pharmaceuticals (not including the board frame pressed filters generally used by the chemical industry), cyclone coolant purifying programs (for use by engines), air filters, grease filters, filter purifying apparatus, filter house being parts of machines, purifying programs (for use by machines or engines), pressed filters, filters, liquid pressed grease filters	301434005	22 September 2009 to 21 September 2019	Hong Kong
	The Company	11	Electric coffee filter programs, electrical coffee filter programs, air conditioner filter programs, water filter programs, filter programs (for use by household or as parts being installed to industrial apparatus), filter for drinking water, water purifying apparatus, gas purifying apparatus, air purifying apparatus and machines	301434005	22 September 2009 to 21 September 2019	Hong Kong
	The Company	24	Fibreglass, textile filter materials, filter fabrics, vapour permeable fabrics, non-woven fabrics, papermaking felt (towels), cushions (non-paper made), textile cushions, (non-paper made), textile cushions, woollen cloth, fibreglass woven materials for the manufacture of textiles	301434005	22 September 2009 to 21 September 2019	Hong Kong

As at the Latest Practicable Date, the Group has applied for registration of the following trademarks, but registration of the same has not been granted:

<u>Trademark</u>	<u>Name of Applicant</u>	<u>Class</u>	<u>Application Number</u>	<u>Application Date</u>	<u>Place of Application</u>
	Gerfalcon PRC	01	7702084	16 September 2009	PRC
	Gerfalcon PRC	06	7702094	16 September 2009	PRC
	Gerfalcon PRC	07	7702106	16 September 2009	PRC
	Gerfalcon PRC	09	7702112	16 September 2009	PRC
	Gerfalcon PRC	11	7702128	16 September 2009	PRC
	Gerfalcon PRC	16	7702139	16 September 2009	PRC
	Gerfalcon PRC	17	7705264	17 September 2009	PRC
	Gerfalcon PRC	22	7705270	17 September 2009	PRC
	Gerfalcon PRC	24	7705273	17 September 2009	PRC
	Gerfalcon PRC	24	7705279	17 September 2009	PRC
	Gerfalcon PRC	40	7705287	17 September 2009	PRC
	Gerfalcon PRC	42	7705294	17 September 2009	PRC

*Note:*

- Description of goods and services covered by applications/registrations may vary according to the trademark practices in different countries. The descriptions of goods and services set out under the classes in the table above should not be viewed as the exact descriptions of goods and services covered by applications/registrations in all countries.

(b) *Patent*

As at the Latest Practicable Date, the Group and Tianjin Polytechnic University jointly own the following registered patent:

<u>Patent</u>	<u>Patent number</u>	<u>Patent owner(s)</u>	<u>Date of authorised publication</u>	<u>Effective period</u>	<u>Place of Registration</u>
1. The method and equipment for manufacturing functional minute particle modified spray melting non-woven fabric (一種功能微粒改性噴非織造布的製備方法及製造設備)	ZL 2007 1 0056864.5	Xinhua Company and Tianjin Polytechnic University	27 May 2009	20 years from 6 March 2007	PRC

As at the Latest Practicable Date, the Group has applied for registration of the following patents, but registration of the same has not yet been granted:

<u>Type of patent</u>	<u>Applicant</u>	<u>Date of application</u>	<u>Application number</u>	<u>Place of Application</u>
1. Raw materials and its manufacturing method for an elastic non-woven material (一種彈性非織造材料基材及其製造方法)	Xinhua Company and Tianjin Polytechnic University	6 March 2007	200710056863.0	PRC
2. Raw materials and its manufacturing method for a multi punch hole elastic non-woven material (一種多孔彈性非織造材料基材及其製造方法)	Xinhua Company	14 March 2008	200810070745.X	PRC
3. Manufacturing method for a resistant synthetic anti bacteria non-woven fabric materials (一種耐久型複合抗菌非織造布材料的製造方法)	Xinhua Company	22 May 2008	200810071104.6	PRC
4. Manufacturing method for punch fibres blanket made from bamboo (竹原纖維針刺氈的製作方法)	Xinhua Company	27 May 2009	200910111940.7	PRC
5. New strong heat resistant antistatic punch filter blanket (一種新型耐高溫抗靜電針刺過濾氈)	Xinhua Company	27 May 2009	200920138707.3	PRC
6. New woven heat solvent anti bacteria material (一種新型縫編熱熔抗菌材料)	Xinhua Company	27 May 2009	200910111941.1	PRC
7. New woven filter core fabric and its manufacturing method (一種新型縫編麗心布及其製造方法)	Xinhua Company	27 May 2009	200910111942.6	PRC



<u>Type of patent</u>	<u>Applicant</u>	<u>Date of application</u>	<u>Application number</u>	<u>Place of Application</u>
8. Manufacturing method for new non-woven flag material (一種新型非織造旗幟面料的製造方法)	Xinhua Company	11 August 2009	200910112343.6	PRC
9. New bluish dogbane non-woven heat solvent anti bacteria (一種新型羅布麻非織造熱熔抗菌材料)	Xinhua Company	30 October 2009	200910193687.4	PRC
10. New bluish dogbane fiber stitch-bond fabric and its manufacturing method (一種新型羅布麻纖維麗心布及其製備方法)	Xinhua Company	30 October 2009	200910193688.9	PRC
11. Non-woven material for interior decoration of automobile and its manufacturing method (汽車內飾件的非織造物層及其製造方法)	Xinhua Company	4 February 2010	201010111117.9	PRC
12. High water absorbent fuel filtration material and its manufacturing method (高吸水性燃油液體過濾材料及其製造方法)	Xinhua Company	4 February 2010	201010111116.4	PRC
13. Needle-punching material with fragrance-release function for top-roof of automobile and its manufacturing method (釋香型汽車頂棚針刺材料及其製造方法)	Xinhua Company	6 February 2010	201010111943.3	PRC
14. Finishing production line especially for producing stitch-bonded non-woven fabric and its manufacturing method (縫編法非織造布專用後整理生產線及其方法)	Xinhua Company	25 February 2010	201010117527.4	PRC
15. Tea polyphenols non-woven fabric (一種茶多酚非織造布)	Xinhua Company	3 March 2010	201010119035.9	PRC

(c) *Domain names*

<u>Domain name</u>	<u>Registered Owner</u>	<u>Date of Registration</u>	<u>Expiry Date</u>	<u>Place of Registrations</u>
www.costin99.com	Xinhua Company	15 June 1999	15 June 2015	PRC
www.costingroup.com	Gerfalcon PRC	29 January 2010	29 January 2020	PRC

Save as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights which are or may be material in relation to Group's business.

**3. Further information about the subsidiaries of the Company****(i) Offshore subsidiaries****(a) Costin BVI**

Date of incorporation	:	25 August 2009
Place of incorporation	:	BVI
Authorised Share Capital	:	US\$50,000 (50,000 shares of US\$1 per share)
Issued Share Capital	:	US\$20 (20 shares of US\$1 per share)
Shareholder(s) (percentage of shareholding(s))	:	The Company (100%)

**(b) Gerfalcon International**

Date of incorporation	:	31 August 2009
Place of incorporation	:	BVI
Authorised Share Capital	:	US\$50,000 (50,000 shares of US\$1 per share)
Issued Share Capital	:	US\$1 (1 share of US\$1 per share)
Shareholder(s) (percentage of shareholding(s))	:	Costin BVI (100%)

(c) *Gerfalcon Hong Kong*

Date of incorporation	:	13 November 2008
Place of incorporation	:	Hong Kong
Authorised Share Capital	:	HK\$100,000,000 (100,000,000 shares of HK\$1 per share)
Issued Share Capital	:	HK\$23,790,000 (23,790,000 shares of HK\$1 per share)
Shareholder(s) (percentage of shareholding(s))	:	Costin BVI (100%)

(ii) *PRC subsidiaries*(a) *Gerfalcon PRC*

Date of Establishment	:	14 September 2009
Type of Company	:	Limited liability company (solely owned by a legal entity which is a foreign invested enterprise)
Total Investment	:	US\$17,490,000
Registered Capital	:	US\$13,990,000
Paid-up Capital	:	US\$2,800,000
Registered holder(s) of equity interest and percentage of equity interest	:	Gerfalcon Hong Kong (100%)
Term of Business	:	14 September 2009 to 13 September 2059
Legal Representative	:	Chim Wai Shing Jackson
Business Scope	:	The manufacturing of knitwear, textile, apparel and other sewing products, leather products and toys, the production of filtration materials and non-woven fabrics, the provision of information technologies management, financial settlement, human resources service and business process sub-contracting service by the way of outsourcing services

(b) *Xinhua Company*

Date of Establishment	:	22 June 1999
Type of Company	:	Joint stock company (non-listed)
Registered Capital	:	RMB80,000,000
Paid-up Capital	:	RMB80,000,000
Registered holder(s) of equity interest and percentage of equity interest	:	99% owned by Gerfalcon PRC and 1% owned by Gerfalcon Trading
Term of Business	:	22 June 1999 to 22 June 2049
Legal Representative	:	Chim Wai Kong
Business Scope	:	The manufacturing of knitwear, textile, apparel and other sewing products, leather products, toys and plastic products, the wholesale and retail of electronic appliances, mining products, hardware, chemicals (do not contain dangerous chemicals), environmental protection equipments, acquisition of waste materials and foreign trade (the scope of operation of the above business involving permitted operating project is subject to the permission by relevant authorities)

(c) *Gerfalcon Trading*

Date of Establishment	:	17 March 2010
Type of Company	:	Limited liability company (solely owned by a legal entity which is a foreign invested enterprise)
Total Investment	:	HK\$1,200,000
Registered Capital	:	HK\$1,000,000
Paid-up Capital	:	HK\$1,000,000
Registered holder(s) of equity interest and percentage of equity interest	:	Gerfalcon Hong Kong (100%)
Term of Business	:	17 March 2010 to 16 March 2040

Legal Representative	:	Chim Wai Kong
Business Scope	:	Engaging in wholesale of filtration materials and non-woven fabrics (no merchandises under such special managements as State trading, import and export quota license, tenders for export quotas, export license, etc. are included in the import and export of these merchandises). (Where the scope of business covers operations for which operating licenses are required, if no approval documents and certificates in respect of advance approval and examination of any projects have been obtained, any business operation of such projects shall not be permitted.)

## C. DISCLOSURE OF INTERESTS

### 1. Interests and short positions of the Directors and chief executives in the Shares, underlying shares and debentures of the Company and its associated corporations

Immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme), the interests and/or short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange (all of the aforesaid being “Discloseable Interests”) will be as follows:

#### (a) *The Company*

##### (i) *Long position in Shares*

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Approximately percentage of issued Shares</u>
Chim Wai Kong . . . . .	Settlor of trust ( <i>Note 1</i> )	420,000,000	52.50%
	Beneficiary of trust ( <i>Note 2</i> )	159,600,000	19.95%

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Approximately percentage of issued Shares</u>
Chim Wai Shing Jackson . . . . .	Settlor of trust (Note 1)	420,000,000	52.50%
	Beneficiary of trust (Note 3)	113,400,000	14.175%
Chim Fo Che . . . . .	Beneficiary of trust (Note 4)	54,600,000	6.825%
Hong Ming Qu . . . . .	Beneficiary of trust (Note 5)	18,900,000	2.3625%

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*Notes:*

- 420,000,000 Shares are held by Nian's Holding. The entire interest of Nian's Holding is wholly owned by Nian's Investment which in turn is held by JMJ Holdings Limited as a nominee in favour of RBS Coutts Trust (Switzerland) Ltd.. JMJ Holdings Limited is a company incorporated in the BVI provided by RBS Coutts Trust (Switzerland) Ltd. for the purpose of establishing the Nian's Brother Trust. RBS Coutts Trust (Switzerland) Ltd. is the trustee of Nian's Brother Trust. Nian's Brother Trust is a discretionary trust set up by Chim Wai Kong and Chim Wai Shing Jackson, both being executive Directors, for the benefit of their family members. For the purpose of Part XV of the SFO, each of Chim Wai Kong and Chim Wai Shing Jackson is deemed to be interested in the Shares held by Nian's Holding as the settlors of Nian's Brother Trust.
- Chim Wai Kong is also one of the beneficiaries of the Nian's Brother Trust, he is deemed to be interested in 159,600,000 Shares indirectly held by Nian's Holding.
- Chim Wai Shing Jackson is also one of the beneficiaries of the Nian's Brother Trust, he is deemed to be interested in 113,400,000 Shares indirectly held by Nian's Holding.
- Chim Fo Che, an executive Director, is one of the beneficiaries of the Nian's Brother Trust. He is therefore deemed to be interested in the 54,600,000 Shares indirectly held by Nian's Holding.
- Hong Ming Qu, an executive Director, is one of the beneficiaries of the Nian's Brother Trust. He is therefore deemed to be interested in the 18,900,000 Shares indirectly held by Nian's Holding.

(ii) *Short positions in Shares*

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Approximately percentage of issued Shares</u>
Chim Wai Kong . . . . .	Settlor of trust (Note 1)	36,000,000	4.5%
	Beneficiary of trust (Note 2)	13,680,000	1.71%
Chim Wai Shing Jackson .	Settlor of trust (Note 1)	36,000,000	4.5%
	Beneficiary of trust (Note 3)	9,720,000	1.215%
Chim Fo Che . . . . .	Beneficiary of trust (Note 4)	4,680,000	0.585%
Hong Ming Qu . . . . .	Beneficiary of trust (Note 5)	1,620,000	0.203%

Notes:

- Chim Wai Kong and Chim Wai Shing Jackson, both being executive Directors, are the settlors of the Nian's Brother Trust, and deemed to be interested in the Shares indirectly held by Nian's Holding, out of which, 36,000,000 Shares are subject to the Stock Borrowing Agreement.
- Chim Wai Kong is also one of the beneficiaries of Nian's Brother Trust, he is deemed to be interested in the Shares indirectly held by Nian's Holding, out of which 13,680,000 Shares are subject to the Stock Borrowing Agreement.
- Chim Wai Shing Jackson is also one of the beneficiaries of the Nian's Brother Trust, he is deemed to be interested in the Shares indirectly held by Nian's Holding, out of which, 9,720,000 Shares are subject to the Stock Borrowing Agreement.
- Chim Fo Che, an executive Director, is one of the beneficiaries of the Nian's Brother Trust. He is therefore deemed to be interested in the 54,600,000 Shares indirectly held by Nian's Holding, out of which, 4,680,000 Shares are subject to the Stock Borrowing Agreement.
- Hong Ming Qu, an executive Director, is one of the beneficiaries of the Nian's Brother Trust. He is therefore deemed to be interested in the 18,900,000 Shares indirectly held by Nian's Holding, out of which, 1,620,000 Shares are subject to the Stock Borrowing Agreement.

(b) *Long position in the shares of associated corporations*(i) *Nian's Holding (Note 1)*

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of shares</u>	<u>Approximately percentage of issued shares</u>
Chim Wai Kong . . . . .	Settlor of trust (Note 2)	5,760	100%
	Beneficiary of trust (Note 3)	2,189	38%
Chim Wai Shing Jackson .	Settlor of trust (Note 2)	5,760	100%
	Beneficiary of trust (Note 4)	1,555	27%
Chim Fo Che . . . . .	Beneficiary of trust (Note 5)	749	13%
Hong Ming Qu . . . . .	Beneficiary of trust (Note 6)	259	4.5%

*Notes:*

1. Nian's Holding is the beneficial owner of 52.5% of the shareholding of the Company.
2. The entire interest of Nian's Holding is wholly owned by Nian's Investment, whose only issued share in turn is held by JMJ Holdings Limited as a nominee in favour of RBS Coutts Trust (Switzerland) Ltd. for the purpose of establishing the Nian's Brother Trust. RBS Coutts Trust (Switzerland) Ltd. is the trustee of Nian's Brother Trust. Nian's Brother Trust is a discretionary trust set up by Chim Wai Kong and Chim Wai Shing Jackson, both being executive Directors, for the benefit of their family members. Each of Chim Wai Kong and Chim Wai Shing Jackson is therefore deemed to be interested in the entire issued capital of Nian's Holding as the settlor of the Nian's Brother Trust.
3. Chim Wai Kong is also one of the beneficiaries of the Nian's Brother Trust, he is deemed to be interested in 2,189 shares of Nian's Holding.
4. Chim Wai Shing Jackson is also one of the beneficiaries of the Nian's Brother Trust, he is deemed to be interested in 1,555 shares of Nian's Holding.
5. Chim Fo Che, an executive Director, is one of the beneficiaries of the Nian's Brother Trust. He is therefore deemed to be interested in the 749 shares of Nian's Holding.
6. Hong Ming Qu, an executive Director, is one of the beneficiaries of the Nian's Brother Trust. He is therefore deemed to be interested in the 259 shares of Nian's Holding.



(ii) *Nian's Investment (Note 1)*

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of shares</u>	<u>Approximately percentage of issued shares</u>
Chim Wai Kong . . . .	Settlor of trust ( <i>Note 2</i> )	1	100%
	Beneficiary of trust ( <i>Note 3</i> )	0.38	38%
Chim Wai Shing Jackson. . . . .	Settlor of trust ( <i>Note 2</i> )	1	100%
	Beneficiary of trust ( <i>Note 4</i> )	0.27	27%
Chim Fo Che . . . . .	Beneficiary of trust ( <i>Note 5</i> )	0.13	13%
Hong Ming Qu . . . . .	Beneficiary of trust ( <i>Note 6</i> )	0.05	4.5%

*Notes:*

1. Nian's Investment is the holding company of Nian's Holding, which in turn holds 52.5% shareholding in the Company.
2. The entire interest of Nian's Investment is held by JMJ Holdings Limited as a nominee in favour of RBS Coutts Trust (Switzerland) Ltd. for the purpose of establishing the Nian's Brother Trust. RBS Coutts Trust (Switzerland) Ltd. is the trustee of Nian's Brother Trust. Nian's Brother Trust is a discretionary trust set up by Chim Wai Kong and Chim Wai Shing Jackson, both being executive Directors, for the benefit of their family members. Each of Chim Wai Kong and Chim Wai Shing Jackson is therefore deemed to be interested in the entire issued capital of Nian's Investment as the settlor of the Nian's Brother Trust.
3. Chim Wai Kong is also one of the beneficiaries of the Nian's Brother Trust, he is deemed to be interested in 0.38 share of Nian's Investment.
4. Chim Wai Shing Jackson is also one of the beneficiaries of the Nian's Brother Trust, he is deemed to be interested in 0.27 share of Nian's Investment.
5. Chim Fo Che, an executive Director, is one of the beneficiaries of the Nian's Brother Trust. He is therefore deemed to be interested in the 0.13 share of Nian's Investment.
6. Hong Ming Qu, an executive Director, is one of the beneficiaries of the Nian's Brother Trust. He is therefore deemed to be interested in the 0.05 share of Nian's Investment.

Save as disclosed above, so far as the Directors are aware, none of the Directors or chief executive of the Company will immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme) have any Discloseable Interest (as defined above).

## 2. Substantial shareholder and persons who have an interest or short position discloseable under Division 2 and 3 of Part XV of SFO

So far as the Directors are aware, immediately following completion of the Global Offering and Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme), other than the Directors whose interest are disclosed under the sub-paragraph headed “Interests and short positions of Directors and chief executives in the Shares, underlying shares and debentures of the Company and its associated corporations” above, the following persons will have an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the 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 the Company:

### (a) Long position in Shares

<u>Name of Shareholder</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Approximately percentage of issued Shares</u>
Nian’s Holding . . . . .	Beneficial owner	420,000,000	52.50%
Nian’s Investment ( <i>Note 1</i> )	Interest of controlled corporation	420,000,000	52.50%
JMJ Holdings Limited . . .	Interest of controlled corporation ( <i>Note 2</i> )	420,000,000	52.50%
RBS Coutts Trustees (Switzerland) Ltd. . . . .	Trustee ( <i>Note 2</i> )	420,000,000	52.50%
Chim Wai Kong . . . . .	Settlor of trust ( <i>Note 3</i> )	420,000,000	52.50%
Chim Wai Shing Jackson .	Settlor of trust ( <i>Note 4</i> )	420,000,000	52.50%
Pre-IPO Investor . . . . .	Beneficial owner	80,000,000	10.00%
Modern Creative ( <i>Note 5</i> ) .	Interest of controlled corporation	80,000,000	10.00%
Liu Shu Fa . . . . .	Interest of controlled corporation and family interest	80,000,000	10.00%
Wang Juan . . . . .	Interest of controlled corporation and family interest	80,000,000	10.00%

*Notes:*

1. Nian’s Holding is a wholly-owned subsidiary of Nian’s Investment. For the purpose of Part XV of the SFO, Nian’s Investment is therefore deemed to be interested in the Shares held by Nian’s Holding.

2. The entire interest of Nian's Investment is held by JMJ Holdings Limited as a nominee in favour of RBS Coutts Trust (Switzerland) Ltd. for the purpose of establishing the Nian's Brother Trust. RBS Coutts Trust (Switzerland) Ltd. is the trustee of Nian's Brother Trust. For the purpose of Part XV of the SFO, JMJ Holdings Limited and RBS Coutts Trustees (Switzerland) Ltd. are deemed to be interested in the Shares indirectly held by Nian's Investment.
3. Chim Wai Kong is one of the two settlors of Nian's Brother Trust, which is a discretionary trust set up for the benefit of his family members. For the purpose of Part XV of the SFO, Chim Wai Kong is deemed to be interested in the Shares held indirectly by Nian's Investment.
4. Chim Wai Shing Jackson is one of the two settlors of Nian's Brother Trust, which is a discretionary trust set up for the benefit of his family members. For the purpose of Part XV of the SFO, Chim Wai Shing Jackson is deemed to be interested in the Shares indirectly held by Nian's Investment.
5. The Pre-IPO Investor is a wholly-owned subsidiary of Modern Creative. For the purpose of Part XV of the SFO, Modern Creative is therefore deemed to be interested in the Shares held by the Pre-IPO Investor. Modern Creative is owned by Liu Shu Fa as to 50% and Wang Juan as to 50%. Liu Shu Fa is the spouse of Wang Juan. Liu Shu Fa and Wang Juan are deemed to be interested in the Shares held by each other.

(b) *Short position in Shares*

<u>Name of Shareholder</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Approximately percentage of issued shares</u>
Nian's Holding ( <i>Note 1</i> ) . .	Beneficial owner	36,000,000	4.5%
Nian's Investment ( <i>Note 2</i> )	Short position of controlled corporation	36,000,000	4.5%
JMJ Holdings Limited ( <i>Note 3</i> ) . . . . .	Short position of controlled corporation	36,000,000	4.5%
RBS Coutts Trustees (Switzerland) Ltd. ( <i>Note 3</i> ) . . . . .	Trustee	36,000,000	4.5%
Chim Wai Kong ( <i>Note 4</i> ) .	Settlor of trust	36,000,000	4.5%
Chim Wai Shing Jackson ( <i>Note 5</i> ) . . . . .	Settlor of trust	36,000,000	4.5%

Notes:

1. Nian's Holding has entered into the Stock Borrowing Agreement with Guotai Junan Securities (Hong Kong) Limited on 7 June 2010, pursuant to which Nian's Holding agreed to lend up to 36,000,000 Shares to Guotai Junan Securities (Hong Kong) Limited, representing 4.5% of the issued share capital of the Company immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme).

2. Nian's Holding is a wholly-owned subsidiary of Nian's Investment. For the purpose of Part XV of the SFO, Nian's Investment is therefore deemed to be interested in the Shares held by Nian's Holding, and which are subject to the Stock Borrowing Agreement.
3. The entire interest of Nian's Investment is held by JMJ Holdings Limited as a nominee in favours of RBS Coutts Trust (Switzerland) Ltd. for the purpose of establishing the Nian's Brother Trust. RBS Coutts Trust (Switzerland) Ltd. is the trustee of Nian's Brother Trust. For the purpose of Part XV of the SFO, JMJ Holdings Limited and RBS Coutts Trustees (Switzerland) Ltd. are deemed to be interested in the Shares indirectly held by Nian's Investment, and which are subject to the Stock Borrowing Agreement.
4. Chim Wai Kong is one of the two settlors of Nian's Brother Trust, which is a discretionary trust set up for the benefit of his family members. For the purpose of Part XV of the SFO, Chim Wai Kong is deemed to be interested in the Shares held indirectly by Nian's Investment, and which are subject to the Stock Borrowing Agreement.
5. Chim Wai Shing Jackson is one of the two settlors of Nian's Brother Trust, which is a discretionary trust set up for the benefit of his family members. For the purpose of Part XV of the SFO, Chim Wai Shing Jackson is deemed to be interested in the Shares indirectly held by Nian's Investment, and which are subject to the Stock Borrowing Agreement.

Save as disclosed above, the Directors are not aware of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), have a notifiable interest or short position in Shares or, underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, 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 any other member of the Group.

#### **D. FURTHER INFORMATION ABOUT THE DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS**

##### **1. Particulars of service contracts**

- (a) Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date and may be terminated by not less than three months' prior notice in writing served by either party on the other.

The annual basic salary payable to each of the executive Directors is as follow:

	<u>HK\$</u>
<b>Executive Directors</b>	
Chim Wai Kong . . . . .	1,500,000
Chim Wai Shing Jackson . . . . .	1,200,000
Chim Fo Che . . . . .	300,000
Hong Ming Qu . . . . .	600,000

The basic salary of each of the executive Directors will be reviewed by the Board on an annual basis.

Under their respective service contracts, each of the executive Directors is entitled to a discretionary year-end bonus of an amount to be determined by the Board and approved by the remuneration committee.

Each of the executive Directors will also be entitled to reimbursement of reasonable traveling hotel, entertainment and other expenses properly incurred in the performance of his duties under the relevant service contract.

- (b) Each of the non-executive and independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing on the Listing Date and may be terminated by giving three months' notice in writing thereof by either party to the other.

The annual fees payable to each of the non-executive and independent non-executive Directors is as follows:

	<u>HK\$</u>
<b>Non-executive Director</b>	
Wee Kok Keng . . . . .	150,000
<b>Independent Non-executive Directors</b>	
Wong Siu Hong . . . . .	150,000
Zhu Min Ru . . . . .	150,000
Feng Xue Ben. . . . .	150,000

Each of the non-executive and independent non-executive Directors will also be entitled to reimbursement of traveling expenses properly incurred in the performance of his/her duties under the relevant appointment letter.

## 2. Directors' remuneration

Remuneration and benefits in kind of approximately RMB378,000, RMB328,000 and RMB762,000 in aggregate were paid and granted by the Group to the Directors in respect of the financial years ended 31 December 2007, 2008 and 2009 respectively.

Under the current arrangements, the aggregate remuneration and benefits in kind which the Directors including independent non-executive Directors are entitled to receive for the financial year ending 31 December 2010, excluding the discretionary bonuses payable to the executive Directors, is expected to be approximately HK\$2.5 million.

## 3. Fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed in the paragraph headed "Consents of experts" in this Appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue of sale of any capital of any member of the Group from the Group within the two years preceding the date of this prospectus.

**4. Personal guarantees**

Some shareholders of Xinhua Company and their respective associates had provided guarantees in favour of certain banks for banking facilities granted to certain members of the Group and guarantees in favour of certain banks for the obligations of certain members of the Group under the relevant loan agreements. The Directors have confirmed that such guarantees had already been released as at the Latest Practicable Date.

**E. DISCLAIMERS**

Save as disclosed in this prospectus:

- (a) none of the Directors nor any of the parties listed in the paragraph headed “Consents of experts” in the section headed “Other Information” of this Appendix is interested in the promotion of the Company, 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 any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (b) none of the Directors nor any of the parties listed in the paragraph headed “Consents of experts” in the section headed “Other Information” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;
- (c) save for the Underwriting Agreements, none of the parties listed in the paragraph headed “Consents of experts” in the section headed “Other Information” of this Appendix:
  - (i) is interested legally or beneficially in any of the Shares or any shares in any of the Company’s subsidiaries; or
  - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribed for the securities of the Company;
- (d) none of the Directors or their associates has any interest in the Group’s five largest suppliers or the Company’s top five business customers; and
- (e) none of the Directors is interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the Group’s business.

**F. SHARE OPTION SCHEME****(A) Summary of terms**

The following is a summary of principal terms of the Share Option Scheme.

1. *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to provide incentives or rewards to any full-time or part-time employee, officer, agent, consultant or representative of the Company or any member of the Group (including any executive, non-executive and independent non-executive directors) who satisfies the criteria set out in Clause 2 below (the “**Participants**”) for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are available to the Group.

- (a) The Share Option Scheme will give the Participants an opportunity to have a personal stake in the Company and will help achieving the following objectives:
  - (i) motivate the Participants to optimise their performance and efficiency; and
  - (ii) attract and retain the Participants whose contributions are important to the long-term growth and profitability of the Group.

2. *Who may join and basis of eligibility*

- (a) The basis of eligibility of any Participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of the Participant’s contribution or potential contribution to the development and growth of the Group.
- (b) The Board may, at its absolute discretion and on such conditions as it may think fit, grant, a Participant options to subscribe at a price calculated in accordance with paragraph 3 below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

3. *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to each Participant and shall be at least the higher of: (a) 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; (b) the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five (5) business days immediately preceding the date of grant of the option; and (c) the nominal value of a Share. For the purpose of calculating the subscription price of a Share where the Company has been listed for less than five (5) business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.

4. *Acceptance of offers*

- (a) An offer shall be made to a Participant on a business day by letter in such form as the Board may from time to time determine, requiring the Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by

the provisions of the Share Option Scheme and shall remain open for acceptance by the Participant concerned for a period of 28 days from the offer date (inclusive of the offer date).

- (b) An offer for the grant of options shall remain open for acceptance by the Participant for a period of 28 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.00.
- (c) Any offer may be accepted or deemed to have been accepted in respect of less than the number of Shares to which it is offered, provided that it is accepted in respect of such number of Shares representing a board lot or an integral multiple thereof and such number is clearly stated in the duplicate letter and accepted by the grantee in the manner specified in paragraph 4(b) above.
- (d) No offer shall be made after a price sensitive event of the Group has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:
  - (i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
  - (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, no option may be granted. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

5. *Maximum number of Shares*

- (a) Subject to sub-paragraph (b) and (c) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company and/or any subsidiary during a period of ten years commencing on the adoption date of the Share Option Scheme (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company and/or any subsidiary) must not in aggregate exceed 10% (which will be 80,000,000 Shares, without taking into account any Shares which may be issued upon exercise of the Over-allotment Option) of the Shares in issue as at the date of commencement of the listing of Shares on the Stock Exchange.



- (b) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting 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 schemes of the Company and/or any subsidiary must not exceed 10% of the Shares in issue at the date of such Shareholders' approval of the limit. Options previously granted under the Share Option Scheme or any other share option schemes of the Company and/or any subsidiary (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company and/or any subsidiary or exercised options) will not be counted for the purpose of calculating the 10% limit as "refreshed". A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.
- (c) The Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to Participants specifically identified by the Company before such Shareholders' approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of the specified persons who may be granted such options, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, and such other information required under the Listing Rules.
- (d) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option share option schemes of the Company and/or any subsidiary must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.

6. *Maximum entitlement of each Eligible Person*

The total number of Shares issued and to be issued upon exercise of options granted to each Participant (including both exercised and outstanding options) under the Share Option Scheme and any other share option schemes of the Company and/or any subsidiary in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options to a Participant resulting in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant in aggregate over 1% of the Shares in issue must be separately approved by Shareholders in general meeting with such Participant and his associates abstaining from voting. In such event, the Company must send a circular to the Shareholders containing the identity of the Participant, the number and terms of the options to be granted (and options previously granted to such Participant), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted

must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

7. *Grant of options to certain connected persons*

- (a) Any grant of an option to a Director, chief executive or Substantial Shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (b) Where any grant of options to a Substantial Shareholder of the Company or an independent non-executive Director or any of their respective associates will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercise, cancelled and outstanding) to such person under the Share Option Scheme and any other share option schemes of the Company and/or any subsidiary in the 12-month period up to and including the date of grant.
  - (i) representing in aggregate over 0.1% of the Shares in issue; and
  - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by Shareholders in general meeting of the Company, with voting to be taken by way of poll. The Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of the Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

8. *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Board to each grantee in the offer, which shall not in any event exceed ten years from the date of grant.

9. *Performance targets*

Save as determined by the Board in its absolute discretion and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

10. *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distribution paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment.

11. *Rights are personal to grantee*

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option (where the grantee is a company, any change of its major shareholder or any substantial change in its management will be deemed to be a sale or transfer of interest aforesaid).

12. *Rights on cessation of employment by death*

In the event of the death of the grantee occurs before the exercise of the options in full (provided that none of the events which would be a ground for termination of employment referred to in paragraph 13 below arises within a period of three (3) years prior to his or her death), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of twelve (12) months following his death provided that where any of the events referred to in paragraphs 16, 17 and 18 occurs prior to his death or within such period of six (6) months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

13. *Rights on cessation of employment by dismissal*

In the event that the grantee is an employee, officer, agent, consultant or representative of the Group (including any executive, non-executive and independent non-executive director) at the date of grant and he subsequently ceases to be an employee, officer, agent, consultant or representative of the Group (including any executive, non-executive and independent non-executive director) by reason of the termination of his employment, office, agency, consultancy or representation on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer or principal would be entitled to terminate his employment, office, agency, consultancy or representation at common law or pursuant to any applicable laws or under the grantee's service contract, terms of office, or agency, consultancy or representation agreement or arrangement with the Group, his option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date of cessation of his employment, office, agency, consultancy or representation with the Group.

14. *Rights on cessation of employment for other reasons*

In the event that the grantee is an employee, officer, agent, consultant or representative of the Group (including any executive, non-executive and independent non-executive director) when an offer is made to him and he subsequently ceases to be an employee, officer, agent, consultant or representative of the Group (including any executive, non-executive and independent non-executive director) for any reason other than his death or the termination of his employment, office, agency, consultancy or representation on one or more of the grounds specified in paragraph 13 above, the option (to the extent not already exercised) shall lapse on the date of such cessation (which date will be the last actual working day with the Company or the relevant member of the Group whether salary is payment in lieu of notice is made or not (if applicable)).

15. *Effects of alterations to share capital*

In the event of a capitalisation issue, rights issue, subdivision or consolidation of shares or reduction of capital of the Company, such corresponding adjustments (if any) shall be made in (i) the number of Shares subject to the Share Option Scheme, (ii) the number of Shares subject to the options so far as unexercised; and/or (iii) the subscription price in relation to each outstanding option; as the auditors or financial adviser of the Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplemental guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to the share option schemes (the “Supplemental Guidance”).

Any such alteration will be made on the basis that a grantee shall have the same proportion of the issued share capital of the Company (as interpreted in accordance with the Supplemental Guidance) for which any grantee of any option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on the full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such alteration. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance regarding any such alterations. Any adjustment to be made will comply with the Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

16. *Rights on a general offer*

In the event of a general offer (whether by way of takeover offer, merger, privatisation proposal by scheme of arrangement between the Company and the Shareholders or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one (1) month after the date on which the offer becomes or is declared unconditional.

17. *Rights on winding-up*

In the event a notice is given by the Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to the Shareholders give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two (2) business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

18. *Rights on compromise or arrangement*

In the event of a compromise or arrangement between the Company and the Shareholders or its creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company pursuant to the Companies Law, the Company shall give notice thereof to all the grantees (or as the case may be, his legal personal representative(s)) on the same day as it gives notice of the meeting to the Shareholders or its creditors to consider such a compromise or arrangement and the options shall become exercisable on such date until the earlier of two (2) months after that date and the date on which such compromise or arrangement is sanctioned by the court of the Cayman Islands and becomes effective.

19. *Lapse of options*

An option shall lapse automatically and not be exercisable on the earliest of:

- (a) the expiry of the period referred to in paragraph 8 above;
- (b) the date on which the grantee commits a breach of paragraph 11 above;
- (c) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs 12, 16, 17 and 18 above; and
- (d) subject to paragraph 17 above, earlier of: (i) the close of business on the second business day prior to the general meeting referred to paragraph 17 above and (ii) the date of the commencement of the winding-up of the Company;
- (e) in the event of paragraph 13 above, the date on which the grantee ceases his employment, office, agency, consultancy or representation with the Group; and

- (f) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty.

20. *Cancellation of options granted but not yet exercised*

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

21. *Period of the Share Option Scheme*

The Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the date on which the Share Option Scheme is adopted by written resolution of the Shareholders and shall expire at the close of business on the day preceding the tenth anniversary thereof unless terminated earlier by the Shareholders by resolution in general meeting.

22. *Alteration to the Share Option Scheme*

- (a) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees or prospective grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior sanction of the Shareholders by a resolution in general meeting provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction such majority of the grantees as would be required of the Shareholders under the articles of association of the Company for a variation of the rights attached to the Shares.
- (b) Any alterations to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (c) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

23. *Termination to the Share Option Scheme*

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

#### 24. *Conditions of the Share Option Scheme*

The Share Option Scheme shall take effect subject to and is conditional upon (a) the passing of the necessary resolution in waiting to adopt the Share Option Scheme by the Shareholders; (b) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in any Shares which may fall to be issued pursuant to the exercise of any options under the Share Option Scheme; and (c) the commencement of the listing of the Shares on the Stock Exchange.

#### **(B) Present status of the Share Option Scheme**

The Share Option Scheme shall take effect subject to and is conditional upon (a) the passing of the necessary resolution to adopt the Share Option Scheme by the Shareholders in general meeting and (b) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in any Shares which may fall to be issued pursuant to the exercise of any options under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options granted under 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.

### **G. OTHER INFORMATION**

#### **1. Deed of indemnity**

##### *Indemnities*

Nian's Investment, Nian's Holding, Gerfalcon Holding, Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che, Hong Ming Qu, Nian Wei Deng, Hong Lian Qiao, Hui Cheung Mau, and Sze Fo Chau (collectively, the "Indemnifiers") have entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in the section headed "Summary of material contracts" in this appendix) to provide (conditional on the Global Offering becoming unconditional in accordance with the paragraph headed "Conditions of the Global Offering" under the section headed "Structure of the Global Offering" in this prospectus on or before the date as stated therein) indemnities on a joint and several basis in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of the Group by virtue of any transfer of property (within the meaning of section 35 or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any law equivalent or similar thereto under the laws of any jurisdiction outside Hong Kong) on or before the Listing Date;

- (b) any tax liabilities which might be payable by any member of the Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued or received or deemed to have been earned, accrued or received on or before the Listing Date;
- (c) any amount of surtaxes and penalties imposed on any member of the Group relating to enterprise income tax liability or any tax obligations under the relevant PRC laws and regulations in relation to any matters occurring on or before the Listing Date; and
- (d) any fines, penalties, losses, damages, liabilities, fees, costs (including but not limited to relocation costs), expenses, demands, claims, proceedings, actions (including without limitation any legal costs) and taxation which any member of the Group may suffer, sustain or incur or which may be commenced, brought or instituted against any member of the Group arising in connection with the disposal of the buildings numbered 2, 3, 4, 5, 23, 30 and 33 located at Xinhua Industrial Garden, Niancuopu, Longhu Town, Jinjiang City, Fujian Province, the PRC and all other losses and damages suffered by any member of the Group in connection with title defects thereof.

The Indemnifiers will, however, not be liable under the deed of indemnity:

- (i) to the extent that full provision has been made for such claims in the audited combined accounts of the Company and its subsidiaries as set out in Appendix I to this prospectus or the audited accounts of the relevant member of the Group for the three years ended 31 December 2009 (the “**Accounts**”);
- (ii) for the liability falling on any member of the Group as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in respect of any accounting period commencing on or after 1 January 2010 unless such liability would not have arisen but for some act or omission or transactions entered into by the Indemnifiers or any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets;
- (iii) to the extent that such taxation arise(s) or is/are incurred as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the tax authorities of the PRC or any authority in any other part of the world coming into force after the date hereof or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date hereof with retrospective effect; and to the extent that the liability falling on any member of the Group arise(s) or is/are incurred as a consequence of any retrospective change in the law or the interpretation or practice thereof in any other part of the world coming into force after the date hereof;



- (iv) to the extent of any provision or reserve made for such claims in the Accounts which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant to this paragraph to reduce the Indemnifiers' liability in respect of such claims shall not be available in respect of any such liability arising thereafter; and
- (v) to the extent that such liability is discharged by another person who is not a member of the Group and that no member of the Group is required to reimburse such person in respect of the discharge of the liability.

## **2. Litigation**

As at the Latest Practicable Date, none of the members of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any of our members.

## **3. Sponsor**

Guotai Junan Capital Limited, being the sole sponsor to the Listing, has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in the Offer Shares and the Shares which may be issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made enabling the securities to be admitted to CCASS.

## **4. Preliminary expenses**

The estimated preliminary expenses of the Company are approximately HK\$55,000 and are payable by the Company.

## **5. Promoter**

There are no promoters of the Company and no cash, securities or other benefit has been paid, allotted or given, or proposed to be paid, allotted or given, to any promoters within two years preceding the date of this prospectus.

**6. Qualifications of experts**

The qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who have given their opinions or advice in this prospectus are as follows:

<u>Name</u>	<u>Qualification</u>
Guotai Junan Capital Limited . . . . .	Licensed under the SFO to engage in type 6 (advising on corporate finance) regulated activities under the SFO
RSM Nelson Wheeler. . . . .	Certified public accountants
Jones Lang LaSalle Sallmanns Limited. . . . .	Professional surveyors and valuers
King & Wood. . . . .	Qualified PRC legal adviser
Appleby. . . . .	Cayman Islands attorneys-at-law

**7. Consents of experts**

Each of the experts referred to in paragraph 6 has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or legal opinion and/or the references to their names included herein in the form and context in which they are respectively included.

As at the Latest Practicable Date, none of the experts referred to in paragraph 6 has any shareholding interests in any members of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group.

**8. Binding effect**

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

**9. Bilingual prospectus**

Pursuant to Rule 11.14 of the Listing Rules and section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time.

**10. Particulars of the Selling Shareholder**

Particulars of the Selling Shareholder are as follows:

<u>Name</u>	<u>No. of sale shares</u>	<u>Description</u>	<u>Registered office and Correspondence address</u>
Headwell Investments Limited	40,000,000	The Pre-IPO Investor	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands  19/F, Des Voeux Commercial Centre, 212–214 Des Voeux Road Central, Hong Kong

**11. Miscellaneous**

- (a) Save as disclosed in this prospectus:
- (i) within the two years immediately preceding the date of this prospectus, no share or loan capital of the Company or any of the Company's subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) within the two years immediately preceding the date of this prospectus, no share or loan capital of the Company or any of the Company's subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) neither the Company nor any of the Company's subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
  - (iv) none of equity or debt securities of any members of the Group is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
  - (v) the Company have no outstanding convertible debt securities or debentures;
  - (vi) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages fee or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of the Company's subsidiaries; and
  - (vii) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in the Company or any of the Company's subsidiaries.
- (b) All necessary arrangements have been made enabling the securities to be admitted into CCASS.

- (c) Save as disclosed in the Accounts' Report in Appendix I to this prospectus, the Company or any of the Company's subsidiaries has no material mortgage or charge.
- (d) There has been no material adverse change in the financial position or prospects of the Group in the twelve (12) months immediately preceding the date of this prospectus.
- (e) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid, allotted or given or are proposed to be paid, allotted or given to the promoter named above in connection with the Global Offering and the related transactions described in this prospectus.