

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act on 18 August 2010.

As our Company was incorporated in Bermuda, we operate subject to the relevant laws and regulations of Bermuda and our constitution which comprises a memorandum of association and the Bye-Laws. A summary of the relevant laws and regulations of Bermuda and of our Company's constitution is set out in Appendix V to this prospectus.

2. Changes in share capital of our Company*(a) Increase in authorised share capital*

- (i) As of the date of incorporation of our Company, the authorised share capital was HK\$200,000 divided into 2,000,000 Shares having a par value of HK\$0.10 each. On 1 September 2010, one Share was allotted and issued, nil paid, to Mr. Hu Zheng. The one nil-paid Share referred to in this paragraph was subsequently paid up in the manner described in paragraph 4 below.
- (ii) The authorised share capital of our Company was increased from HK\$200,000 to HK\$100,000,000 by the creation of 998,000,000 new Shares pursuant to a resolution passed by all Shareholders referred to in paragraph 3 below.
- (iii) Immediately following completion of the Global Offering and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and upon the exercise of the Over-allotment Option, our authorised share capital will be HK\$100,000,000 divided into 1,000,000,000 Shares, of which 500,000,000 Shares will be issued fully paid or credited as fully paid, and 500,000,000 Shares will remain unissued.
- (iv) Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our 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 us.

Save as disclosed herein and in the paragraphs headed "Resolutions in writing of all Shareholders passed on 4 March 2011 and 9 March 2011" and "Group Reorganisation" of this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of all Shareholders passed on 4 March 2011 and 9 March 2011

By resolutions in writing of all the Shareholders passed on 4 March 2011 and 9 March 2011:

- (a) we approved and adopted the Bye-Laws;
- (b) the authorised share capital of our Company was increased from HK\$200,000 to HK\$100,000,000 by the creation of 998,000,000 new Shares;
- (c) conditional on (aa) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, (bb) the Offer Price having been determined; and (cc) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
 - (i) the Global Offering and the grant of the Over-allotment Option by our Company were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” of this Appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
 - (iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise HK\$37,300,000 standing to the credit of the share premium account of our Company by applying that sum in paying up in full at par 373,000,000 Shares for allotment and issue to the holders of Shares whose names appear on the register of members of our Company at the close of business on 5 March 2011 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;
 - (iv) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Bye-Laws, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation

Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in subparagraph (vi) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Bye-Laws, the Companies Act or any applicable Bermuda law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed or recognised by the SFC and the Stock Exchange for this purpose with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of our share capital in issue immediately following the completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Bye-Laws, the Companies Act or any applicable Bermuda law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and
- (vi) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

4. Group Reorganisation

The companies comprising our Group underwent a Reorganisation to rationalise our Group’s structure in preparation for the listing of the Shares on the Stock Exchange, which involved the following:

- (a) On 5 July 2010, Zheng Ye (BVI) was incorporated in the BVI as a BVI business company with 50,000 authorised shares of US\$1.00 each. On 30 September 2010, an aggregate of 1,000 shares of US\$1.00 each were allotted and issued as fully paid at par by Zheng Ye (BVI), as to 510 shares to Hu Zheng Investment, 250 shares to Hu Hancheng Investment, 200 shares to Hu Hanchao Investment and 40 shares to Hu Hanxiang Investment;
- (b) on 18 August 2010, our Company was incorporated in Bermuda under the Companies Act as an exempted company with an authorised share capital of HK\$200,000 divided into 2,000,000 Shares. On 1 September 2010, one Share was allotted and issued, nil paid, to Mr. Hu Zheng;
- (c) on 31 January 2011, Zheng Ye (BVI) acquired an aggregate of 100 shares of par value of HK\$100 each in Zheng Ye International as to 70 shares from Mr. Hu Zheng and the remaining 30 shares from Mr. Hu Hanchao respectively, representing the entire issued share capital of Zheng Ye International, in consideration of and in exchange for which Zheng Ye (BVI) allotted and issued, credited as fully paid, an aggregate of 9,000 shares of

US\$1.00 each in its capital, at the direction of Mr. Hu Zheng and Mr. Hu Hanchao, as to 4,590 shares to Hu Zheng Investment, 2,250 shares to Hu Hancheng Investment, 1,800 shares to Hu Hanchao Investment and 360 shares to Hu Hanxiang Investment; and

- (d) on 4 March 2011, our Company acquired from Hu Zheng Investment, Hu Hancheng Investment, Hu Hanchao Investment and Hu Hanxiang Investment an aggregate of 10,000 shares of US\$1.00 each in the share capital of Zheng Ye (BVI), being its entire issued share capital, in consideration of and in exchange for which our Company, (i) allotted and issued, credited as fully paid, an aggregate of 1,999,999 Shares, as to 1,019,999 Shares to Hu Zheng Investment, 500,000 Shares to Hu Hancheng Investment, 400,000 Shares to Hu Hanchao Investment and 80,000 Shares to Hu Hanxiang Investment; and (ii) credited as fully paid at par one nil paid Share then held by Mr. Hu Zheng. On the same day, Mr. Hu Zheng transferred his one Share to Hu Zheng Investment at nil consideration.

Upon completion of the Reorganisation, our Company became the holding company of our Group.

5. Changes in share capital of our subsidiaries

Our subsidiaries are listed in the accountants' report set out in Appendix I to this prospectus.

In addition to the alterations described in paragraph 4 above, the following alterations in the share capital of each of our Company's subsidiaries took place within the two years immediately preceding the date of this prospectus:

- (a) on 10 September 2010, Zheng Ye Packaging (He Fei) was established as a limited liability company under the laws of the PRC with a registered capital of RMB10,000,000. The entire equity interest in Zheng Ye Packaging (He Fei) was wholly owned by Zheng Ye Packaging (Zhongshan) on its establishment; and
- (b) on 28 October 2010, the authorised share capital of Yong Fa Paper was increased from HK\$20,000,000 to HK\$31,500,000 following its merger by absorption with Zhong Tang Shi Ye as more particularly described in "Corporate history, development and reorganisation — Overview" of this Prospectus.

Save as disclosed herein and in paragraph 4 above, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Further information about our Group's PRC establishments

Our Group has interest in the entire registered capital of each the following six enterprises established in the PRC. A summary of the corporate information of these enterprises as at the Latest Practicable Date are set out as follows:

(a) Yong Fa Paper

- | | |
|------------------------------------------|--------------------------------------------------------------------------------------------------------|
| (i) Name of the enterprise: | 中山永發紙業有限公司 (Zhongshan Yong Fa Paper Industry Company Limited) |
| (ii) Economic nature: | Wholly foreign-owned enterprise |
| (iii) Registered owner: | Zheng Ye International |
| (iv) Total investment: | HK\$31,500,000 |
| (v) Registered capital: | HK\$31,500,000 |
| (vi) Attributable interest to our Group: | 100% |
| (vii) Term of operation: | From 26 November 2003 to 23 November 2018 |
| (viii) Principal scope of business: | manufacturing and sale of paper, paperboard and other paper-based products (生產和銷售紙、紙板及其他 紙製品) |

(b) Zheng Ye Packaging (Zhongshan)

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|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (i) Name of the enterprise: | 正業包裝(中山)有限公司 (Zheng Ye Packaging (Zhongshan) Company Limited) |
| (ii) Economic nature: | Wholly foreign-owned enterprise |
| (iii) Registered owner: | Zheng Ye International |
| (iv) Total investment: | HK\$12,000,000 |
| (v) Registered capital: | HK\$12,000,000 |
| (vi) Attributable interest to our Group: | 100% |
| (vii) Term of operation: | From 25 August 2003 to 24 August 2018 |
| (viii) Principal scope of business: | manufacturing and operating of paper- based packaging products, packaging related business and printing of decorative packaging products (生產 經營紙類包裝製品及包裝裝潢印刷品印 刷) |

(c) Zheng Ye Alliance Packaging

- (i) Name of the enterprise: 中山正業聯合包裝有限公司 (Zhongshan Zheng Ye Alliance Packaging Company Limited)
- (ii) Economic nature: Wholly foreign-owned enterprise
- (iii) Registered owner: Zheng Ye International
- (iv) Total investment: RMB14,000,000
- (v) Registered capital: RMB10,000,000
- (vi) Attributable interest to our Group: 100%
- (vii) Term of operation: From 21 August 2006 to 20 August 2021
- (viii) Principal scope of business: manufacturing and sale of paper-based packaging products and printing of decorative packaging products (生產和銷售紙類包裝製品, 包裝裝潢印刷品印刷)

(d) Zheng Ye Packaging (Zhuhai)

- (i) Name of the enterprise: 珠海正業包裝有限公司 (Zhuhai Zheng Ye Packaging Company Limited)
- (ii) Economic nature: Limited liability company (wholly owned by a wholly foreign-owned enterprise)
- (iii) Registered owner: Shing Yip (Hong Kong)
- (iv) Total investment: HK\$12,000,000
- (v) Registered capital: HK\$12,000,000
- (vi) Attributable interest to our Group: 100%
- (vii) Term of operation: From 25 August 2005 to 25 August 2020
- (viii) Principal scope of business: manufacturing and sale of own paper-based packaging products and related packaging business, printing of decorative packaging materials (生產和銷售自產的紙類包裝製品及相關包裝業務, 包裝裝潢印刷品印刷)

(e) Zheng Ye Packaging (He Fei)

| | |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| (i) Name of the enterprise: | 合肥市正業包裝有限公司 (He Fei City Zheng Ye Packaging Company Limited) |
| (ii) Economic nature: | Limited liability company (wholly owned by a wholly foreign-owned enterprise) |
| (iii) Registered owner: | Zheng Ye Packaging (Zhongshan) |
| (iv) Registered capital: | RMB10,000,000 |
| (v) Attributable interest to our Group: | 100% |
| (vi) Term of operation: | From 10 September 2010 to 9 September 2025 |
| (vii) Principal scope of business: | manufacturing of paper-based packaging products and printing of decorative packaging materials (紙類包裝製品生產，包裝裝潢印刷品印刷) |

(f) Zhong Tang Recycling

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|------------------------------------------|------------------------------------------------------------------------------------|
| (i) Name of the enterprise: | 中山市中糖廢紙回收有限公司 (Zhongshan City Zhong Tang Waste Paper Recycling Company Limited) |
| (ii) Economic nature: | Limited liability company (wholly owned by a wholly foreign-owned enterprise) |
| (iii) Registered owner: | Yong Fa Paper |
| (iv) Total investment: | RMB500,000 |
| (v) Registered capital: | RMB500,000 |
| (vi) Attributable interest to our Group: | 100% |
| (vii) Term of operation: | From 16 February 2001 to 15 February 2021 |
| (viii) Principal scope of business: | purchase and wholesale business of waste paper (廢紙收購和批發業務) |

7. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Shareholders' approval

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

Note: Pursuant to a resolution in writing passed by all the Shareholders on 4 March 2011, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Bye-Laws or applicable Bermuda law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Bye-Laws and the Companies Act. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under Bermuda laws, any repurchase of shares may only be effected out of capital paid up on the repurchased shares or out of the funds of our Company which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase. Any premium payable on a repurchase over the par value of the shares to be repurchased must be provided for out of funds of our Company which would otherwise be available for dividend or distribution or out of our Company's share premium account before the shares are repurchased.

(c) Reasons for repurchases

The Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase 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 if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Bye-Laws, the Listing Rules and the applicable laws of Bermuda.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or our gearing position as compared to the position of our Group disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue immediately after the Listing, would result in up to 50,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

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

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

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

8. Registration under Part XI of the Companies Ordinance

Our Company has established our head office and a principal place of business in Hong Kong for the purpose of registration under Part XI of the Companies Ordinance at Office 1211, 19th Floor, Silver Fortune Plaza, No. 1 Wellington Street, Central, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance. Mr. Hu Zheng, our executive Director and Mr. Lau Wang Lap, our company secretary, have been appointed as agents of our Company for the acceptance of service of process in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

9. Summary of material contracts



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

- (a) On 9 June 2010, a trademark transfer agreement (商標轉讓合同) was entered into between Zheng Ye Group as transferor and Zheng Ye Packaging (Zhongshan) as transferee for the transfer by Zheng Ye Group to Zheng Ye Packaging (Zhongshan) of the trademark registered in the PRC with registration number 3385050 at nil consideration;

- (b) On 18 June 2010, a share transfer agreement (股權轉讓協議) was entered into between Zheng Ye Group and Mr. Hu Hanchao as transferors, Yong Fa Paper as transferee and Zhong Tang Recycling for the transfer by Zheng Ye Group and Mr. Hu Hanchao of their 60% interest and 40% interests respectively in the registered capital of Zhong Tang Recycling (equivalent to RMB300,000 and RMB200,000 respectively) to Yong Fa Paper at a consideration of RMB785,000 and RMB523,000 respectively;
- (c) On 28 June 2010, a share transfer agreement (股權轉讓協議) was entered into between Zheng Ye Group as transferor and Zheng Ye International as transferee for the transfer by Zheng Ye Group of its 70% equity interest in the registered capital of Zhong Tang Shi Ye (equivalent to RMB7,000,000) to Zheng Ye International at a consideration of RMB16,000,000;
- (d) On 28 July 2010, a share transfer agreement (股權轉讓協議) was entered into between Zheng Ye Group as transferor and Zheng Ye International as transferee for the transfer by Zheng Ye Group of its 51% interest in the registered capital of Zheng Ye Alliance Packaging (equivalent to RMB5,100,000) to Zheng Ye International at a consideration of RMB5,100,000;
- (e) On 2 August 2010, a trademark transfer agreement (商標轉讓合同) was entered into between Zhong Fa Equipment as transferor and Yong Fa Paper as transferee for the transfer by Zhong Fa Equipment to Yong Fa Paper of the trademark registered in the PRC with registration number 3440531 at nil consideration;
- (f) On 18 August 2010, a merger agreement (合併協議) was entered into between Yong Fa Paper and Zhong Tang Shi Ye for the merger by absorption of Zhong Tang Shi Ye by Yong Fa Paper and the succession by Yong Fa Paper (as the surviving company continue to remain in existence after the merger by absorption) of the entire assets, business, rights as creditors, interests, rights, debts, liabilities and obligations of Zhong Tang Shi Ye upon completion of the merger by absorption;
- (g) On 6 September 2010, a trademark transfer agreement (商標轉讓合同) was entered into between Zhong Fa Equipment as transferor and Yong Fa Paper as transferee for the transfer by Zhong Fa Equipment to Yong Fa Paper of the trademark registered in the PRC with registration number 3385049 at nil consideration;
- (h) on 4 March 2011, a share purchase agreement was entered into between (i) Hu Zheng Investment, Hu Hancheng Investment, Hu Hanchao Investment and Hu Hanxiang Investment (the “Vendors”) as vendors; (ii) the Hu Brothers as warrantors; and (iii) our Company as purchaser for the acquisition by our Company of the entire issued share capital of Zheng Ye (BVI) from the Vendors in consideration of and in exchange for which our Company, (i) allotted and issued, credited as fully paid, an aggregate of 1,999,999 Shares, as to 1,019,999 Shares to Hu Zheng Investment, 500,000 Shares to Hu Hancheng Investment, 400,000 Shares to Hu Hanchao Investment and 80,000 Shares to Hu Hanxiang Investment; and (ii) credited as fully paid at par one nil paid Share then held by Mr. Hu Zheng;
- (i) on 4 March 2011, a deed of indemnity was executed by the Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries stated therein) containing the indemnities more particularly referred to in the paragraph headed “Estate duty, tax and other indemnities” of this Appendix; and
- (j) the Hong Kong Underwriting Agreement.




10. Intellectual property rights of our Group*(a) Registered trademarks*

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

| No. | Trademark | Registered owner | Place of registration | Class | Registration number | Duration of validity |
|-----|-----------------------------------------------------------------------------------|-----------------------------------|-----------------------|-------|---------------------|-------------------------------------------|
| 1. |  | Zheng Ye Packaging (Zhongshan) | PRC | 16 | 5762362 | 14 March 2010 to 13 March 2020 |
| 2. |  | Zheng Ye Packaging (Zhongshan) | PRC | 16 | 3385050 | 21 September 2004 to 20 September 2014 |

(b) Trademarks under application for registration

As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks:

| No. | Trademark | Applicant | Place of application | Class | Application number | Application Date |
|-----|--------------------------------------------------------------------------------------------|-----------------------------------|----------------------|-----------|--------------------|------------------|
| 1. |  | Zheng Ye Packaging (Zhongshan) | PRC | 16 | 8206760 | 14 April 2010 |
| 2. | “A”  | The Company | Hong Kong | 16 and 40 | 301825993 | 1 February 2011 |
| | “B”  | | | | | |

(c) Domain name

As at the Latest Practicable Date, our Group was the registrant of the following domain name:

| Domain name | Registration date | Expiry date |
|--------------------|-------------------|------------------|
| www.zhengye-cn.com | 16 November 2001 | 16 November 2011 |

Save as disclosed in this prospectus, there are no trademarks, patents or other intellectual or industrial property rights which are material in relation to the business of our Group.

11. Connected transactions and related party transactions

Save as disclosed in the section headed “Connected Transactions — Continuing connected transactions” of this prospectus and in note 34 to the Accountants’ Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, we have not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT OUR DIRECTORS AND OUR SHAREHOLDERS**12. Directors***(a) Disclosure of interests of Directors*

- (i) Each of Mr. Hu Zheng, Mr. Hu Hancheng, Mr. Hu Hanchao and Mr. Hu Hanxiang is interested in the Reorganisation.
- (ii) Save as disclosed in this prospectus, none of our Directors or their associates was engaged in any dealings with our Group during the two years immediately preceding the date of this prospectus.

(b) Particulars of Directors’ service contracts

Each of our executive Directors has entered into a service contract with our Company pursuant to which each of them agreed to act as an executive Director for an initial term of three years commencing from 4 March 2011, which shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term. The appointment of each of our executive Directors may be terminated by either party by giving three months’ written notice to the other.

Each of our executive Directors is entitled to a basic salary subject to an annual increment after 31 December 2011 at the discretion of our Directors of not more than 10% of the annual salary immediately prior to such increase. In addition, each of our executive Directors is also entitled to a discretionary management bonus for the financial year ended 31 December 2011 and onwards provided that the aggregate amount of the bonuses payable to all our executive Directors for any financial year of our Company may not exceed 5% of the audited consolidated or (if applicable) combined net profit of our Group (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him.

Each of our non-executive Director and independent non-executive Directors has been appointed for an initial term of one year commencing from 4 March 2011. The appointment of each of our non-executive Director and independent non-executive Directors may be terminated by either party by giving three months’ written notice to the other. Save for directors’ fees payable to our non-executive Director and independent non-executive Directors as stated in paragraph (c) immediately below, none of our non-executive Director and independent non-executive Directors is expected to receive any other remuneration for holding their office as non-executive Director and independent non-executive Director respectively.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(c) *Remuneration of Directors*

- (i) The basis annual salaries of our executive Directors and the basis annual director's fees of our non-executive Director and independent non-executive Directors are as follows:

| Name | Annual amount |
|--------------------------------------------|---------------|
| <i>Executive Directors</i> | |
| Mr. Hu Zheng | RMB2,500,000 |
| Mr. Hu Hancheng | RMB2,200,000 |
| Mr. Hu Hanchao | RMB2,200,000 |
| <i>Non-executive Director</i> | |
| Mr. Hu Hanxiang | RMB360,000 |
| <i>Independent non-executive Directors</i> | |
| Mr. Chung Kwok Mo John | HK\$150,000 |
| Mr. Wu Youjun | RMB85,000 |
| Mr. Zhu Hongwei | RMB85,000 |

The basic annual salaries and the basic annual directors' fees may be reviewed annually after 31 December 2011 provided that the annual increment for executive Directors shall not be more than 10% of their respective salaries immediately prior to such increase.

- (ii) The executive Directors may be granted a discretionary management bonus for the financial year ended 31 December 2011 and onwards provided that the aggregate amount of bonuses for all our executive Directors for a financial year shall not exceed 5% of the audited consolidated or (if applicable) combined net profit of our Group (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) of that financial year.
- (iii) During the year ended 31 December 2009 and the nine months ended 30 September 2010, the aggregate of the remuneration paid and benefits in kind granted by our Company and other members of our Group to our Directors were approximately RMB701,000 and RMB882,000 respectively.
- (iv) Under the arrangements currently in force at the date of this prospectus, the aggregate of the remuneration (excluding discretionary bonus) payable by our Company and other members of our Group to, and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending 31 December 2011, are expected to be approximately RMB5,760,000.

- (v) No amount was paid to, or receivable by, our Directors, for each of the three financial years of the Company immediately preceding the issue of this prospectus as an inducement to join or upon joining the Company.
- (vi) No compensation was paid to, or receivable by, our Directors (including past Directors) for each of the three financial years of our Company immediately preceding the issue of this prospectus for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (vii) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years of our Company immediately preceding the issue of this prospectus.
- (d) *Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering*

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in 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 which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

| Name of Director | Name of Group member/ associated corporation | Capacity/nature of interest | Number and class of securities (Note 1) | Approximate percentage of shareholding |
|------------------|-------------------------------------------------|------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Mr. Hu Zheng | Our Company | Interest of controlled corporation (Note 2) | 191,250,000 Shares (L) | 38.25% |
| | Hu Zheng Investment | Beneficial owner | 1 ordinary share of US\$1.00 | 100% |
| Mr. Hu Hancheng | Our Company | Interest of controlled corporation (Note 3) | 93,750,000 Shares (L) | 18.75% |
| | Hu Hancheng Investment | Beneficial owner | 1 ordinary share of US\$1.00 | 100% |
| Mr. Hu Hanchao | Our Company | Interest of controlled corporation (Note 4) | 75,000,000 Shares (L) | 15% |
| | Hu Hanchao Investment | Beneficial owner | 1 ordinary share of US\$1.00 | 100% |
| Mr. Hu Hanxiang | Our Company | Interest of controlled corporation (Note 5) | 15,000,000 Shares (L) | 3% |
| | Hu Hanxiang Investment | Beneficial owner | 1 ordinary share of US\$1.00 | 100% |

Notes:

1. The letter “L” denotes our Directors’ long position in the shares of our Company or the relevant associated corporation.
2. These shares will be held by Hu Zheng Investment, which is wholly owned by Mr. Hu Zheng. By virtue of the SFO, Mr. Hu Zheng is deemed to be interested in the Shares held by Hu Zheng Investment.
3. These shares will be held by Hu Hancheng Investment, which is wholly owned by Mr. Hu Hancheng. By virtue of the SFO, Mr. Hu Hancheng is deemed to be interested in the Shares held by Hu Hancheng Investment.
4. These shares will be held by Hu Hanchao Investment, which is wholly owned by Mr. Hu Hanchao. By virtue of the SFO, Mr. Hu Hanchao is deemed to be interested in the Shares held by Hu Hanchao Investment.
5. These shares will be held by Hu Hanxiang Investment, which is wholly owned by Mr. Hu Hanxiang. By virtue of the SFO, Mr. Hu Hanxiang is deemed to be interested in the Shares held by Hu Hanxiang Investment.

13. Interest discloseable under the SFO and the substantial shareholders

So far as is known to our Directors or the chief executive of our Company, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking account of any Shares which may be taken up or acquired under the Global Offering and any Shares which may be allotted, and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed “Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering” above, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, 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 any other members of our Group:

| Name of Shareholders | Company/Name of Group member | Capacity/nature of interest | Number and class of securities (Note 1) | Approximate percentage of shareholding |
|-------------------------|------------------------------|-----------------------------|--------------------------------------------|----------------------------------------|
| Hu Zheng Investment | Our Company | Beneficial owner | 191,250,000 Shares (L) | 38.25% |
| Ms. Li Lifen (note 2) | Our Company | Interest of spouse | 191,250,000 Shares (L) | 38.25% |
| Hu Hancheng Investment | Our Company | Beneficial owner | 93,750,000 Shares (L) | 18.75% |
| Ms. Li Si Yuan (note 3) | Our Company | Interest of spouse | 93,750,000 Shares (L) | 18.75% |
| Hu Hanchao Investment | Our Company | Beneficial owner | 75,000,000 Shares (L) | 15% |
| Ms. He Lijuan (note 4) | Our Company | Interest of spouse | 75,000,000 Shares (L) | 15% |

Notes:

1. The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in such shares.

2. Hu Zheng Investment is wholly owned by Mr. Hu Zheng. By virtue of the SFO, Mr. Hu Zheng is deemed to be interested in the Shares held by Hu Zheng Investment, subject to any borrowing arrangement which may be effected by the Stock Borrowing Agreement. Ms. Li Lifan is the spouse of Mr. Hu Zheng. Under the SFO, Ms. Li Lifan is taken to be interested in the same number of Shares in which Mr. Hu Zheng is interested.
3. Hu Hancheng Investment is wholly owned by Mr. Hu Hancheng. By virtue of the SFO, Mr. Hu Hancheng is deemed to be interested in the Shares held by Hu Hancheng Investment. Ms. Li Si Yuan is the spouse of Mr. Hu Hancheng. Under the SFO, Ms. Li Si Yuan is taken to be interested in the same number of Shares in which Mr. Hu Hancheng is interested.
4. Hu Hanchao Investment is wholly owned by Mr. Hu Hanchao. By virtue of the SFO, Mr. Hu Hanchao is deemed to be interested in the Shares held by Hu Hanchao Investment. Ms. He Lijuan is the spouse of Mr. Hu Hanchao. Under the SFO, Ms. He Lijuan is taken to be interested in the same number of Shares in which Mr. Hu Hanchao is interested.

14. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Global Offering and the Capitalisation Issue will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (b) none of our Directors and the chief executive of our Company has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;
- (c) none of our Directors nor any of the experts referred to in the paragraph 22 below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (d) none of our Directors nor any of the experts referred to in the paragraph 22 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group; and

- (e) save in connection with the Underwriting Agreements, none of the experts referred to in the paragraph 22 below:
 - (i) is interested legally or beneficially in any securities of any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

OTHER INFORMATION

15. Share Option Scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme, which fully complies with chapter 17 of the Listing Rules, conditionally adopted by a resolution in writing passed by all the Shareholders on 4 March 2011:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward the employees, our Directors and other selected participants for their contributions to us. Given that our Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of us so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

Our Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (“Invested Entity”) in which any member of us holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of us or any Invested Entity;
- (dd) any customer of any member of us or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of us or any Invested Entity;

- (ff) any shareholder of any member of us or any Invested Entity or any holder of any securities issued by any member of us or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of us or any Invested Entity;
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of us;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of us to any person who falls within any of the above classes of participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of us.

(iii) Maximum number of the Shares

- (aa) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by us must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.
- (bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of us) to be granted under the Share Option Scheme and any other share option scheme of us must not in aggregate exceed 10% of the Shares in issue on the Listing Date, being 50,000,000 Shares ("General Scheme Limit").
- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of us must not exceed 10% of the Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of us) previously granted under the Share Option Scheme and any other share option scheme of us will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2) (d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of us (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to our Directors, chief executive or substantial shareholders of our Company or their respective associates

(aa) Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options).

(bb) Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such 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 offer for the grant, in excess of HK\$5.0 million;

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to the Shareholders. All connected persons of our Company must abstain from voting in favour at such general meeting, except that any connected person may vote against the relevant

resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless our Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of the Shares

The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the articles of association of our 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 on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise

Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.

Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(x) Restrictions on the time of the offer for the grant of options

No offer for grant of options shall be made after a price sensitive event 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 (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to publish an announcement of our results for any year, 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 offer for the grant of options may be made.

The Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with us or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with us or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or us or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If our Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and us or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of us by reason of the cessation of its relations with us or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which our Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse

automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

- (aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company while an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares to which the Share Option Scheme or any option relates (insofar as it is/they are unexercised) and/or the subscription price of the option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in an option or which remains comprised in an option, provided that (aa) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (bb) the issue of Shares or other securities of us as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (cc) no alteration shall be made the effect of which

would be to enable a Share to be issued at less than its nominal value; and (dd) any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of our Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant subparagraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the option period in respect of such option;
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and
- (cc) the date on which our Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) Miscellaneous

- (aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the shareholders of our Company in general meeting.

(b) Present status of the Share Option Scheme*(i) Approval of the Listing Committee required*

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option

pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

16. Estate duty, tax and other indemnity

The Controlling Shareholders (together, the “**Indemnifiers**”) have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) (being the material contract (i) referred to in paragraph 9 above) to provide 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 our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the Listing Date; and
- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group, or taxation claims which any member of our Group are liable or sought to be made liable, in respect of any income, profits or gains earned, accrued or received on or before the Listing Date, or transactions or events entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation liability or claims mentioned in paragraph (b) immediately above:

- (i) to the extent that provision or reserve has been made for such taxation, liabilities or claims in the audited accounts of any member of our Group up to the end of the Track Record Period;
- (ii) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing after the Track Record Period and ended on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than
 - (aa) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Track Record Period; or
 - (bb) carried out, made or entered into pursuant to a legally binding commitment created before the end of the Track Record Period or pursuant to any statement of intention made in this prospectus; or

- (iii) to the extent that such taxation liabilities or claim arises or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such taxation liabilities or claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or
- (iv) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to the end of the Track Record Period and which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, the Indemnifiers have also undertaken to us that they will indemnify and at all times keep us fully indemnified, on a joint and several basis, from and against all depletion in or reduction in value of assets, increase in liabilities, losses (including without limitation, confiscation of income and/or assets, suspension of operation), claims, actions, proceedings, demands, orders, notices, liabilities, damages, costs (including legal costs on a full indemnity basis), expenses, interest, fines, penalties, payments and of whatever nature suffered or incurred by any member of our Group directly or indirectly arising out of or in connection with any of the following (collectively, the “**Indemnifying Matters**”):

- (a) the implementation of the corporate reorganisation of our Group in the preparation for the Listing as described in this prospectus;
- (b) all breaches and non-compliance or alleged non-compliance by any member of our Group, on or before the Listing Date, with any applicable PRC laws, rules and regulations in relation to housing provident funds as referred to in the paragraph headed “We have not effected registration with the relevant local housing provident fund management centers, maintained housing provident fund accounts in designated banks and made contributions towards payments of housing provident funds for our employees in the PRC prior to August 2010” in the “Risk factors” section of this prospectus; and
- (c) all breaches, non-compliance and/or violation of, by any member of our Group on or before the Listing Date, any applicable PRC laws, rules and regulations in relation to all the matters as referred to in the paragraph headed “Legal and regulatory matters” in the “Business” section of this prospectus which are not otherwise covered by paragraphs (a) and (b) immediately above,

provided that the Indemnifiers are under no liability under the deed of indemnity in respect of the Indemnifying Matters:

- (i) to the extent that provision or reserve has been made for the relevant Indemnifying Matters in the audited accounts of any member of our Group for any accounting period up to the end of the Track Record Period; or

- (ii) to the extent that any provision or reserve made for the Indemnifying Matters in the audited accounts of any member of our Group for any accounting period up to the end of the Track Record Period which is finally established to be over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of the Indemnifying Matters shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of the Indemnifying Matters shall not be available in respect of any such liability arising thereafter.

17. Litigation, arbitration and claim of material importance

Save as disclosed in this prospectus, as at the Latest Practicable Date, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company, that would have a material adverse effect on our results of operations or financial conditions of our Company.

18. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$31,200 and are payable by our Company.

19. Promoter

- (a) Our Company does not have any promoter.
- (b) Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoters of our Company in connection with the Global Offering or the related transactions described in this prospectus.

20. Agency fees or commissions received

The International Underwriters shall receive a commission of 3.5% of the aggregate Offer Price of the International Placing Shares underwritten by the International Underwriters and the Hong Kong Underwriters shall receive an underwriting commission of 2.5% of the aggregate of the Offer Price of the Hong Kong Public Offer Shares underwritten by the Hong Kong Underwriters, out of which they shall pay any sub-underwriting commissions.

The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK\$1.68 (being the mid-point of Offer Price range between HK\$1.43 per Offer Share and HK\$1.93 per Offer Share), are estimated to amount to approximately HK\$34.5 million in total (assuming that the Over-allotment Option is not being exercised).

21. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and

any option which may be granted under the Share Option Scheme, being 10% of the Shares in issue on the Listing Date, on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

22. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

| Name | Qualification |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CMB International Capital Limited | Licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO |
| Deloitte Touche Tohmatsu | Certified Public Accountants |
| Chiu & Partners | Qualified Hong Kong lawyers |
| Conyers Dill & Pearman | Bermuda barristers and attorneys |
| Jingtian & Gongcheng | Qualified PRC lawyers |
| CB Richard Ellis Limited | Professional property valuer |

23. Consents of experts

Each of CMB International Capital Limited, Deloitte Touche Tohmatsu, Chiu & Partners, Conyers Dill & Pearman, Jingtian & Gongcheng and CB Richard Ellis Limited has given and has not withdrawn its written consents to the issue of this prospectus with the inclusion of its opinion, advice, report, valuation, letter or an extract therefrom (as the case may be) and the references to its name in the form and context in which it appear.

24. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, 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.

25. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Under present Bermuda law, transfers and other dispositions of Shares are exempt from Bermuda stamp duty.

26. Miscellaneous

- (a) Save as disclosed in this prospectus:
 - (i) within the two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
- (b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since the end of the Track Record Period (being the end of the period reported on in the accountants' report set out in appendix I to this prospectus);
- (c) our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
- (d) none of the equity and debt securities of our Company is listed or dealt in on any other stock exchange or on which listing or permission to deal is being or is proposed to be sought;
- (e) there are no arrangements under which future dividends are waived or agreed to be waived; and
- (f) none of the members of our Group has any outstanding securities or debentures.

27. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).