Fine Holdings Limited
飛穎集團有限公司

(Incorporated in Hong Kong with limited liability)
Stock Code: 1167

GLOBAL OFFERING

Sponsor

光大證券
EBS INTERNATIONAL
China Everbright Capital Limited

Sole Global Coordinator

光大證券
EBS INTERNATIONAL
China Everbright Securities (HK) Limited

Joint Bookrunners

光大證券
EBS INTERNATIONAL
China Everbright Securities (HK) Limited

OSK
OSK Securities Hong Kong Limited
僑豐證券有限公司

TONGYANG Securities
Hong Kong Limited

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

Fine Holdings Limited
飛 穎 集 團 有 限 公 司

(incorporated in Hong Kong with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering :	300,000,000 Shares, comprising 250,000,000 New Shares and 50,000,000 Sale Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares :	30,000,000 New Shares (subject to adjustment)
Number of International Placing Shares :	270,000,000 Shares, comprising 220,000,000 New Shares and 50,000,000 Sale Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price :	HK$0.98 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value :	HK$0.10 per Share
Stock code :	1167

Sponsor

China Everbright Capital Limited

Sole Global Coordinator

China Everbright Securities (HK) Limited

Joint Bookrunners

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 38D of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date, which is expected to be on or about Friday, 6 July 2012 and, in any event, not later than Tuesday, 10 July 2012. The Offer Price will be not more than HK$0.98 per Offer Share and is currently expected to be not less than HK$0.68 per Offer Share, unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$0.98 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK$0.98. If, for any reason, the Offer Price is not agreed by Tuesday, 10 July 2012 by the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders), the Global Offering will not proceed and will lapse.

The Sole Global Coordinator (for itself and on behalf of the other Underwriters) may, with the consent of our Company (for ourselves and on behalf of the Selling Shareholders), reduce the indicative Offer Price range and/or the number of Offer Shares below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on our website at *www.fineholdings.hk* and the website of the Stock Exchange at *www.hkexnews.hk*, no later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. For more details, please see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

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

Prospective investors of the Offer Shares should note that the Sole Global Coordinator has the right, in its sole and absolute discretion, for itself and on behalf of the other Underwriters, to terminate the Hong Kong Underwriting Agreement by notice in writing to us upon occurrence of any of the events set forth in the sub-section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offer — Grounds for Termination" in this prospectus at any time prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. It is important that you refer to that section for further details.

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

29 June 2012

If there is any change in the following expected timetable of the Global Offering, we will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on our website at www.fineholdings.hk and the website of the Stock Exchange at www.hkexnews.hk.

	2012(1)
Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at *www.hkeipo.hk* (2)	11:30 a.m. on Thursday, 5 July 2012
Application lists of the Hong Kong Public Offer open (3)	11:45 a.m. on Thursday, 5 July 2012
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Thursday, 5 July 2012
Latest time to give **electronic application instructions** to HKSCC via CCASS (4)	12:00 noon on Thursday, 5 July 2012
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, 5 July 2012
Application lists close (3)	12:00 noon on Thursday, 5 July 2012
Expected Price Determination Date (5)	Friday, 6 July 2012
Announcement of: (i) the final Offer Price; (ii) the level of indication of interest in the International Placing; (iii) the level of applications in the Hong Kong Public Offer; and (iv) the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on our website at *www.fineholdings.hk* and the website of the Stock Exchange at *www.hkexnews.hk* on or before	Wednesday, 11 July 2012
Result of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (please see the sub-section headed "How to Apply for Hong Kong Offer Shares — III. Applying by using a **WHITE** or **YELLOW** Application Form — 7. Results of Allocations" in this prospectus) from	Wednesday, 11 July 2012

Result of allocations in the Hong Kong Public Offer will be available at *www.tricor.com.hk/ipo/result* with a "search by ID" function from	Wednesday, 11 July 2012
Despatch of refund cheques and **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly or partially successful (where applicable) or wholly or partially unsuccessful applications under the Hong Kong Public Offer on or before (6) (8)	Wednesday, 11 July 2012
Despatch of the share certificates of the Offer Shares or deposit of certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offer on or before (7) (8)	Wednesday, 11 July 2012
Dealings in the Shares on the Stock Exchange expected to commence on	Thursday, 12 July 2012

Notes:

(1) All dates and times refer to Hong Kong local dates and times. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the designated website at *www.hkeipo.hk* after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 5 July 2012, the application lists will not open and close on that day. Further information is set out in the sub-sections headed "How to Apply for Hong Kong Offer Shares — III. Applying by using a **WHITE** or **YELLOW** Application Form — 6. Effect of bad weather on the opening of the application lists" and "How to Apply for Hong Kong Offer Shares — V. Applying by giving electronic application instructions to HKSCC — 7. Effect of bad weather on the opening of the application lists" in this prospectus. If the application lists do not open and close on Thursday, 5 July 2012, the dates mentioned in this section may be affected. An announcement will be made by us in such event.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the sub-section headed "How to Apply for Hong Kong Offer Shares — V. Applying by giving electronic application instructions to HKSCC" in this prospectus.

(5) The Price Determination Date is expected to be on or about Friday, 6 July 2012, and in any event no later than Tuesday, 10 July 2012. If, for any reason, the Offer Price is not agreed on or before Tuesday, 10 July 2012, the Global Offering (including the Hong Kong Public Offer) will not proceed.

(6) Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of wholly or partially successful applications if the final Offer Price is less than the price payable per Offer Share on application. If you apply through the **HK eIPO White Form** service by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider by ordinary post and at your own risk. All refunds will be paid by a cheque crossed "Account Payee Only" made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number or if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

(7) Share certificates for the Hong Kong Offer Shares will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms, before 8:00 a.m. on the Listing Date, which is expected to be Thursday, 12 July 2012. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid do so entirely at their own risk. If the Global Offering does not become unconditional or either of the Underwriting Agreements is terminated in accordance with its terms, we will make an announcement as soon as possible.

(8) Applicants who have applied on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offer and have indicated in their applications that they wish to collect any refund cheques (where applicable) and share certificates (where applicable) in person, may do so from our Hong Kong Share Registrar, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Wednesday, 11 July 2012. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to Tricor Investor Services Limited at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offer may collect their refund cheques, if any, in person but may not elect to collect their share certificates which will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS investor participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applications are the same as those for **WHITE** Application Form applicants. Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the sub-section headed "How to Apply for Hong Kong Offer Shares — V. Applying by giving electronic application instructions to HKSCC" in this prospectus for details. Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further information is set out in the sub-section headed "How to Apply for Hong Kong Offer Shares — III. Applying by using a **WHITE** or **YELLOW** Application Form — 8. Despatch/collection of share certificates, e-Auto Refund payment instructions and refund cheques" in this prospectus.

You should read the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus carefully for additional information regarding the Global Offering, including the conditions of the Global Offering, how to apply for Hong Kong Offer Shares, the expected timetable, the effect for bad weather and the despatch of share certificates and refund of application monies.

This prospectus is issued by Fine Holdings Limited solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholders, the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor, any of the Underwriters, any of our or their respective directors or any other persons or parties involved in the Global Offering.

Please note that the totals set forth in the tables in this prospectus may differ from the sum of individual items in such tables due to rounding.

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This summary aims at giving you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety, including the appendices hereto, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the section headed "Definitions" in this prospectus.

OVERVIEW

We are an established manufacturer of metallic components of display panels for use in consumer electronics products, including LCD (including LED) TVs, monitors, mobile PCs and mobile phones in China. We use our expertise to design and develop moulds for the production of our products based on customers' specifications and employ high-precision technologies to produce high quality products. In the PRC, we are one of the suppliers of metallic components of display panels to Samsung, a leading electronics company producing TVs, monitors, mobile PCs and mobile phones in the world. In August 2011, we acquired FMS Guangzhou which enabled us to further diversify our customer base to include LG, another world leading electronics manufacturer, and its designated BLU manufacturers. During the Track Record Period and as at the Latest Practicable Date, Samsung remained as our major ultimate customer. In the first quarter of 2011, we started to manufacture metallic components of display panels for use in one of the most popular tablet PCs, which contributed to approximately 2.0% of our Group's total revenue for the year ended 31 December 2011. Going forward we will place more focus on the production of metallic components of display panels for use in LCD (including LED) TVs and tablet PCs (especially one of the most popular tablet PCs).

Since we are an approved supplier of Samsung and LG, we also supply our products to BLU manufacturers designated by Samsung and LG directly. When dealing with the designated BLU manufacturers, we only negotiate and enter into the transactions directly with the designated BLU manufacturers without participation of Samsung and LG in the transactions. We understand that most of our products sold to these designated BLU manufacturers would form part of Samsung's and LG's products. During the Track Record Period, the contribution from (i) direct sales to Samsung (comprising Samsung Korea and Samsung HK), (ii) indirect sales to Samsung through Samsung's designated BLU manufacturers, (iii) direct sales to LG and (iv) indirect sales to LG through LG's designated BLU manufacturers, towards our revenue was as follows:

% of our revenue contributed by	For the year ended 31 December		
	2009	**2010**	**2011**
	(approx.)	*(approx.)*	*(approx.)*
Direct sales to Samsung	33.0	20.6	19.7
Indirect sales to Samsung through Samsung's designated BLU manufacturers	61.4	74.9	60.0
Total	**94.4**	**95.5**	**79.7**

% of our revenue contributed by	For the year ended 31 December 2011 *(approx.)*
Direct sales to LG	4.2
Indirect sales to LG through LG's designated BLU manufacturers	10.6
Total	**14.8**

For illustrative purposes, since the acquisition of FMS Guangzhou by our Group was only completed in August 2011, assuming that the FMS Guangzhou Acquisition was completed on 1 January 2011, sales to LG, together with LG's designated BLU manufacturers, would account for approximately 26.7% of the enlarged Group's (including FMS Guangzhou) total revenue for the year ended 31 December 2011.

Jiangsu Fine DNC was established in 2002 in Wuxi of Jiangsu Province in China with the support of Fine DNC Korea, our Controlling Shareholder which is listed on the Korea Exchange, and since then we have grown our own relationships with our customers and our expertise and expanded our production capacity substantially. Having established strong customer relationships with market-leading Korean-based companies, we have the advantage of exposure to advanced technology and market trends which also facilitate our technological innovation. As at the Latest Practicable Date, we had a total of 29 customers.

Production

Our production bases are located in Wuxi of Jiangsu Province in China and, since we acquired FMS Guangzhou in August 2011, we also have a production base in Guangzhou of Guangdong Province in China. As at the Latest Practicable Date, we had a total of 76 production lines. In September 2011, construction of our new largest production base in Wuxi, the PRC, was completed and it commenced trial production in September 2011. This new production base in Wuxi occupies a site area of approximately 65,138.3 sq.m. and could install 21 production lines mainly for the production of metallic components of display panels for use in LCD (including LED) TVs. In recent years, sales of our metallic components of display panels for use in LCD (including LED) TVs have displayed a trend of higher profitability as compared to our metallic components of display panels for use in monitors and mobile PCs. We also expect a greater market growth in our metallic components of display panels for use in LCD (including LED) TVs than our other metallic components products in the upcoming years. It is our current strategy to focus on manufacturing metallic components of display panels for use in LCD (including LED) TVs and tablet PCs.

The table below sets out the average capacity utilisation rate of our major products at our Wuxi Production Bases during the Track Record Period:

	Average capacity utilisation rate (%) (approx.)		
	Year ended 31 December 2009	**Year ended 31 December 2010**	**Year ended 31 December 2011**
Wuxi Production Bases			
(located in Wuxi, Jiangsu Province, the PRC)			
Metallic components of display panels for use in			
- LCD TVs (including LED TVs since 2010)	47	83	71
- Monitors and mobile PCs	98	96	89
- Mobile phones	17	19	15

The table below sets out the average capacity utilisation rate of Guangzhou Production Base of its major products for the two years ended 31 December 2011:

	Average capacity utilisation rate (%) (approx.)	
	Year ended 31 December 2010	**Year ended 31 December 2011**
Guangzhou Production Base		
(located in Guangzhou, Guangdong Province, the PRC; commenced production in 2010)		
Metallic components of display panels for use in		
- LCD TVs (including LED TVs since 2011)	44	67
- Monitors	49	86

Revenue from sales

The products of our Group are classified mainly based on their applications to the end products, namely, metallic components of display panels for use in LCD (including LED) TVs, monitors and mobile PCs and mobile phones. The table below sets out the breakdown of revenue from sales of our Group (including the revenue contributed by FMS Guangzhou after it became part of our Group in August 2011) by products during the Track Record Period:

	Year ended 31 December					
Revenue from sales	**2009**		**2010**		**2011**	
	RMB'000 (approx.)	*% (approx.)*	*RMB'000 (approx.)*	*% (approx.)*	*RMB'000 (approx.)*	*% (approx.)*
Metallic components of display panels for use in						
LCD TVs (including LED TVs since 2010)	132,227	17.7%	326,727	36.3%	923,327	61.3%
Monitors and mobile PCs *(Note)*	549,919	73.4%	475,186	52.7%	473,127	31.4%
Mobile phones	17,165	2.3%	13,843	1.5%	4,358	0.3%
Others						
Moulds	27,365	3.7%	50,279	5.6%	57,159	3.8%
Scrap materials	21,863	2.9%	35,180	3.9%	47,309	3.2%
Total	748,539	100.0%	901,215	100.0%	1,505,280	100.0%

Note: *For the year ended 31 December 2011, it included the revenue from sales of metallic components of display panels for use in one of the most popular tablet PCs, which had contributed to approximately 2.0% of our Group's total revenue during that period.*

Acquisition of FMS Guangzhou

In August 2011, we acquired FMS Guangzhou which enabled us to further diversify our customer base to include LG Guangzhou and LG's designated BLU manufacturers. We believe that the FMS Guangzhou Acquisition brought our Group a synergy of the competitive strengths of each of Jiangsu Fine DNC and FMS Guangzhou. The FMS Guangzhou Acquisition expanded our Group's production capacity and allowed us to be more flexible to take on new orders from customers with short notice. FMS Guangzhou had 14 production lines and the FMS Guangzhou Acquisition increased our Group's annual production capacity by approximately 25,376,000 units to a total of approximately 149,373,000 units as at 31 December 2011. Jiangsu Fine DNC has an established in-house moulds development department at our First Wuxi Production Base which is able to design, develop and produce moulds catering for our customers' specific requirements. After the FMS Guangzhou Acquisition, the moulds development department of Jiangsu Fine DNC could provide mould design, development and production services to FMS Guangzhou if the customers of FMS Guangzhou require. Furthermore, Jiangsu Fine DNC and FMS Guangzhou could share their know-how, expertise and technology each of them developed, and our Directors believe that our Group's reputation in the industry could be further enhanced with the business relationships of Jiangsu Fine DNC and FMS Guangzhou with the two world's leading electronics manufacturers, Samsung and LG, respectively. The FMS Guangzhou Acquisition as an one-off event, also brought financial benefits to our Group and led to an increase of our revenue and net profit in the year ended 31 December 2011.

Our Business

We have the technical know-how and advanced technology to design and develop moulds for producing high-precision metallic components for leading consumer electronics companies. We have also developed our own technologies to apply in our manufacturing processes which we believe improve the quality of our products and enhance our efficiency and production time. Leading consumer electronics companies such as Samsung and LG have stringent requirements of sophisticated product specifications, high quality and precision of products and reliable supply of products on time. We were awarded 革新部門賞 (Innovative Company Award*) and 優秀協力社 (Best Co-operative Company Award*) by Samsung in January 2011 and December 2010 respectively, and a number of other awards from our customers and the PRC local government, such as 高新技術企業證書 (High and New Technology Enterprise Certificate*) awarded in December 2009 and 產業發展貢獻獎 (Industry Development Contribution Award*) awarded by 無錫市人民政府新區管理委員會 (Administration Committee of Wuxi New District*) in March 2009.

Our business has grown significantly over the Track Record Period. Our revenue increased from approximately RMB748.5 million for the year ended 31 December 2009, to approximately RMB901.2 million for the year ended 31 December 2010, to approximately RMB1,505.3 million for the year ended 31 December 2011, representing a CAGR of approximately 41.8%.

According to DisplaySearch, the worldwide total revenues from sales of FPD TVs peaked in 2010 and began to decline as the FPD TV market moves towards household saturation, slowing unit growth and continuing average selling price erosion. However, DisplaySearch forecasted that price erosion will take place at a slower rate because new development of technologies, such as LED backlights and 3D technologies, will help slowing down price erosion. The increase of popularity of larger sizes of FPD TVs and the technology development of producing larger sizes of FPD TVs will also help to offset price erosion.

Our Group is shifting our focus to obtaining more orders of metallic components of display panels for use in FPD TVs of newer models with more advanced technologies. Our Group is also continually improving our production efficiency, which will help us to keep our gross profit margins and profitability stable. Based on the above, our Directors are of the view that the expected decrease in revenues and average unit selling prices of FPD TVs in the global market will not bring any significant negative impact on our Group.

RECENT TREND OF OUR GROUP'S BUSINESS

The table below shows a breakdown of our Group's sales volume, average unit selling price, average unit cost of sales and gross profit margin of our products during the Track Record Period and the four months ended 30 April 2012:

	Year ended 31 December 2009				Year ended 31 December 2010				Year ended 31 December 2011				Four months ended 30 April 2012			
	Sales volume	Average unit selling price	Average unit cost of sales	Gross profit Margin	Sales volume	Average unit selling price	Average unit cost of sales	Gross profit Margin	Sales volume	Average unit selling price	Average unit cost of sales	Gross profit Margin	Sales volume	Average unit selling price	Average unit cost of sales	Gross profit Margin
	('000 units) (approx.)	*(RMB) (approx.)*	*(RMB) (approx.)*	*% (approx.)*	*('000 units) (approx.)*	*(RMB) (approx.)*	*(RMB) (approx.)*	*% (approx.)*	*('000 units) (approx.)*	*(RMB) (approx.)*	*(RMB) (approx.)*	*% (approx.)*	*('000 units) (approx.)*	*(RMB) (approx.)*	*(RMB) (approx.)*	*% (approx.)*
Metallic components of display panels for use in																
LCD TVs (including LED TVs since 2010)(Note 1)	7,351	17.99	13.49	25.0%	13,778	23.71	17.10	27.9%	28,208	32.73(Note 2)	26.29	19.7%	16,141	30.04	23.89	20.5%
Monitors and mobile PCs	130,154	4.23	2.86	32.3%	114,392	4.15	3.41	18.0%	105,507	4.48	3.94	12.0%	27,525	5.47	4.78	12.7%
Mobile phones	16,211	1.06	1.05	1.0%	18,073	0.77	1.03	N/A	5,673	0.77	1.01	N/A	381	0.56	0.45(Note 3)	19.8%

Note 1: The lowest average unit selling price of metallic components of display panels for use in LCD TVs was recorded in 2009 during the Track Record Period and the four months ended 30 April 2012. We consider that this was mainly due to a higher proportion of sales of smaller sizes of metallic components of display panels for use in LCD TVs in 2009 which in general were sold at a lower price than the metallic components of larger sizes.

Note 2: The increase of average unit selling price of metallic components of display panels for use in LCD TVs (including LED TVs) in 2011 was mainly due to the expansion of our sales of metallic components of display panels for use in LED TVs, which had a higher average selling price than the metallic compenents of display panels for use in CCFL TVs.

Note 3: The decrease of average unit cost of sales of metallic components of display panels for use in mobile phones for the four months ended 30 April 2012 was mainly due to a much higher proportion of sales of smaller sizes of metallic components of display panels for use in mobile phones which in general had a lower cost of sales than the larger sizes of metallic components.

We recorded net current liabilities of approximately RMB133.0 million as at 31 December 2011, and our net current liabilities decreased to approximately RMB120.8 million as at 30 April 2012. We believe that the decrease of our net current liabilities was mainly due to the positive operating cashflows of our Group recorded during the four months ended 30 April 2012 which enhanced our working capital position. During this period, we had new bank borrowings of approximately USD41.9 million and had repaid our bank loans of approximately USD38.1 million and RMB10.1 million. Also, we had entered into a supplemental agreement dated 5 June 2012 to extend the repayment date of the bank loan in the amount of USD15 million from 27 March 2013 to 27 July 2013 and another supplemental agreement dated 14 June 2012 to extend the repayment date of the bank loan in the amount of USD4 million from 19 April 2013 to 19 July 2013. Further, our Group had unutilised banking facilities totaling approximately RMB395.9 million as at 30 April 2012. Among the unutilised banking facilities as at 30 April 2012, the unutilised banking facilities of approximately RMB156.9 million, RMB59.3 million, RMB29.9 million, RMB84.8 million, and RMB65.0 million will be available up to 15 August 2012, 13 September 2012, 14 December 2012, 5 January 2013 and 11 January 2013, respectively. There are restrictive covenants contained in the instruments governing such unutilised banking facilities. Please refer to the sub-section headed "Financial Information — Indebtedness — Net Current Assets/(Liabilities) — our Group" in this prospectus for further details on the restrictive covenants.

Taking into account the financial resources available to us, including internally generated funds, banking facilities available (including the unutilised banking facilities of approximately RMB395.9 million as at 30 April 2012 and the non-current portions of the additional bank loans of approximately USD5.0 million and USD9.0 million drawn down on 5 January 2012 and 19 January 2012, respectively), the aforementioned extension of repayment dates of certain bank loans, the expected cash inflow from operating activities up to 30 June 2013 and the estimated net proceeds of the New Issue, our Directors are of the view that we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

On 20 February 2012, Samsung Korea announced on its company's website that the display market is undergoing rapid changes with OLED panels expected to fast replace LCD panels to become the mainstream and announced that it plans to restructure and spin off its LCD panel operations into a new company to be wholly owned by Samsung Korea. There were also articles reporting that Samsung will launch its large-screen OLED TVs in the second half of 2012. According to our Directors' knowledge, Samsung and LG began its sales of mobile phones using OLED panels since around 2009. However, the OLED technology had been commonly applied in smaller displays only, such as mobile phones (not FPD TVs) until recently that both Samsung and LG showcased their respective first large-screen OLED TVs in early 2012. As at the Latest Practicable Date, we were not aware that Samsung or LG had officially launched large-screen OLED TVs in the global consumers market. Our Group did not supply metallic components for use in OLED panels to Samsung, LG or their BLU manufacturers during the Track Record Period. Also, as at the Latest Practicable Date, our Directors were not aware that Samsung or LG purchased any metallic components for use in OLED TV panels from our major competitors in the PRC. As at the Latest Practicable Date, our Group's orders from Samsung and its BLU manufacturers, LG Guangzhou and LG's BLU manufacturers remained normal and our Group had not experienced any reduction of orders from our customers as a result of the press release of Samsung Korea or the recent technological development in OLED. We, in general, rely on the annual and quarterly business plans of Samsung and LG and the industry experience of our Directors to forecast our future production volume. Based on Samsung's and LG's business plans currently available to us, we do not foresee any significant reduction of orders from Samsung or LG in 2012.

The consumer electronics industry has been subject to cyclical changes, rapid technological developments and short products cycles. We had successful experience in the past to adapt to market changes and capture new opportunities. DisplaySearch forecasted that the worldwide OLED revenue for the seven years from 2012 to 2018 will be approximately 6.9%, 9.1%, 11.7%, 13.7%, 15.9%, 18.8% and 21.7% of the worldwide FPD revenue, respectively. Our Directors are of the view that, certain technology breakthrough, such as reduction of production cost and application of technology in the production of large-screen FPD TVs, needs to be achieved before OLED TVs can become the mainstream in the consumer electronics market. The application of OLED technology in the production of large-screen displays is still immature. Also, our Directors are of the view that the production cost of OLED TVs needs to be reduced significantly so that the selling price of OLED TVs can be more acceptable to consumers and more competitive as compared to other TV products before it could gain wide consumer acceptance. According to DisplaySearch, the average selling price of OLED TVs is expected to be multiple times more expensive than LCD (including LED) TVs in 2012. Even if OLED panels could replace LCD panels to become the mainstream in the consumer electronics products in the future, our Directors consider that our Group has the know-how and technology to produce metallic components of OLED panels for our customers. Based on the industry knowledge of our Directors, the composition of OLED panels still includes the metallic components that resemble the metallic components manufactured by our Group, such as top chassis and bottom chassis, and we could allocate certain of our current production lines to produce metallic components for use in OLED panels if it is required. As such, our Directors consider that as at the Latest Practicable Date, the latest industry development of OLED panels had not brought any significant adverse impact to the business and financial position of our Group and will not bring any material adverse impact to the business and financial prospect of our Group in the near future. Nevertheless, the launch and development of new products involve considerable time and commitment and may increase our R&D cost and capital expenditure substantially. If we are not able to develop and introduce metallic components for use in OLED panels successfully in the event that OLED panels replaced LCD panels to become the mainstream, our business, financial condition and operating results could be adversely affected. Please refer to "Risk factors — We depend on Samsung and LG — Samsung Korea plans to restructure and spin off its LCD panel operations into a new company to be wholly owned by Samsung Korea and plans to develop OLED business".

Our Directors will perform rolling cashflow forecast to monitor the liquidity requirements of our Group to ensure that we have sufficient cash to meet the existing and expected obligations and commitments. Such forecast will take into consideration of our debt financing plans and maintaining sufficient undrawn committed banking facilities.

Our financial condition and results of operations over the Track Record Period had been and in the near future will continue to be affected by a number of factors. Firstly, our gross profit margins are partly affected by the proportion of sales of products with higher gross profit margin as compared to sales of products with lower gross profit margin. Secondly, in order to expand our production capacity, we have been expanding the scale of our operations, especially through the expansion of our production facilities in Wuxi. Going forward, we expect that the increase in capital expenditure due to the expansion of our production capacity would bring positive impact to our results of operations. Thirdly, our costs of raw materials represent a significant portion of our cost of sales. As such, any significant fluctuation in the price of raw materials may have a significant impact on our profitability. Fourthly, our financial results would be materially and adversely affected should we fail to maintain our competitiveness against our competitors. For further details, please refer to the section headed "Financial Information — Factors Affecting our Results of Operations and Financial Condition" in this prospectus.

We had not encountered any major difficulty in the collection of our trade receivables after 31 December 2011 until the Latest Practicable Date. Our Directors confirm that there had been no material adverse change in our financial or trading position since 31 December 2011 and up to the date of this prospectus.

OUR COMPETITIVE STRENGTHS - HIGHLIGHTS

(i) Established customer relationships with market-leading Korean-based companies

We have established long-term relationships with Samsung and commenced our business relationship with Samsung since 2004, and through the FMS Guangzhou Acquisition completed in August 2011, we were also able to supply our products to LG. Samsung and LG are two of the market leaders in the consumer electronics industry. According to DisplaySearch, Samsung had the largest shipment in both the global FPD TV and desktop monitor markets and LG ranked the second and fifth in these markets in 2011.

(ii) Expertise in manufacturing technologies

Our moulds development department with approximately 162 personnel in Wuxi assists our customers in designing and producing moulds for the production of our products based on our customer's specifications. We work with customers to finalise the specifications of our moulds and engineer the product specifications based on the moulds.

(iii) Advanced production facilities and measures

As at the Latest Practicable Date, we had a total of 76 production lines at our Wuxi Production Bases and Guangzhou Production Base. To satisfy the increasing demand from our customers, construction of our new and our largest production facility in Wuxi was completed in September 2011. This new production facility has a site area of approximately 65,138.3 sq. m. and could install 21 production lines with annual production capacity of approximately 40,649,000 units.

OUR BUSINESS STRATEGIES - HIGHLIGHTS

(i) Strengthen strategic relationships with current customers and develop business relationships with new customers

Our goals are to increase the volume of orders from our existing ultimate customers, including Samsung and LG, for existing products and also to expand our business with them for other products, and be well-positioned to anticipate future trends in the consumer electronics industry. We will also proactively target other market-leading electronics manufacturers as potential new customers by leveraging on our reputation for being a supplier of metallic components of display panels to manufacturers who are major market players in the world.

(ii) Continued focus on advanced technologies

Our strategic focus is to manufacture our products using advanced technologies. We successfully implemented laser welding and studs caulking technology on an industrial scale since February 2006. As the life cycles of LCD (including LED) TV models and other consumer electronics products in general are becoming shorter, in order to repeat such success and to respond quickly to the latest development in the industry, we will continue to focus on the research and development of advanced manufacturing technologies.

POTENTIAL COMPETITION AND DELINEATION OF OUR GROUP'S BUSINESS AND THE BUSINESS OF THE FINE GROUP AND FMS KOREA

Upon the Listing, our Group intends to strategically concentrate on the development and expansion of (i) the manufacture of metallic components of display panels for use in consumer electronics products, including LCD (including LED) TVs, monitors and mobile PCs in the PRC and (ii) the sales, supply, provision, distribution and delivery of such metallic components of display panels in the PRC. Although some of the members of the Fine Group and FMS Korea carried on business similar to our core business, our Directors consider that it is not in the best interest of our Group to include the business of the Fine Group and the business of FMS Korea (being a potential but not significant competitor) into our Group for the purpose of the Listing based on the following reasons:-

1. ***Delineation by delivery location —*** The target customers of the Fine Group and FMS Korea are brand owners or BLU manufacturers, which have operations in Korea or Europe, whereas our Group's customers are brand owners or BLU manufacturers, which have operations in the PRC. Due to the geographical distances between Korea and the PRC, and between Slovakia and the PRC, it is not economically feasible for the Fine Group or FMS Korea to deliver its products to the PRC or for our Group to deliver our products to Europe or Korea.

2. ***Delineation by location of operation —*** The locations of operation of the Fine Group and FMS Korea are in Korea and Slovakia, as the case may be, whereas the locations of our Group's operation are in the PRC only. The inclusion of the business of the Fine Group and FMS Korea into our Group would require our Group to divert our resources to fund the operations in Korea and in Europe.

3. ***Delineation by model and due to strategy of customers —*** To the best knowledge of our Directors, the metallic components of display panels produced by Fine DNC Korea and FMS Korea are mainly for use in new models of LCD (including LED) TVs to be introduced and sold to the Korea and Japan market, which our Group does not produce. The metallic components produced by our Group are mainly for models of LCD (including LED) TVs to be introduced in Hong Kong and South East Asian countries. Whether the metallic components of display panels for use in a new model are to be produced by the Fine Group/FMS Korea or our Group depends entirely on the decision of the customers with regard to their strategy.

4. ***Difference in growth and development strategy —*** The members of the Fine Group and FMS Korea mainly engage in the manufacture of LED lighting, audio and video systems for automobiles and distribution of LED lighting in Korea and Japan and members of the Fine Group will continue to diversify their business activities. Accordingly, the inclusion of the business of the Fine Group into our Group would not conform with the strategy of our Group which is focused in the PRC.

To strengthen the delineation between our core business and the business of the Fine Group and FMS Korea, our Company, Mr. Hong, Fine Technix, Fine DNC Korea, and Infinity, our Controlling Shareholders, and FMS Korea entered into a deed of non-competition, details of which are set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-competition" of this prospectus.

RESULTS OF OPERATIONS

(i) ***Results of operation of our Group during the Track Record Period***

The following table presents selected financial data of our Group for the three years ended 31 December 2011, which are derived from, and should be read in conjunction with the financial information of our Group set forth in the Accountant's Report included in Appendix I to this prospectus.

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	748,539	901,215	1,505,280
Gross profit	205,775	174,007	241,697
Income tax expense	(19,512)	(13,537)	(24,292)
Profit for the year	110,580	69,663	109,297

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	325,576	372,584	823,252
Current assets	341,959	433,966	750,744
Non-current liabilities	—	—	128,990
Current liabilities	258,466	354,627	883,786
Total equity	409,069	451,923	561,220

Our total revenue increased from approximately RMB748.5 million for the year ended 31 December 2009 to approximately RMB1,505.3 million for the year ended 31 December 2011 representing a CAGR of approximately 41.8% over the three years. Since the year ended 31 December 2009, we have been gradually increasing our efforts in shifting our product mix to metallic components of display panels for use in LCD (including LED) TVs. Revenue from sales of metallic components of display panels for use in LCD (including LED) TVs contributed to approximately 17.7%, 36.3% and 61.3% of our revenue for the three years ended 2011, respectively.

Our profit for the year was approximately RMB110.6 million, RMB69.7 million and RMB109.3 million for each of the three years ended 31 December 2011, respectively. Our net profit margin was approximately 14.8%, 7.7% and 7.3% for each of the three years ended 31 December 2011, respectively. The decrease in our net profit margin from 2009 to 2010 was mainly due to an increase in cost of sales, selling and distribution expenses as well as a substantial increase in net exchange loss which were proportionately more than the increase in revenue. Such net exchange loss was caused by a revaluation of USD denominated trade related balances as a result of the appreciation of RMB against USD. The slight decrease in net profit margin from 2010 to 2011 was mainly due to the increase in our cost of sales, and administrative expenses which were proportionately more than the increase in our revenue.

(ii) ***Results of operation of FMS Guangzhou***

Our Group acquired FMS Guangzhou in August 2011. The following is the financial information of FMS Guangzhou for the period from 4 November 2009 (date of incorporation) to 16 August 2011, the date of acquisition by our Group, which are derived from, and should be read in conjunction with, the financial information set forth in the section headed "III. Additional financial information of FMS Guangzhou for the period from 4 November 2009 (date of incorporation) to 16 August 2011, date of acquisition by the Group" of the Accountant's Report included in Appendix I to this prospectus.

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	**Year ended 31 December 2010**	**Period from 1 January 2011 to 16 August 2011**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	—	75,642	265,045
Gross (loss)/profit	—	(13,594)	12,539
Income tax credit	—	—	2,803
(Loss)/profit for the period/year	(171)	(24,497)	6,489

	As at 31 December		**As at 16 August**
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	243	217,312	218,273
Current assets	10,511	80,836	147,885
Non-current liabilities	—	73,049	61,298
Current liabilities	—	181,497	254,769
Total equity	10,754	43,602	50,091

PROFIT FORECAST FOR THE SIX MONTHS ENDING 30 JUNE 2012

Forecast consolidated profit attributable to equity holders of our Company for the six months ending 30 June 2012 *(Note 1)*	not less than RMB77.5 million (equivalent to approximately HK$93.0 million)
Unaudited pro forma forecast earnings per Share for the six months ending 30 June 2012 *(Note 2)*	not less than RMB0.0775 (equivalent to approximately HK$0.0930)

Notes:

(1) The forecast consolidated profit attributable to equity holders of the Company for the six months ending 30 June 2012 is extracted from the section headed "Financial Information — Profit Forecast For The Six Months Ending 30 June 2012". The basis on which the above profit forecast has been prepared is summarised in Appendix III to this Prospectus. The forecast consolidated profit attributable to equity holders of the Company for the six months ending 30 June 2012 has been prepared based on the unaudited consolidated results based on the management accounts of our Group for the five months ended 31 May 2012 and a forecast of the consolidated results of our Group for the remaining one month ending 30 June 2012. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Group as set out in Note 3 of Section II of the Accountant's Report of the Company, the text of which is set out in Appendix I to this Prospectus.

(2) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast consolidated profit attributable to equity holders of our Company for the six months ending 30 June 2012, on the basis that 1,000,000,000 Shares were in issue assuming that the Shares to be issued pursuant to the Reorganisation, the Capitalisation Issue and the Global Offering had been in issue since 1 January 2012, but takes no account of any Shares which may be issued upon the exercise of Over-allotment Option or any Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme referred to the section headed "Share Option Scheme" in Appendix VI or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate as described in the section headed "Share Capital" or otherwise.

(3) Amounts stated in Renminbi have been converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.8333.

(4) The Company undertakes that the interim consolidated financial statements for the six months ending 30 June 2012 will be audited.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$0.68 per Offer Share	Based on an Offer Price of HK$0.98 per Offer Share
Market capitalisation of the Shares(1)	HK$680 million	HK$980 million
Unaudited pro forma adjusted net tangible assets per Share(2)	HK$0.80 (equivalent to approximately RMB0.67)	HK$0.89 (equivalent to approximately RMB0.74)

Notes:

(1) The calculation of market capitalisation is based on 1,000,000,000 Shares expected to be in issue following the completion of the Global Offering and the Capitalisation Issue, but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option and the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(2) The unaudited pro forma adjusted net tangible assets per Share is calculated after the adjustments referred to in the section headed "Financial Information — Unaudited Pro Forma Adjusted Net Tangible Assets" in this prospectus and on the basis that 1,000,000,000 Shares were in issue assuming that the completion of the Reorganisation, the Capitalisation Issue and the Global Offering have been completed on 31 December 2011, but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option or of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate as described in the section headed the "Share Capital" to this prospectus or otherwise.

(3) Amounts stated in Renminbi have been converted into Hong Kong dollars at the rate of HK$1 to RMB0.8333.

DIVIDEND AND DIVIDEND POLICY

Our Group may distribute dividends by way of cash or by other means that our Group considers appropriate. Since our Group has unutilised banking facilities and the governing instruments of such unutilised banking facilities contain, among others, restrictive covenants relating to the declaration of dividends, a decision to distribute any dividends will be subject to the written consents of the lenders. We may declare dividends in any currency, but no such dividend shall be declared in excess of the amount recommended by our Board. Our Board will review our Group's dividend policy from time to time in determining whether dividends are to be declared and paid.

Our Board may, if they think fit from time to time resolve to pay to our shareholders such dividends as appear to be justified by the reserves of our Company. As at the Latest Practicable Date, our Company does not intend to declare dividends and our Group does not intend to declare dividends in relation to the unremitted earnings of our subsidiaries in the PRC on or prior to announcement of our first interim results after the completion of the Global Offering in 2012. Such earnings are expected to be retained in the subsidiaries for the development of the business in the PRC.

Our Group declared dividends amounting to RMB19.9 million, nil and nil for the three years ended 31 December 2011, respectively.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years.

USE OF PROCEEDS

Estimated net proceeds accruing to our Group from the New Issue	: Approximately HK$167.3 million, after deducting the underwriting fees and estimated expenses payable by us in relation to the Global Offering.

Use of proceeds (assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$0.83 per Share, being the mid-point of the proposed Offer Price):

- Approximately 50.7% of the net proceeds is intended to be used for capital expenditures, of which (i) approximately 41.8% is intended to be used to purchase additional equipment for expansion of our production capacity at our existing production facilities in Wuxi and Guangzhou, the PRC, and the proposed second production base in Guangzhou; (ii) approximately 4.8% is intended to be used to increase our production efficiency through purchases of more advanced equipment to replace obsolete equipment and upgrade of existing equipment; and (iii) approximately 4.1% is intended to be used to improve the automation systems of our existing production lines.
- Approximately 12.0% of the net proceeds is expected to be used for the establishment of the proposed second production base in Guangzhou, the PRC, which is intended to be used for the acquisition of land use rights in Guangzhou and the construction of production facility.
- Approximately 3.0% of the net proceeds is intended to be used for enhancing our research and development capability of mould technology, including capital expenditure for additional equipment for our moulds development.

- Approximately 25.1% of the net proceeds is intended to be used for part payment of the balance of the consideration for the FMS Guangzhou Acquisition.
- Approximately 9.2% of the net proceeds is intended to be used for working capital and other general corporate purposes.

Estimated net proceeds to be received by the Selling Shareholders (assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$0.83)	:	Approximately HK$39.84 million, after deducting the underwriting commission, brokerage, Stock Exchange trading fees and SFC transaction levies payable by the Selling Shareholders in relation to the Global Offering.

RISK FACTORS

Our Directors consider that there are risks and uncertainties relating to our business, our industry, the conduct of business in the PRC and Korea. The most significant risks are summarised below. For further discussions on the risk factors, please refer to the section headed "Risk Factors" in this prospectus.

We rely on Samsung and LG for a significant portion of our revenue. Samsung has been our major ultimate customer during the Track Record Period. The contribution of direct sales to Samsung and indirect sales to Samsung through Samsung's designated BLU manufacturers to the revenue of our Group was approximately 94.4%, 95.5% and 79.7% for each of the three years ended 31 December 2011, respectively. LG Guangzhou has been the major customer of FMS Guangzhou since its commencement of operation. Sales to LG together with LG's designated BLU manufacturers, accounted for approximately 94.4% of the total revenue of FMS Guangzhou for the year ended 31 December 2011. Our business and prospects are dependent on our ability to continue to obtain orders from Samsung and LG, the business and financial performance of Samsung and LG, and the industries of Samsung and LG. Please refer to "Risk Factors — We depend on Samsung and LG".

The average selling price of some of our products has declined historically and we are exposed to the risk of price erosion. The average unit selling price of our metallic components of display panels for use in LCD (including LED) TVs decreased from approximately RMB32.73 for the year ended 31 December 2011 to approximately RMB30.04 for the four months ended 30 April 2012. Please see "Risk Factors — We are exposed to the risk of price erosion".

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

"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s), or where the context so requires, any of them, used in the Hong Kong Public Offer
"Articles of Association" or "Articles"	the articles of association of our Company, conditionally adopted on 24 June 2012, a summary of which is set forth in Appendix V to this prospectus
"Asia Orchid"	Asia Orchid Venture Fund I (亞洲蘭草基金 I), an exempted limited partnership registered in Korea, the partners of which include financial institutions, securities companies and private equity funds. To the best of the knowledge, information and belief of the Directors, all the partners of Asia Orchid are Independent Third Parties
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beijing Shouchuang"	北京首創建設有限公司 (Beijing Shouchuang Construction Co., Ltd.*), a company established under the laws of the PRC. To the best knowledge of the Directors, Beijing Shouchuang is a state-owned enterprise in the PRC
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of 749,900,000 Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company upon completion of the Global Offering referred to in the sub-section headed "Statutory and General Information — Further Information about our Group — 4. Written resolutions passed by all the Shareholders on 24 June 2012" in Appendix VI to this prospectus
"CCASS"	The Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chang-Han"	Chang-Han Cooperation Fund L.P., an exempted limited partnership registered in the Cayman Islands, the partners of which include government department of Korea, financial institutions in Korea and other private equity funds. To the best of the knowledge, information and belief of the Directors, all the partners of Chang-Han are Independent Third Parties
"chief executive"	the chief executive (as defined in the SFO) of our Company
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"China Bay"	China Bay International Limited (中灣國際有限公司) is a company incorporated under the laws of the British Virgin Islands, the ultimate shareholders of which are Mr. Hong and his associates
"China Everbright Capital" or "Sponsor" or "Sole Sponsor"	China Everbright Capital Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
"China Everbright Securities" or "Sole Global Coordinator" or "Stabilisation Manager"	China Everbright Securities (HK) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
"Codes"	Codes Co. Ltd, a corporation organized and existing under the laws of Korea on 8 May 2000, wholly owned by Mr. Hong and his associates
"Co-manager"	Hyundai Securities

"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" and "our Company"	Fine Holdings Limited (飛穎集團有限公司), a limited liability company incorporated under the laws of Hong Kong on 2 June 2011
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and in the context of our Company, means Infinity, Fine DNC Korea, Fine Technix and Mr. Hong, excluding the members of our Group
"Daewoo Securities"	Daewoo Securities (Hong Kong) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
"Director(s)" or "our Directors"	the directors of our Company
"DisplaySearch"	DisplaySearch LLC, a company which is engaged in display market research and consulting
"Euro"	Euro, the lawful currency of the member states of the European Union
"Factory Transfer Arrangement"	an arrangement whereby a processing and trading enterprise sources and imports raw materials from overseas, and uses such raw materials to produce partially finished products or components, which are then transferred to other processing and trading enterprises for further processing and/or assembly and whereby the finished products are thereafter exported overseas
"Fine & Pacific"	Fine & Pacific Holdings Limited, a company incorporated under the laws of the British Virgin Islands, the ultimate shareholders of which are employees of our Group, of which Mr. Park Ilmo, our executive Director, holds approximately 32.70% of its issued share capital
"Fine DNC Korea"	Fine DNC. Co., Ltd, a corporation organized and existing under the laws of Korea, with its shares trading on the Korea Exchange, one of our Controlling Shareholders
"Fine Group"	for the purpose of this prospectus, Fine DNC Korea, Fine Technix, Fine Slovakia, Fine Japan and SCLED

"Fine Japan"	株式會社フアインジャパン, an organization organized on 15 November 2010 and existing under the laws of Japan, and is owned as to 90% by Fine Technix
"Fine Slovakia"	Fine DNC Slovakia, s.r.o., an organization organized and existing under the laws of Slovakia and is an organisation indirectly wholly owned by Fine DNC Korea
"Fine Technix"	Fine Technix Co., Ltd., a corporation organized and existing under the laws of Korea, with its shares trading on the Korea Exchange, one of our Controlling Shareholders
"First Wuxi Production Base"	our production facilities located at Wuxi National High-tech Industrial Development Zone, in Wuxi, Jiangsu Province, the PRC
"FMS Guangzhou"	富美斯 (廣州) 電子有限公司 (FMS (Guangzhou) Electronics Co., Ltd*), a limited liability company established on 4 November 2009, which is our wholly owned subsidiary
"FMS Guangzhou Acquisition"	the acquisition of the 100% equity interests in FMS Guangzhou from FMS Korea by the Company on 16 August 2011
"FMS Korea"	FMS Co., Ltd., an organization organized on 2 November 2005 and existing under the laws of Korea, which is owned as to 70.27% by Codes, 13.37% by Mr. Hong and his associates and the remaining by other corporate and individual shareholders
"Global Offering"	the Hong Kong Public Offer and the International Placing
"GREEN Application Form(s)"	the application form(s) to be completed by HK eIPO White Form Service Provider
"Group" or "our Group" or "we" or "us"	our Company and its subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the businesses carried on by such subsidiaries or (as the case may be) our predecessors, and "our Group", "we" or "us" shall be construed accordingly
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HK eIPO White Form"	the application for the Hong Kong Offer Shares to be issued in the applicant's own name by submitting application online through the designated website of HK eIPO White Form at *www.hkeipo.hk*

"HK eIPO White Form Service Provider"	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at *www.hkeipo.hk*
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	30,000,000 New Shares initially being offered by our Company for subscription under the Hong Kong Public Offer at the Offer Price (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offer"	the conditional offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price, on and subject to the terms and conditions described in this prospectus and in the Application Forms relating thereto
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offer listed in the sub-section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the conditional underwriting agreement dated 28 June 2012 relating to the Hong Kong Public Offer and entered into among, the Sole Global Coordinator, the Sole Sponsor, the Hong Kong Underwriters, our Controlling Shareholders, our executive Directors and our Company, as further described in the sub-section headed "Underwriting — Underwriting Arrangements and Expenses" in this prospectus
"Hyundai Securities"	Hyundai Securities (Asia) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
"IFRS"	the International Financial Reporting Standards

"Independent Third Parties"	persons or companies which are independent of and not connected with any of our Directors, chief executives of our Company, our Substantial Shareholders or any of its subsidiaries and their respective associates, and "Independent Third Party" means any of them
"Infinity"	Infinity Partners Limited (殷孚有限公司), a company incorporated under the laws of Hong Kong and one of our Controlling Shareholders, which is owned by Fine DNC Korea as to 49% and Fine Technix as to 51%
"International Placing"	the conditional placing of the International Placing Shares for and on behalf of our Company and the Selling Shareholders at the Offer Price to professional, institutional, corporate and other investors in Hong Kong and elsewhere in the world outside the United States, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Placing Shares"	the 220,000,000 New Shares initially being offered by us for subscription and the 50,000,000 Sale Shares being offered by the Selling Shareholders for purchase under the International Placing, subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Placing
"International Underwriting Agreement"	the conditional underwriting agreement relating to the International Placing expected to be entered into on or about the Price Determination Date, between, the Sole Global Coordinator, the Sole Sponsor, the International Underwriters, the Selling Shareholders, our Controlling Shareholders, our executive Directors and our Company, as further described in the sub-section headed "Underwriting — International Placing" in this prospectus
"Investors, Employees"	the shareholders of Jiangsu Fine DNC before the Reorganisation, excluding Infinity but including China Bay, Fine & Pacific, Wuxi Fanchuang, Wuxi Heqi, Chang-Han, Asia Orchid, Jiangsu Eagle Power, Beijing Shouchuang and Jiangsu Hightech
"ISO"	International Organization for Standardization

"Issuing Mandate"	the general unconditional mandate granted to our Directors by our Shareholders in relation to the issue of New Shares, further information on which is set forth in the sub-section headed "Statutory and General Information — Further Information about our Group — 4. Written resolutions passed by all the Shareholders on 24 June 2012" in Appendix VI to this prospectus
"Jiangsu Eagle Power"	江蘇鷹能創業投資有限公司 (Jiangsu Eagle Power Investment Co., Ltd.*), a company incorporated under the laws of the PRC, the shareholders of which include investment companies, investment management companies and individuals. To the best knowledge of the Directors, the investment management company of Jiangsu Eagle Power is 江蘇高投創業投資管理有限公司 (Jiang Su Govtor Ventures Management Co., Ltd.*), which in turn is wholly owned by Jiangsu Hightech. To the best of the knowledge, information and belief of the Directors, all the shareholders of Jiangsu Eagle Power are Independent Third Parties
"Jiangsu Fine DNC"	江蘇凡潤電子有限公司 (Jiangsu Fine DNC*), a limited liability company established under the laws of the PRC on 9 December 2002, our wholly owned subsidiary (previously known as 江蘇凡潤電子股份有限公司 (Jiangsu Fine DNC Co., Ltd.*) and 凡潤電子(無錫) 有限公司 (Fine DNC (Wuxi) Hi-Tech Co., Ltd.*)
"Jiangsu Hightech"	江蘇高科技投資集團有限公司 (Jiangsu Hightech Investment Group Limited*), a company established under the laws of the PRC. To the best knowledge of the Directors, Jiangsu Hightech is a state-owned enterprise in the PRC
"Joint Bookrunners"	China Everbright Securities, OSK Securities and TONGYANG Securities
"Joint Lead Managers"	China Everbright Securities, OSK Securities, TONGYANG Securities and Daewoo Securities
"JPY" or "Japanese yen"	Japanese yen, the lawful currency of Japan
"kg"	kilogram
"Korea"	Republic of Korea
"Korea Exchange"	Korea Exchange, Inc., being the stock exchange in Korea
"Korean Legal Advisers"	Kim, Chang & Lee, a qualified law firm in Korea, acting as the legal advisers to our Company as to the laws of Korea

"KRW"	Korean Won, the lawful currency of Korea
"Latest Practicable Date"	22 June 2012, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"LG"	for the purpose of this prospectus, LG Guangzhou and LG Korea
"LG Guangzhou"	樂金顯示(廣州)有限公司 (LG Display (Guangzhou) Co., Ltd.*), a company established under the laws of the PRC, an Independent Third Party
"LG Korea"	LG Display Co., Ltd., a corporation organized and existing under the laws of Korea, an Independent Third Party
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	listing committee of the Stock Exchange
"Listing Date"	the date on which dealings of the Shares on the Main Board of the Stock Exchange first commence, which is currently expected to be on 12 July 2012
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"mobile PC"	notebooks, mini-notes and tablet PCs
"MOFCOM"	中華人民共和國商務部 (Ministry of Commerce of the PRC)
"Mr. Hong"	Mr. Hong Sung Chun (洪性天), our executive Director and one of our Controlling Shareholders
"NDRC"	中華人民共和國國家發展和改革委員會 (National Development and Reform Commission of the PRC)
"New Issue"	the issue of the New Shares

"New Shares"	a total of 250,000,000 New Shares (comprising 30,000,000 Hong Kong Offer Shares and 220,000,000 International Placing Shares) initially being offered by our Company for subscription under the Global Offering
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed or purchased pursuant to the Global Offering and to be determined on or before the Price Determination Date, which will not be higher than HK$0.98 per Offer Share and is currently expected to be no less than HK$0.68 per Offer Share
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
"OSK Securities"	OSK Securities Hong Kong Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
"Over-allotment Option"	the option to be granted by our Company to the Sole Global Coordinator (for itself and on behalf of the International Underwriters) exercisable at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters), pursuant to the International Underwriting Agreement at any time from the date of the Price Determination Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offer, pursuant to which our Company is required to issue and allot up to an aggregate of 45,000,000 additional Shares representing 15% of the initial number of the Offer Shares, at the Offer Price, to cover, among other things, over-allocations in the International Placing, if any, details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"PRC"	the People's Republic of China
"PRC Government" or "State"	the central government of the PRC including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Advisers"	Beijing Kang Da Law Firm, a qualified PRC law firm acting as the PRC legal advisers to our Company

"Price Determination Date"	the date, expected to be on or around 6 July 2012 but no later than 10 July 2012, on which the Offer Price is fixed for the purpose of the Global Offering
"R&D"	research and development
"Reorganisation"	the corporate reorganisation of our Group, further information on which is set forth in the sub-section headed "Reorganisation" of the section headed "History, Reorganisation and Group Structure" in this prospectus
"Restricted Business"	means (i) the manufacture of metallic components of display panels for use in consumer electronics products including LCD (including LED) TVs, monitors, mobile PCs and mobile phones in the Restricted Territory; and (ii) the sales, supply, provision, distribution and delivery of such metallic components of display panels in the Restricted Territory
"Restricted Territory"	China
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	中華人民共和國國家外匯管理局 (State Administration of Foreign Exchange of the PRC), the PRC governmental agency responsible for matters relating to foreign exchange administration
"Sale Shares"	the 50,000,000 Sale Shares to be offered by the Selling Shareholders for purchase under the International Placing at the Offer Price
"Samsung"	for the purpose of this prospectus, Samsung China, Samsung HK and Samsung Korea
"Samsung China"	蘇州三星電子液晶顯示器有限公司, a company established under the laws of the PRC, an Independent Third Party
"Samsung HK"	Samsung Electronics Hongkong Co., Ltd., a company incorporated under the laws of Hong Kong, an Independent Third Party
"Samsung Korea"	Samsung Electronics Co., Ltd., a corporation organized and existing under the laws of Korea, an Independent Third Party
"SCLED"	SCLED Co., Ltd, a corporation organized and existing under the laws of Korea, a wholly-owned subsidiary of Fine Technix
"Second Wuxi Production Base"	our production facilities located at the eastern side of Chenjiagang southern side of Meiyu Road and western side of Xidong Main Road, Wuxi, Jiangsu Province, the PRC

"Selling Shareholders"	Asia Orchid, Chang-Han, and Hong Kong Xin Su Limited
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	the ordinary shares of our Company with a nominal value of HK$0.1 each
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 24 June 2012, a summary of its principal terms is set forth in the paragraphs under "Share Option Scheme" in Appendix VI to this prospectus
"Shareholder(s)"	holder(s) of Shares
"sq.m"	square meter(s)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be enter into on or about the Price Determination Date between the Stabilisation Manager and Infinity
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under section 2 of the Companies Ordinance
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"TONGYANG Securities"	TONGYANG Securities Hong Kong Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
"Track Record Period"	the period comprising the three years ended 31 December 2011
"TV"	television
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America

"USD" or "US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the securities laws of the United States, including the Securities Act of 1933, as amended, and the regulations of the U.S. Securities and Exchange Commission promulgated pursuant thereto
"**WHITE** Application Form(s)"	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicants' own name
"Wuxi Fanchuang"	無錫凡創貿易有限公司 (Wuxi Fanchuang Trading Co., Ltd.*), a company incorporated under the laws of the PRC, the shareholders of which are employees of our Group
"Wuxi Heqi"	無錫合氣貿易有限公司 (Wuxi Heqi Trading Co., Ltd.*), a company incorporated under the laws of the PRC, the shareholders of which are employees of our Group
"Wuxi Production Bases"	the First Wuxi Production Base and the Second Wuxi Production Base
"**YELLOW** Application Form(s)"	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
"%"	per cent.

The English names of the PRC entities, enterprises, departments, certificates, titles and the like mentioned in this prospectus marked "" are translations from their Chinese names and they are included for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.*

For the purposes of illustration only and unless otherwise specified in this prospectus, amounts denominated in RMB and USD have been translated into HK$ at the rate of RMB1.00 = HK$1.20 and USD1.00 = HK$7.77; amounts denominated in KRW have been translated into RMB at the rate of RMB1.00 = KRW171.06 as year end rate for figures for the year of 2009, RMB1.00 = KRW186.85 as average rate for the year of 2009, RMB1.00 = KRW172.50 as year end rate for figures for the year of 2010 RMB1.00 = KRW170.83 as average rate for the year of 2010 and RMB1.00 = KRW183.99 as year end rate for figures for the year of 2011; amounts denominated in KRW have been translated into USD at the rate of USD1.00 = KRW1,092.80 as average rate for the nine months ended 30 September 2011; amounts denominated in JPY have been translated into USD at the rate of USD1.00 = JPY78.88 as average rate for the nine months ended 31 December 2011; amounts denominated in JPY have been translated into RMB at the rate of RMB1.00 = JPY12.25 as year end rate for figures for the year of 2011; amounts denominated in Euro have been translated into RMB at the rate of RMB1.00 = Euro 0.12 as year end end rate for figures for the year of 2011. No representation is made that the RMB and USD amounts could have been, or could be, converted into HK$ at such rates or at any other rate on such date or on any other date.

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

"BLU"	back-light unit, one of the most important components of a display panel. As the display panels do not produce light themselves (unlike for example Cathode ray tube (CRT) displays), they need illumination (ambient light or a special light source) to produce a visible image. The backlight unit illuminates the display panel from the side or back of the display panel. Components inside a BLU includes, among others, the lamp, lamp cover, back cover, reflector, light guide, difusser and prism sheet
"BLU manufacturers"	manufacturers who assemble BLU units of display panels and perform some other manufacturing process for electronics companies. As at the Latest Practicable Date, our Group was one of the approved suppliers to Samsung's and LG's designated BLU manufacturers
"CCFL"	cold-cathode fluorescent lamps, a technology which uses a discharge in mercury vapour to develop ultraviolet light, which in turn causes a fluorescent coating on the inside of the lamp to emit visible light. Cold-cathode fluorescent lamps are used for backlighting of LCD displays, for example computer monitors and television screen
"FPD"	flat panel display
"galvalume"	a highly corrosion resistant galvanised steel product with a unique coating, which is applied in a continuous hot-dipped process which improves the steel's resistance to corrosion
"land use rights certificate"	國有土地使用證 (land use rights certificate*), a transferable certification of the right of a party to use a parcel of land
"LCD"	liquid crystal display, a technology used for flat panel displays, which is a broad terminology which commonly covers LED and CCFL (cold-cathode fluorescent lamps) technologies
"LED"	light emitting diode, a technology used for flat panel displays, which is a kind of liquid crystal display technology
"OLED"	organic light-emitting diode, a LED technology used for flat panel displays, in which the emissive electroluminescent layer is a film of organic compounds which emit light in response to an electric current

"PCB"	printed circuit board, a flat board made of non-conductive material, such as plastic or fiberglass, on which chips and other electronic components are mounted, usually in predrilled holes designed to hold them. The component holes are connected electrically by predefined conductive metal pathways that are printed on the surface of the board. The metal leads protruding from the electronic components are soldered to the conductive metal pathways to form a connection
"tablet PC"	a general purpose portable computer equipped with a touch screen interface contained in a single panel as the input device, with a software application used to run a virtual keyboard
"TFT-LCD"	thin-film transistor liquid crystal display, a type of flat panel display technology that has two glass substrates sandwiching a layer of liquid crystal. The TFT-LCD panel's top glass substrate incorporates a colour filter, while the bottom glass substrate has a cell structure that gives definition to each pixel and at least one TFT to control whether each pixel is on or off
"time-to-market"	the period of time between initial development and the first shipment of a product
"time-to-volume"	the period of time it takes to ramp up the production level of a product to quantities large enough to meet customer demand

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. Our operations involve certain risks, many of which are beyond our control. You should pay particular attention to the fact that our principal operations are conducted in the PRC. As such, we are governed by a legal and regulatory environment which may in some respects differ from that prevailing in other jurisdictions. Our business, financial condition and operating results may be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We depend on Samsung and LG

We rely on Samsung and LG for a significant portion of our revenue

During the Track Record Period, we derived a significant portion of our revenue from a few major customers. Our five largest customers accounted for approximately 69%, 72% and 69% of our revenue for each of the three years ended 31 December 2011, respectively. Our largest customer during the Track Record Period, Samsung Korea, accounted for approximately 26%, 17% and 18% of our revenue for each of the three years ended 31 December 2011, respectively. There was a decrease of our direct sales to Samsung Korea since 2010. The contribution of (i) direct sales to Samsung, by way of the Factory Transfer Arrangement, (ii) indirect sales to Samsung through Samsung's designated BLU manufacturers, (iii) direct sales to LG and (iv) indirect sales to LG through LG's designated BLU manufacturers to the revenue of our Group is set out below:

% of our revenue contributed by	**For the year ended 31 December**		
	2009	**2010**	**2011**
	(approx.)	*(approx.)*	*(approx.)*
Direct sales to Samsung	33.0	20.6	19.7
Indirect sales to Samsung through Samsung's designated BLU manufacturers	61.4	74.9	60.0
Total	**94.4**	**95.5**	**79.7**

% of our revenue contributed by	**For the year ended 31 December 2011**
	(approx.)
Direct Sales to LG	4.2
Indirect sales to LG through LG's designated BLU manufactures	10.6
Total	**14.8**

Samsung remained as our major ultimate customer during the Track Record Period. The decreased direct orders from Samsung Korea during the Track Record Period was mainly due to the change of manufacturing process of Samsung Korea from relying on Samsung's factories in China to assemble components of its products to engaging more designated BLU manufacturers in China to assemble the components for them. As a result of this change, we sold more products to Samsung's designated BLU manufacturers in China and less to Samsung Korea directly in the past few years. Our revenue generated from the sales to the designated BLU manufacturers increased during the Track Record Period. Our revenue generated from Samsung's designated BLU manufacturers during the three years ended 31 December 2011 were approximately RMB459.8 million, RMB674.6 million and RMB902.7 million, respectively. LG Guangzhou has been the major customer of FMS Guangzhou since its commencement of operation. Sales to LG Guangzhou together with LG's designated BLU manufacturers, accounted for approximately 94.4% of the total revenue of FMS Guangzhou for the year ended 31 December 2011.

Our results of operations and financial condition will continue to depend on (i) our ability to continue to obtain orders from Samsung and LG; (ii) the financial condition and commercial success of Samsung and LG; and (iii) factors that affect the development of the LCD (including LED) TVs, monitors, mobile PCs and mobile phones industry. We cannot assure you that we will be able to maintain or improve our relationships with Samsung and LG and either of them may terminate their respective relationships with us any time. Any material delay, cancellation or reduction of orders from Samsung or LG could cause our net sales to decline significantly, and in any such event, our results of operations may be materially and adversely affected.

In addition, our major customers do not have long-term purchase commitments with us and they place individual purchase orders with us. Whilst our major customers provide non-binding estimates of purchase quantities at the beginning of each year and each quarter, separate binding purchase orders which set out prices of the relevant products and the quantities required are made on a short-term basis of 1 to 2 days in advance of the delivery date. As such, we cannot benefit from long-term sales orders from our major customers.

Furthermore, our relationships with our major customers are non-exclusive and largely dependent on goodwill. In the event that any of our major customers materially reduces, delays or cancels their orders with us or terminates their business relationship with us, we might not be able to obtain replacement orders on similar terms in a timely manner from other customers. If any of the foregoing events occurs, especially in the event that we lose our status as an approved supplier of Samsung and LG, our current largest ultimate customers, there would be a material adverse effect on our business, financial condition and results of operations.

Our business and prospects are dependent on the business and financial performance of Samsung and LG

Our business and prospects are dependent on the business and financial performance of our ultimate customers, Samsung and LG. If our ultimate customers are unable to keep abreast of the technological developments or market sentiments and consequently experience a slowdown due to any of these or other factors, it is likely that their products will become obsolete and, accordingly, demand for our products will decrease significantly. We are also dependent on the market acceptance and commercial success of our ultimate customers' products as we cannot guarantee that their products will be marketable in the long term.

In addition, if one or more of our major customers were to become insolvent or otherwise unable to pay for the products supplied by us, our business, financial condition and results of operation would be materially and adversely affected.

Furthermore, if one or more of our major customers undergoes a reorganisation by means of a corporate spin-off, merger or otherwise, any such reorganisation could disrupt, slow down or otherwise materially affect their business and operations and, therefore, our revenue. Moreover, the entities resulting from such reorganisation may change suppliers or sourcing policies. If any of our major customers decides to significantly change its procurement methods for products, or otherwise reduces or eliminates the purchase of our products, our revenue would decline significantly.

We are dependent on the industries of Samsung and LG

We are dependent on the LCD (including LED) TVs, monitors, mobile PCs and mobile phones industries, which are subject to cyclical changes, rapid technological developments, short product life cycles, evolving industry standards and changing consumer preferences. For instance, the recent development of application of OLED technology in display panels may replace LCD panels to become mainstream in the future, depending on prevailing consumer preference and technological development. Another example is that, the metallic components we produced for use in mobile phones were mainly for use in slide mobile phones. Due to the decrease in popularity of slide mobile phones in recent years, our revenue for sales of metallic components for use in mobile phones decreased from approximately RMB17.2 million to RMB4.4 million for each of the year ended 31 December 2009 and 31 December 2011, respectively. In addition, in the event of an oversupply of our customer's products, demand for our products will decrease. According to DisplaySearch, the worldwide revenue of FPD TVs reached its peak in 2010 and began to decline as markets move towards FPD TV household saturation, slowing unit growth and continuing average selling price erosion. If any of the foregoing events occur and we are unable to develop and introduce new products successfully, our business, financial condition (including our revenue and profits) and results of operations would be materially and adversely affected.

Samsung Korea plans to restructure and spin off its LCD panel operations into a new company to be wholly owned by Samsung Korea and plans to develop OLED panels business

Samsung Korea announced on its company's website on 20 February 2012 that the display market is undergoing rapid changes with OLED panels expected to fast replace LCD panels to become the mainstream and announced that it plans to spin off its LCD panel operations into a new company to be wholly owned by Samsung Korea. This restructuring proposal of the LCD panel operations by forming a company specializing in display panels, according to Samsung Korea, will enable Samsung

Korea to, among others, strengthen its competitiveness based on the selected and focused strategy and take an advantageous position in the future display market ahead of competitors. Recently, there were articles reporting that Samsung Korea is pushing a more advanced technology of OLED display than LCD display.

During the Track Record Period, our Group focused on the production of metallic components of display panels for use in LCD (including LED) TVs and monitors and mobile PCs and did not supply metallic components of OLED panels to Samsung. The launch and development of new products involve considerable time and commitment which may exert a substantial strain on our ability to manage our existing business and operations. We cannot assure you that research and development capacity and capability is sufficient to develop any marketable new products or any income will be generated from such new products. The launch and development of new products may also increase our R&D costs and capital expenditure substantially. If we are not able to develop and introduce new products successfully, or if our new products fail to generate sufficient revenues to offset our R&D costs, our business, financial condition and operating results could be adversely affected.

We manufacture a significant portion of our products, and any increase in the costs or shortage of our raw materials may cause a decline of our financial performance

The cost of raw materials accounted for approximately 68.9%, 70.7% and 69.9% of our total cost of sales for each of the three years ended 31 December 2011, respectively. Our major raw materials include electrolytic galvanized iron, galvalume, aluminium and stainless steel. The prices of our supplies are determined according to prevailing market conditions and are therefore subject to fluctuations as a result of various factors such as fluctuations in commodity prices. During the three years ended 31 December 2011, the unit price of our major raw materials, electrolytic galvanized iron, was approximately US$0.88, US$1.02 and US$1.10 per kg, respectively, and the unit price of our other main raw material, galvalume, was approximately US$0.80, US$1.02 and US$1.15 per kg, respectively. We may be unable to obtain adequate supplies of raw materials in appropriate quantities and quality in a timely manner. If the supply of raw materials is substantially interrupted or reduced or if there are significant increases in the prices we pay for our raw materials or if there are unfavorable fluctuations in the quality of these raw materials, we may incur additional costs in acquiring significant quantities of these raw materials to maintain our production schedules and commitment to our customers. In addition, if we cannot identify alternative sources of raw materials when needed, or obtain sufficient raw materials when required, the resulting loss of production volume could adversely impact our ability to deliver products to our customers in a timely manner, which could harm our reputation, business, financial condition, results of operations and prospects. Any significant increase in the prices of our raw materials which cannot be passed on to our customers by way of a price increase will adversely affect our financial performance and, hence, our profitability.

We are exposed to the risk of price erosion

The average selling price of some of our products has declined historically and we are exposed to the risk of price erosion. Factors such as technological advances, product innovation and development of new products may lead to downward pricing pressure on our products. The average unit selling price of our metallic components of display panels for use in LCD (including LED) TVs decreased from approximately RMB32.73 for the year ended 31 December 2011 to approximately RMB30.04 for the four months ended 30 April 2012. The average unit selling price of our metallic components products for use in mobile phones decreased from approximately RMB1.06 for the year ended 31 December 2009 to approximately RMB0.56 for the four months ended 30 April 2012. Our ability to maintain or increase our profitability and margins will continue to be dependent in a large part on our ability to offset decreases in average selling prices by improving production efficiency, reducing our costs of production or by shifting to higher margin products. If we are unable to do so, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our Group recorded net current liabilities as at 30 April 2012

As at 30 April 2012, our Group recorded net current liabilities of approximately RMB120.8 million. The net current liabilities position of our Group was mainly due to short term bank borrowings, which was primarily used to finance the repayments of trade payables for the purchase of raw materials, and the capital expenditure for setting up our Second Wuxi Production Base and for working capital purposes. Details of our net current liabilities during the Track Record Period and as at 30 April 2012 are set out in the section headed "Financial Information — Indebtedness — Net Current Assets/(Liabilities) — our Group" in this prospectus.

However, there can be no assurance that we will be able to raise the necessary funds by borrowing from financial institutions to finance our business, operations and capital expenditure. In the event that the financial institutions providing existing banking and credit facilities do not continue to extend similar or more favourable facilities to us and we fail to obtain alternative banking and credit facilities on reasonable terms, our business, financial condition and results of operations will be adversely affected.

Our Group's gross profit decreased for the year ended 31 December 2010

Our Group has recorded a decrease of gross profit of approximately RMB205.8 million for the year ended 31 December 2009 to approximately RMB174.0 million for the year ended 31 December 2010. During the year ended 31 December 2010, the cost of raw materials and consumable parts rose under the strong inflationary environment which reduced our gross profit. In addition, the decrease in the average selling price of the metallic components of display panels for use in monitors and mobile PCs also led to a decrease in our overall gross profit. We cannot ensure that we will not experience any decrease of gross profit in the future. If our Group experiences any substantial decrease of gross profit, our business, financial condition and results of operations may be adversely affected.

Our half year profit forecast is not indicative of and should not be interpreted as guidance for our 2012 full year results

Our profit forecast is only for the six months ending 30 June 2012, which does not take into account any factors affecting results beyond 30 June 2012 and is not indicative of our 2012 full year results. Therefore, our profit forecast should not be interpreted as the guidance for our full year results for 2012 and should not be relied on as an indication of our expected performance for any period beyond 30 June 2012.

We may not be able to sustain historical financial performance and growth

We experienced substantial growth in revenue during the Track Record Period, and our revenue fluctuated during the same period. The total revenue of our Group was approximately RMB748.5 million, RMB901.2 million and RMB1,505.3 million for each of the three years ended 31 December 2011, respectively. Such rapid growth may be attributed to the successful implementation of our business plans in the past. However, the changes in our revenue and profit during the Track Record Period may not be indicative of our future performance.

As set out in the paragraph headed "Business Strategies" in the section headed "Our Business" in this prospectus, we plan to adopt a number of strategies, including the expansion of our production capacity to strengthen our position in the PRC metallic components for display panels industry. The successful implementation of our business plans will depend on a number of factors which may or may not be within our control, including but not limited to whether the LCD (including LED) TVs, mobile phones, monitors and mobile PCs industries will continue to grow at a pace anticipated by us, whether we will be able to timely and effectively capture the opportunities associated with such growth, the level of competition arising from other manufacturers of metallic components for display panels, our ability to manage our business growth strategically and cost-effectively, our ability to cope with any increase in product demands, our ability to enhance our moulds R&D capabilities and the availability of funds to finance our strategic plans. There is no assurance that we can successfully manage any of these factors. If we fail to implement our business plans, our business, financial condition and results of operations may be adversely affected.

We are reliant on key management personnel

Our success is dependent on the continued efforts of our key management personnel. Our key management personnel are instrumental in formulating our business strategies and overseeing our daily operations which to a large extent depend on the technical know-how and managerial experience of our key management team. Our chairman, also an executive Director of our Company, Mr. Hong, is our founder who has played an important role in forming the business direction and promoting the growth of our Group. Each of Mr. Park Ilmo and Mr. Kang Hosuk, both executive Directors of our Company, has many years of experience in consumer electronics products industry and have made significant contribution to the development of our Group. Further information on our Directors and senior management is set out in the section headed "Directors, Senior Management and Employees" in this prospectus.

There is no assurance that we will be able to retain members of our senior management team and other key personnel or recruit additional competent personnel for our future development. Moreover, we do not maintain insurance for the loss of any key personnel. Any loss of key personnel without immediate and adequate replacement may limit our competitiveness, affect our production processes, reduce our manufacturing quality or cause customer dissatisfaction, any of which would adversely affect our business, financial condition, results of operations and growth prospects.

FMS Guangzhou has a short operating history and relied on FMS Korea in technical aspects in the past

FMS Guangzhou commenced its production in July 2010. In order to facilitate the establishment of the production systems of FMS Guangzhou, FMS Guangzhou and FMS Korea entered into a royalty agreement on 26 July 2010, pursuant to which FMS Korea agrees to transfer their know-how and technology in relation to the production of metallic components of display panels for use in TFT-LCD TVs and arrange for the deployment of their technical staff to FMS Guangzhou at the request of FMS Guangzhou. In addition, FMS Korea centralized the procurement of raw materials for the orders from its customers and FMS Guangzhou's customers and sold raw materials to FMS Guangzhou in the past. Notwithstanding that FMS Guangzhou and FMS Korea entered into a termination agreement terminating the royalty agreement on 30 January 2012 and FMS Guangzhou started to source raw materials through its internal procurement department since February 2011, there is no assurance that FMS Guangzhou would not need to seek any technical support or procurement support from FMS Korea in the future.

We may face potential product liability claims or suffer losses due to product recall

As a manufacturer of metallic components for display panels, we may be subject to product liability claims due to product defects. In line with general industry practice, we have not obtained insurance coverage for product liability or implemented any other protection scheme. If our products are proved to be defective and result in losses to our customers, we may be liable under product liability claims under the laws of the PRC or other jurisdictions in which our customer's products are sold or used. As a result, we may have to incur significant legal costs and divert our administrative resources regardless of the outcome of the claims. In addition, any such claims could damage our customer relationships and business and result in negative publicity. In the event that allegations arise claiming that our products are defective, we may also need to recall such defective products. This may cause adverse impacts on our business and financial performance. We did not make any recall of products of a significant amount during the Track Record Period.

We rely on a stable supply of labour at reasonable cost

Our production, to a certain extent, relies on a stable supply of labour. The direct labour costs of our Group in relation to production (excluding Directors' remuneration) was approximately RMB51.0 million, RMB63.3 million and RMB97.6 million for each of the three years ended 31 December 2011, respectively.

However, there is no guarantee that our supply of labour and average labour cost will continue to be stable. If we fail to retain our existing labour and/or recruit sufficient labour in a timely manner, we may not be able to cope with a sudden increase in demand for our products or our expansion plans. If we are unable to manufacture and deliver our products on schedule or if we are unable to implement our expansion plans, our business, financial condition, results of operations and prospects may be materially adversely affected. Moreover, if there is a significant increase in our labour cost, the cost of our business operations will increase and our profitability will be adversely affected.

We may not be able to obtain sufficient capital in a timely manner and/or on acceptable terms for implementation of our business strategies

The metallic components for display panels industry is capital intensive and requires significant expenditure on machinery, utilities and supporting infrastructure so as to manufacture these high-precision products. We also need significant working capital in order to manage our planned increase in production capacity. From time to time, our business plans may change due to changing circumstances, new business developments, investment opportunities or unforeseen circumstances. If we require additional funds and cannot obtain funding when required under commercially acceptable terms, we may not be able to fully fund the capital expenditure necessary to improve or purchase additional facilities and equipment, which could impede the implementation of our business strategies or prevent us from entering into transactions that would benefit our business, which may in turn materially and adversely affect our business, financial condition and results of operations. In addition, any additional funding undertaken by us may result in us being subject to additional restrictive covenants which could limit our ability to obtain other financing and/or our ability to utilise excess cash from our operations.

Fluctuations in foreign exchange rates may adversely affect our Group's business

Our Group may be exposed to foreign exchange risk as a result of the mismatch between the currencies used in our operating expenses, trade receivables and payables. Although our Group settles our purchases mainly in USD and our customers generally settle their payments in USD, most of our Group's operation costs are principally paid in RMB. Changes in the relevant exchange rates between these currencies may affect our Group's gross and net profit margins and could result in foreign exchange and operating losses.

The foreign exchange loss of our Group for each of the three financial years ended 31 December 2011 was RMB207,000, RMB6,759,000 and RMB5,116,000.

Our Group has adopted foreign currency hedging policies in respect of foreign currency transactions, assets and liabilities. As at the Latest Practicable Date, our Group had 13 outstanding foreign exchange forward contracts with remaining contract periods of not longer than 6 months. Six foreign exchange forward contracts were entered into between Jiangsu Fine DNC and China Construction Bank (Wuxi Branch), six foreign exchange forward contracts were entered into between Jiangsu Fine DNC and Industrial and Commercial Bank of China (Wuxi Branch), and one foreign exchange forward contract was entered into between Jiangsu Fine DNC and Bank of China (Wuxi Branch). Each of the foreign exchange forward contracts entered into with Industrial and Commercial Bank of China (Wuxi Branch) allows for a sale of US$1,000,000 and the purchase in RMB at an RMB : US$ exchange rate of 6.3263 to 6.3492, depending on the terms of each contract. Each of the foreign exchange forward contracts entered into with China Construction Bank (Wuxi Branch) allows for a sale of US$2,000,000 and the purchase in RMB at an RMB : US$ exchange rate of 6.314574 and 6.354455, depending on the terms of each contract. The foreign exchange forward contract entered into with Bank of China (Wuxi Branch) allows for a sale of US$1,000,000 and the purchase in RMB at an RMB : US$ exchange rate of 6.3075. However, there can be no assurance that such foreign currency hedging policies will be able to adequately hedge all of our Group's exposure to foreign exchange risks. If the foreign currency hedging policies adopted by our Group are not successful, our Group's business and results of operations may be materially and adversely affected.

We may not be able to prevent others from unauthorised use of our intellectual property, which could harm our business and reputation

We rely on patent and trademark laws as well as non-disclosure agreements and other methods to protect our intellectual property rights. However, our Group has no patents registered outside of the PRC and all the patents of our Group are applicable only in the PRC. It could be difficult and expensive to prevent unauthorised use of intellectual property. The steps we have taken may be inadequate to prevent misappropriation of our technologies, trademarks, trade names or other intellectual property. Our inability to prevent others from unauthorised use of our intellectual property could harm our business, reputation and competitive positions. Also, we may have to enforce our intellectual property rights through litigation. Such potential litigation may result in substantial costs and diversion of resources and management attention.

We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause us to pay significant damage awards

Our success depends largely on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. Our competitors may bring intellectual property infringement claims against us for the purposes of gaining competitive advantages over us. The defence and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. If any claim is adversely determined against us in any of such potential litigation or proceedings, we could be subject to significant liability to third parties. As a result, we may be required to seek licenses from third parties, pay ongoing royalties and redesign our production processes. We could further be subject to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our existing or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation.

RISKS RELATING TO OUR INDUSTRY

Worldwide revenues from sales of FPD TVs began to decline in 2010 according to DisplaySearch

According to DisplaySearch, the worldwide revenues from sales of FPD TVs reached its peak in 2010 and began to decline as markets move towards FPD TV household saturation, slowing unit growth, and continuing average selling price erosion. Panel makers have invested a lot of additional capacity over 2009 and 2010 and demand does not appear to be high enough to keep from a persistent oversupply.

There is a correlation between our business and the production volume and sales of consumer electronics products, which are dependent on economic policies and market sentiment. Any significant reduction in production and sales of consumer electronics products would have a material and adverse effect on our business. Our sales volume of metallic components of display panels for use in LCD (including LED) TVs reflected a sharp increase of approximately 104.7% in the year ended 31 December 2011 (as compared to the year ended 31 December 2010) showing the correlation between our sales volume and the increase in the shipment volume of FPD TVs in the same period. There can be no assurance that there will not be changes in market conditions, government policies and other factors leading to a slowdown in demand for consumer electronics products. A decline in demand for consumer electronics products would directly and adversely affect demand for our products and hence our business, financial condition and results of operations.

The average selling prices of display panels have declined in general and may continue to decline in the future as a result of, amongst other factors, technology advancement and increase in production capacity. If the display panel makers are unable to effectively anticipate and counteract the erosion of the selling prices of their products, their profit margins will be negatively affected. As such, display panel makers, including our customers, may put pressure on their suppliers to reduce the price of supplies so as to reduce their manufacturing costs. If we are unable to pass such selling price pressure on to our suppliers of materials and components, our profitability may be adversely affected.

There may be changes in the existing laws and regulations or additional or stricter laws and regulations on environmental protection and safety matters in the PRC

We comply with the environmental protection and workplace safety laws and regulations promulgated by the national and local governments of the PRC, and the local environmental authorities have certified that we have complied with the relevant environmental protection laws and regulations during the Track Record Period.

There is no assurance that the PRC Government will not change the existing laws or regulations or impose additional or more stringent requirements, compliance with which may cause us to incur significant capital expenditure. Moreover, if we fail to comply with the relevant environmental and safety regulations, we may be required to pay substantial fines, suspend production or cease operations. Consequently, our financial condition, business and reputation may be adversely affected.

Global financial crisis and economic downturn may have a material and adverse effect on our business, results of operations and financial condition

The global financial crisis which commenced in 2008 caused substantial volatility in capital markets and a downturn in the global economies. The sovereign-debt crisis in the United States and Europe which commenced in late 2008 with the collapse of Iceland's banking system together with the downgrade of the United State's credit rating from AAA to AA+ by Standard & Poor's in August 2011 have caused great volatility in equity markets which posted their sharpest declines since the global financial crisis in 2008. This has greatly slowed the pace of global economic recovery from the 2008 global financial crisis and the full extent of the impact of the sovereign-debt crisis and the downgrade of the United State's credit rating is yet to be known. There are real threats of a global economic downturn and recession which may in turn decrease consumer demand for consumer electronics products. Such decrease in consumer demand would adversely affect our operations since profits and production output of manufacturers whom we supply our products to may be adversely affected.

Furthermore, the availability of credit to entities, such as ourselves, is significantly influenced by levels of investor confidence in such markets as a whole and any factors that may impact market confidence could affect the costs or availability of funding for entities within any of these markets.

The global financial crisis which commenced in 2008 has resulted in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. Although a global economic recovery has been underway for some time, there is no assurance that the recovery will continue or be sustained. If such economic downturn continues or there are prolonged disruptions to the credit markets, this could limit our ability to borrow funds from our current or other funding sources or cause our continued access to funds to become more expensive and our business may be exposed to a downturn in sales that might be caused by such tightening of credit conditions. As such, our business, financial condition, results of operations and prospects may be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Any adverse change in the political, economic and social conditions and policies of the PRC may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies

Our principal operations are conducted in the PRC. Accordingly, our business, financial condition, results of operations and prospects are subject to a significant degree to the economic, political and legal developments of the PRC.

The PRC economy differs from other developed economies of the world in many respects, including:

- its structure;
- the level of governmental involvement;
- the level of development;
- inflation or deflation, as well as the government's measures to control them;
- growth rate;
- the control of foreign exchange; and
- the allocation of resources.

As a result of these differences, our business may not develop in the same way or at the same rate as may be expected if the PRC economy were similar to those of other developed countries. The PRC economy has been transitioning from a planned economy to a more market-oriented economy and the PRC Government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy and is continuing to play a significant role in regulating industries by imposing industrial policies. We cannot, however, predict whether changes in the political, economic and social conditions and policies in the PRC, or in the relevant laws, rules and regulations, will have any material adverse effect on our current or future business, financial condition and results of operations.

Implementation of 中華人民共和國勞動合同法 (PRC Labour Contract Law) and other labour-related regulations in the PRC may materially and adversely affect our business, financial condition and results of operations

中華人民共和國勞動合同法 (PRC Labour Contract Law) and 中華人民共和國勞動合同法實施條例 (PRC Labour Contract Law Implementation Rules) took effect on 1 January 2008 and 18 September 2008, respectively. These labour laws and rules impose additional stringent requirements on employers in relation to entering into fixed term employment contracts, hiring of part-time employees and dismissing employees.

Pursuant to 中華人民共和國勞動合同法 (PRC Labour Contract Law), we have been required since 1 January 2008 to enter into non-fixed term employment contracts with employees who have worked for us for more than 10 consecutive years or for whom a fixed term employment contract has been concluded for two consecutive times, unless otherwise provided in 中華人民共和國勞動合同法 (PRC Labour Contract Law).

We may not be able to efficiently terminate non-fixed term employment contracts under 中華人民共和國勞動合同法 (PRC Labour Contract Law) without cause unless there exists special circumstances as stipulated in 中華人民共和國勞動合同法實施條例 (PRC Labour Contract Law Implementation Rules) as well as other PRC laws for the termination of the employment contracts by the employer.

We may be required to make severance payments to employees when the term of their employment contracts expire, except for certain circumstances prescribed in 中華人民共和國勞動合同法 (PRC Labour Contract Law) including where an employee voluntarily rejects an offer to renew the contract where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer, except in the circumstances where (i) the term of service is more than six months but less than a year, the amount of severance payment shall be calculated the same as a full year of service, (ii) the term of service is less than six months, the employer shall pay half a month's wage to the employee as severance payment and (iii) the employee's monthly wage is more than three times the local average monthly wage of the preceding year announced by the local relevant PRC Government, the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by the number of years of service which cannot exceed a maximum of 12. A minimum wage requirement has also been incorporated into 中華人民共和國勞動合同法 (PRC Labour Contract Law).

Liability for damages or fines may be imposed for any material breach of 中華人民共和國勞動合同法 (PRC Labour Contract Law).

In addition, under 職工帶薪年休假條例 (Regulations on Paid Annual Leave for Employees), which became effective on 1 January 2008, employees who have continuously worked for more than one year are entitled to paid holidays ranging from 5 to 15 days, depending on their length of service. Employees who agree to waive their holiday time at the request of their employers must be compensated with three times their normal daily salary for each holiday waived.

As a result of these PRC laws, rules and regulations, our labour costs have increased. There can be no assurance that disputes, work stoppages or strikes will not occur in the future. Further, there can be no assurance that there will not be additional or new labour laws, rules and regulations in the PRC, which may lead to potential increases in our labour costs and future disputes with our employees. Where such events occur, our business, financial condition and results of operations may be materially and adversely affected.

PRC regulations on foreign investment and foreign exchange control may delay or prevent us from using the proceeds of the New Issue to make additional capital contributions or loans to our PRC subsidiaries

Any capital contributions or loans that our Company, as an offshore entity, makes to our PRC subsidiaries, including those from the proceeds of the New Issue, are subject to PRC regulations governing foreign investment and foreign exchange control. For example, the total of any offshore loans to our PRC subsidiaries cannot exceed the difference between the registered capital and total investment of our Company's PRC subsidiaries, and such loans must be registered with SAFE or its authorised organisation. In addition, our Company's capital contributions to our PRC subsidiaries must be approved by the competent authority of MOFCOM. On 29 August 2008, SAFE issued 國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知 (Notice of the General Department of the SAFE on Improving on Relevant Business Operations Issues Concerning the Administration of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises) ("**Notice 142**") which regulates the conversion by a foreign-invested enterprise of foreign currency into Renminbi by restricting how the converted Renminbi may be used. The Notice 142 requires that the Renminbi funds converted from the foreign currency capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC unless specifically provided for otherwise. In addition, SAFE strengthened its supervision over the flow and use of Renminbi funds converted from the foreign currency capital of a foreign-invested enterprise. The use of such Renminbi capital may not be changed without SAFE's approval, and may not, in any case, be used to repay or prepay Renminbi loans if such loans have not been used. Violations of the Notice 142 will result in severe penalties, such as heavy fines set out in the relevant foreign exchange control regulations.

There is no assurance that we will be able to obtain the above-mentioned approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries, fund their operations or to utilise the proceeds of the New Issue in the manner described in the section headed "Future Plans and Use of Proceeds" of this prospectus may be adversely affected, which could affect the liquidity of our PRC subsidiaries and their ability to fund working capital and expansion projects and meet their obligations and commitments.

We rely on dividends and other distributions paid by our operating subsidiaries in the PRC for our cash needs

Our Company is a holding company conducting substantially all of our business through our operating subsidiaries in the PRC. We depend on dividends paid by our operating subsidiaries in the PRC for our cash needs, including funds necessary to pay dividends and other cash distributions to our Shareholders, to service any debt we may incur and to pay our operating expenses.

The payment of dividends by entities established in the PRC is subject to certain limitations. In particular, regulations in the PRC currently permit payment of dividends by our operating subsidiaries in the PRC to us only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Our operating subsidiaries in the PRC are also required to set aside at least 10% of their after-tax profit based on PRC's accounting standards each year to their statutory common reserves until the cumulative amount of such reserves reaches 50% of their registered capital. These reserves are not distributable as cash dividends. In addition, our operating subsidiaries are required to allocate a portion of their after-tax profit to their enterprise expansion fund and the staff welfare and bonus fund at the discretion of their board of directors. Moreover, our operating subsidiaries in the PRC have incurred and will continue to incur debt on their own, some of the instruments governing the debt contain restrictive covenants, which restrict their ability to pay dividends or make other distributions to us. Any limitations on the ability of our operating subsidiaries in the PRC to pay dividends or other distributions to us may have a material adverse effect and restrict on our ability to grow, make investments or acquisitions, pay dividends to our Shareholders and otherwise fund or conduct our business.

The legal system of the PRC is still evolving, and there are inherent uncertainties which may affect the protection afforded to our business and our shareholders

Our business and operations in the PRC are governed by the legal system of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC Government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and certain degrees of inconsistencies. Some of the laws and regulations are still at a developing stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by central or local government agencies in the PRC, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national law. As a result, there is substantial uncertainty as to the legal protection available to us and investors in our Shares. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as that in other more developed jurisdictions, which may thus limit the legal protection available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and the diversion of resources and management attention.

Our business and results of operations may, directly or indirectly, be adversely affected by natural disasters, acts of war and the occurrence of epidemics

Our business is subject to general economic and social conditions in the PRC. Natural disasters, acts of war, epidemics and other factors which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. For instance, a serious earthquake and its successive aftershocks hit Sichuan Province in May 2008, resulting in tremendous loss of lives and injuries and destruction of assets in the region. In April 2009, a swine influenza broke out in Mexico and spread globally, resulting in the loss of lives and widespread fear. Some regions in the PRC, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the H1N1 (swine flu). As our principal operations are conducted in the PRC, any contraction or slow down in the economic growth of the PRC will adversely affect our financial condition, results of operations and future growth. The spread of any severe communicable disease in the PRC may also affect the operations of our customers and suppliers, causing delivery disruptions, which could in turn adversely affect our operating results.

It may be difficult to effect service of process upon, or to enforce judgments obtained against us, our Directors or our senior management members who reside in the PRC or Korea

We are incorporated in Hong Kong. The majority of our assets and our subsidiaries and their assets are located in the PRC and most of our Directors and senior management reside in China or Korea. As a result, it may be difficult for investors to effect service of process in the PRC or Korea upon most of our Directors and senior management, including matters arising under applicable securities laws. The PRC does not have treaties or arrangements providing for the recognition and enforcement of the judgments of the courts of the United Kingdom, the United States and most other western countries. Therefore, recognition and enforcement in the PRC of judgments obtained in such jurisdictions may be impossible. On 14 July 2006, the PRC and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matter by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"). However, investors are reminded that only monetary awards granted by Hong Kong courts are recognized by PRC courts pursuant to such Arrangement.

The PRC and Korea have adopted the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards ("**New York Convention**") since 1987 which permits the reciprocal enforcement in the PRC and Korea of arbitral awards made within the territory of other New York Convention signatory countries regarding disputes arising from contractual and non-contractual commercial legal relationships, subject to certain exceptions. On 7 July 2003, the PRC and Korea signed the "Treaty between the People's Republic of China and the Republic of Korea on the Judicial Assistance in Civil and Commercial Affairs" for the mutual enforcement of arbitration awards.

RISKS RELATING TO CONDUCTING BUSINESS IN KOREA

We face political risks associated with doing business in Korea

We generated the majority of our revenue from sales to Korean-based companies by way of the Factory Transfer Arrangement during the Track Record Period. Accordingly, our business and the market price of our Shares may be affected by changes in Korean governmental policies, taxation, inflation or interest rates and by social instability and diplomatic and social developments in or affecting Korea that affect such customers.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior market for our Shares, and the liquidity and market price of our Shares following the Global Offering may be volatile

Prior to the completion of the Global Offering, there has been no public market for our Shares. The initial offer price range of the Offer Shares, and the Offer Price will be determined by the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and us (for ourselves and on behalf of the Selling Shareholders). The Offer Price may not be indicative of the price at which our Shares will be traded following the completion of the Global Offering. In addition, there can be no guarantee that (i) an active trading market for our Shares will develop, (ii) even if such active trading market does develop, that it will be sustained following the completion of the Global Offering, or (iii) that the market price of our Shares will not decline below the Offer Price.

Certain facts and statistics in this prospectus have been derived from official government publications and other sources and may not be reliable

Facts and other statistics in this prospectus have been derived from various official government publications and other sources which we generally believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Sponsor, the Underwriters, the Selling Shareholders or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC.

We have, however, taken reasonable care in the reproduction or extraction of the official government publications and other sources for the purpose of disclosure in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions.

Any potential sale of Shares by our existing shareholders could have an adverse effect on our Share price

Future sales of a substantial number of our Shares by our existing shareholders or the possibility of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by certain of our existing shareholders are subject to lock-up undertakings beginning on the date on which trading in our Shares commences on the Stock Exchange. Whilst we are not aware of any intentions of our existing shareholders to dispose of significant amounts of their shares upon expiry of the relevant lock-up periods, we are not in a position to give any assurances that they will not dispose of any Shares they may own. In the event that any of our existing shareholders disposes of Shares upon expiry of the relevant lock-up periods, this would lead to an increase in the number of our Shares in public hands, and could negatively impact the market price of our Shares or lead to volatility in the market price or trading volume of our Shares, affecting the value of your investment.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "plan", "project", "seek", "should", "will", "would" and similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking information.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering which may or may not include certain financial projections and other information about us and the Global Offering that does not appear in our prospectus. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or consistent with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES RELATING TO MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Our principal business operations and production facilities are substantially located in the PRC. It would be practically difficult and commercially unnecessary for us to relocate our executive directors to Hong Kong. Therefore, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules on the following conditions:

(1) We will appoint two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that they comply with the Listing Rules at all times. The two authorised representatives to be appointed are Mr. Kang Hosuk, our executive Director and our joint company secretary, Ms. Mok Ming Wai. Ms. Mok is ordinarily resident in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives will be authorised to communicate on our behalf with the Stock Exchange.

(2) Both the authorised representatives have means to contact all of our Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. To enhance communication between the Stock Exchange, the authorised representatives and our Directors, we will implement a policy that (a) each Director will have to provide his/her mobile telephone number, fax number and email address to the authorised representatives; (b) in the event that a Director expects to travel, he/she will endeavor to provide the telephone number of the place of his/her accommodation to the authorised representatives or maintain an open line of communication via his/her mobile telephone; and (c) all our Directors will provide their respective mobile telephone numbers, office telephone numbers, fax numbers and email addresses to the Stock Exchange.

(3) We will appoint China Everbright Capital as compliance adviser, pursuant to Rule 3A.19 of the Listing Rules, which will have access at all times to the authorised representatives, our Directors and the senior management of our Company, and will act as an additional channel of communication between the Stock Exchange and us.

(4) Meetings between the Stock Exchange and our Directors could be arranged through the authorised representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in the authorised representatives and/or the compliance adviser.

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.17 AND RULE 3.28 OF THE LISTING RULES

Rule 8.17 of the Listing Rules provides that the issuer must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules further provides that the issuer must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Our Company has appointed Mr. Kang Hosuk as one of the joint company secretaries. Although Mr. Kang is familiar with our Group's operation and has management accounting experience, Mr. Kang's experience and qualification are not able to fulfill the requirements as a company secretary of a listed issuer under Rule 8.17 and Rule 3.28 of the Listing Rules. As such, our Company appointed Ms. Mok Ming Wai as another joint company secretary who, by virtue of her qualification as a fellow member of the Hong Kong Institute of Chartered Secretaries and her experience in the provision of corporate secretarial services to other listed issuers, is able to comply with the requirements as set out under Rule 8.17 and Rule 3.28 of the Listing Rules. Under the engagement letter made between our Company and KCS Hong Kong Limited ("KCS"), KCS agrees to render corporate secretarial services to our Company, and Ms. Mok has been nominated by KCS to assume the office of joint company secretary of our Company.

Over a period of three years from the Listing Date, our Company proposed to implement the following measures to assist Mr. Kang in becoming a joint company secretary who can meet the requirements under Rule 8.17 and Rule 3.28 of the Listing Rules: (i) Ms. Mok will provide assistance and guidance to Mr. Kang in his discharge of duties as a joint company secretary and in gaining relevant experience as is required as a company secretary under Rule 3.28 of the Listing Rules; and (ii) Mr. Kang will attend relevant professional training courses to enable him to have good understanding of the relevant rules and regulations, in particular, the Listing Rules and to acquire the relevant knowledge for the discharge of his duties as joint company secretary, and to satisfy the requirements under Rule 3.28 of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver under and in respect of Rule 8.17 and Rule 3.28 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date, during which period Ms. Mok, as joint company secretary will work closely with, and provide assistance to, Mr. Kang in the discharge of his duties as a company secretary. Upon the expiry of such initial period, our Company has to liaise with the Stock Exchange and the Stock Exchange will re-visit the situation in the expectation that our Company should then be able to demonstrate to the Stock Exchange's satisfaction that Mr. Kang, having had the benefit of Ms. Mok's assistance for three years, would have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules, such that a further waiver will not be necessary.

We understand that when Ms. Mok (or where applicable, her replacement who has the qualifications to comply with Rule 8.17 and Rule 3.28 requirements) ceases to be a joint company secretary of our Company to work together with Mr. Kang during the initial three year period, this waiver will be revoked immediately.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) as amended, and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or in this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

UNDERWRITING

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

The listing of our Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date. The International Placing is expected to be underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders), the Global Offering will not proceed.

The Global Offering is managed by the Sole Global Coordinator.

For further information about the Underwriters and the Underwriting Agreements, please refer to the section headed "Underwriting" in this prospectus for details.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date, which is expected to be on or around Friday, 6 July 2012, or such later time as may be agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders), and in any event, no later than Tuesday, 10 July 2012.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

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

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

Each person acquiring the Offer Shares will be required to, or be deemed by his acquisition of Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Capitalisation Issue and any Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme. None of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us by the Stock Exchange.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by the Hong Kong Share Registrar. Dealings in the Shares registered on our Hong Kong Share Registrar will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Prospective investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal, and dealing in our Shares (exercising rights attached to them). None of us, the Selling Shareholders, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILISATION

In connection with the Global Offering, the Stabilising Manager or its affiliates or any person acting for it, as stabilising manager, for itself and on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere over-allocate or effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct such stabilisation. Such stabilisation, if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the Global Offering, our Company has granted to the Sole Global Coordinator (for itself and on behalf of the International Underwriters) the Over-allotment Option, which will be exercisable in full or part at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, our Company may be required to allot at the Offer Price up to an aggregate of additional 45,000,000 New Shares, representing 15% of the initial Offer Shares, at the Offer Price to cover, among other thing, over-allocations in the International Placing, if any.

For further details with respect to stabilisation and the Over-allotment Option are set out in the sub-sections headed "Structure of the Global Offering — Stabilisation Action" and "Structure of the Global Offering — International Placing — Over-allotment Option" in this prospectus, respectively.

STOCK BORROWING ARRANGEMENT

For the purpose of covering over-allocations in the International Placing, the Sole Global Coordinator may borrow up to 45,000,000 Shares from Infinity, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement in compliance with Rule 10.07(3) of the Listing Rules. Details of such stock borrowing arrangement are set out under the sub-section headed "Structure of the Global Offering — Stabilisation Action" in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

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

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, government authorities, institutions, departments, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Hong Sung Chun (洪性天)	Michelan Chereville A-1404 100 Jeongjail-ro Bundang-gu Seongnam-si Gyeonggi-do Korea	Korean
Park Ilmo (朴日模)	Unit 601 on Level 6, Block 30 Tianyu Garden No. 188 Xinghan Street Suzhou, Jiangsu P.R.C.	Korean
Kang Hosuk (姜澔錫)	102-1902 20 Jukjeon-ro Giheung-gu Yongin-si Gyeonggi-do, Korea	Korean
Independent Non-Executive Directors		
Yum Kyu Ok (廉圭玉)	101-3003 Raenian Greaten Yeoksam-dong Gangnamgu Seoul, Korea	Korean
Zhao Zengyao (趙增耀)	905, Block 5, Shihui Garden Sino-Singapore Industrial Park Suzhou, Jiangsu P.R.C.	Chinese
Lu Faming (陸發明)	7-403 He Mao Yuan No.1188, West BaoDai Road Suzhou, Jiangsu P.R.C.	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sponsor	China Everbright Capital Limited 17th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Sole Global Coordinator	China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Joint Bookrunners	China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
	OSK Securities Hong Kong Limited 12/F, World-Wide House 19 Des Voeux Road Central Hong Kong
	TONGYANG Securities Hong Kong Limited Unit 3208-9, 32/F, Alexandra House 18 Chater Road, Hong Kong
Joint Lead Managers	China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
	OSK Securities Hong Kong Limited 12/F, World-Wide House 19 Des Voeux Road Central Hong Kong
	TONGYANG Securities Hong Kong Limited Unit 3208-9, 32/F, Alexandra House 18 Chater Road, Hong Kong
	Daewoo Securities (Hong Kong) Limited Suites 1013-1015 and 2005-2012 Two International Finance Centre 8 Finance Street Hong Kong

Co-Manager	Hyundai Securities (Asia) Limited Room 2301-2304, 23/F Citic Tower No. 1 Tim Mei Avenue Hong Kong
Hong Kong Underwriters	China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
	OSK Securities Hong Kong Limited 12/F, World-Wide House 19 Des Voeux Road Central Hong Kong
	Daewoo Securities (Hong Kong) Limited Suites 1013-1015 and 2005-2012 Two International Finance Centre 8 Finance Street Hong Kong
	Hyundai Securities (Asia) Limited Room 2301-2304, 23/F Citic Tower No. 1 Tim Mei Avenue Hong Kong
International Underwriters	China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
	OSK Securities Hong Kong Limited 12/F, World-Wide House 19 Des Voeux Road Central Hong Kong
	TONGYANG Securities Hong Kong Limited Unit 3208-9, 32/F, Alexandra House 18 Chater Road Hong Kong
	Daewoo Securities (Hong Kong) Limited Suites 1013-1015 and 2005-2012 Two International Finance Centre 8 Finance Street Hong Kong

	Hyundai Securities (Asia) Limited Room 2301-2304, 23/F Citic Tower No. 1 Tim Mei Avenue Hong Kong
Reporting accountant	PricewaterhouseCoopers *Certified Public Accountants* 22nd Floor, Prince's Building Central Hong Kong
Our legal advisers	*as to Hong Kong law* Sidley Austin 39th Floor Two International Finance Centre Central Hong Kong
	as to PRC law Beijing Kang Da Law Firm 2301, Citic Building No. 19 Jianguomenwai Street Beijing, 100004 PRC
	as to Korean law Kim, Chang & Lee 4F Wonseo Building, 171 Wonseo-dong Chongro-ku, Seoul 110-280 Korea
Legal advisers to the Sponsor and the Underwriters	*as to Hong Kong law* Deacons 5th Floor, Alexandra House 18 Chater Road Central Hong Kong
Property valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6th Floor, Three Pacific Place 1 Queen's Road East Hong Kong
Receiving bank	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road, Central Hong Kong

Registered office	8th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Head office in the PRC	No.7, Xijin Road, 106-A Wuxi High Technology Development Zone Wuxi, Jiangsu PRC
Company's website	www.fineholdings.hk *(information contained in this website does not form part of this prospectus)*
Joint company secretaries	Kang Hosuk Mok Ming Wai
Authorised representatives	Kang Hosuk 102-1902 20 Jukjeon-ro Giheung-gu Yongin-si Gyeonggi-do, Korea Mok Ming Wai 8th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Audit committee	Yum Kyu Ok (Chairman) Zhao Zengyao Lu Faming
Remuneration committee	Yum Kyu Ok (Chairman) Hong Sung Chun Zhao Zengyao
Nomination committee	Hong Sung Chun (Chairman) Yum Kyu Ok Lu Faming
Compliance adviser	China Everbright Capital Limited 17th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Hong Kong Share Registrar	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

This section contains certain information which has been derived from third party sources. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sponsor, the Underwriters, the Selling Shareholders or any other party involved in the Global Offering and no representation is given as to its accuracy. Accordingly, you should not place undue reliance on such information or statistics.

FLAT PANEL DISPLAY (FPD) TECHNOLOGY

Overview

Flat panel displays have become the standard technology as a visual medium for information and communication technologies. They can be used in a wide range of applications that go beyond the mass markets of televisions, personal computers and mobile telephones.

Liquid Crystal Displays (LCDs)

The flat panel display market now is dominated by the thin-film transistor liquid crystal display (TFT-LCD). LCDs are non-emissive. In the transmissive mode light sources are backlights (e.g. cold cathode fluorescent lamps (CCFL) or LEDs), while the reflective mode uses ambient light reflected by a mirror foil behind the display. These Transflective LCDs use both light sources.

The LCD technology is an established, mature technology for a broad range of applications. For FPD TV, desktop monitor and mobile phones applications, LCDs are the dominant technology.

Light Emitting Diodes (LEDs)

One key area of technology development of TFT-LCD is solid state backlighting, most notably using inorganic LEDs, which are also widely used in FPD TV, desktop monitor and mobile phones application on LCDs as backlights source. LEDs exhibit high luminescence, high efficiency and long life time, which make them particularly attractive.

In addition to inorganic LEDs, organic light-emitting diodes (OLEDs) are playing an increasingly prominent role in flat panel technology. OLEDs have key characteristics — such as their flexibility and their extremely thin, transparent surfaces — that are of tremendous advantage in certain applications.

Organic Light Emitting Diodes (OLEDs)

An OLED is made from a stack of organic layers, forming a junction, similar to an inorganic LED. When a voltage is applied in forward direction, light is emitted from the region where injected holes and electrons recombine. As the organic material is very susceptible to water vapor and oxygen, thorough encapsulation is indispensable.

OLEDs are self-emissive, high efficient and show excellent optical properties. They have high potential to be mass-produced on flexible substrates which would enable processing in a roll-to-roll manner. Moreover, the possibility to simply print the organic material makes fabrication very inexpensive.

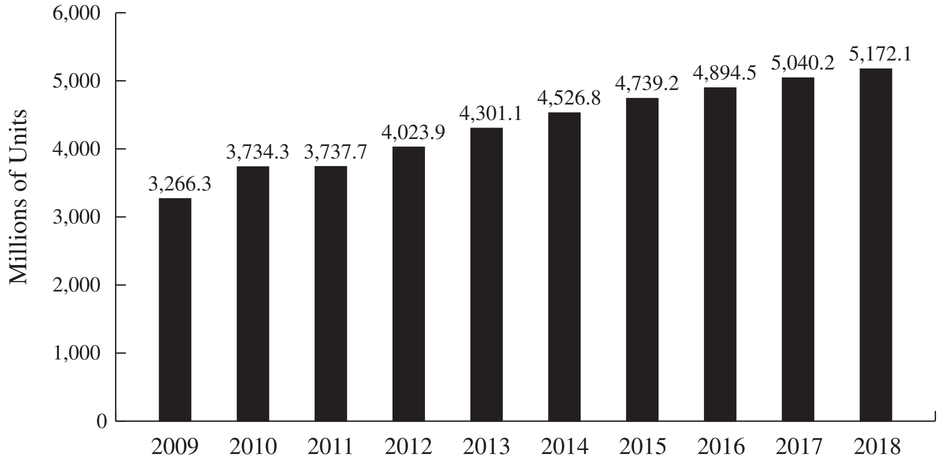
According to DisplaySearch, forecasted worldwide OLED revenue is approximately USD8.8 billion, USD13.1 billion, USD17.7 billion, USD21.4 billion, USD 25.1 billion, USD 30.1 billion and USD34.6 billion respectively for the seven years from 2012 to 2018. The worldwide OLED revenue represents approximately 6.9%, 9.1%, 11.7%, 13.7%, 15.9%, 18.8% and 21.7% of the worldwide FPD revenue respectively for the seven years from 2012 to 2018.

FLAT PANEL DISPLAY (FPD) INDUSTRY

Overview

According to DisplaySearch, actual worldwide FPD shipment volume in 2011 were 3,737.7 million units, representing a CAGR of 7.0% from 2009 to 2011. However actual worldwide FPD revenue in 2011 achieved US$110.9 billion, representing a CAGR of 9.7% from 2009 to 2011. Annual growth of shipment volume and revenues in 2012 are forecasted to be 7.7% and 15.2% respectively due to the enlargement of LCD TV sizes and shipments; high ASPs (Average Selling Prices) from high resolution mobile applications such as smart phones and tablet PCs; strong unit growth of tablet PCs; and growth of certain applications like games, car navigation systems, and digital signage.

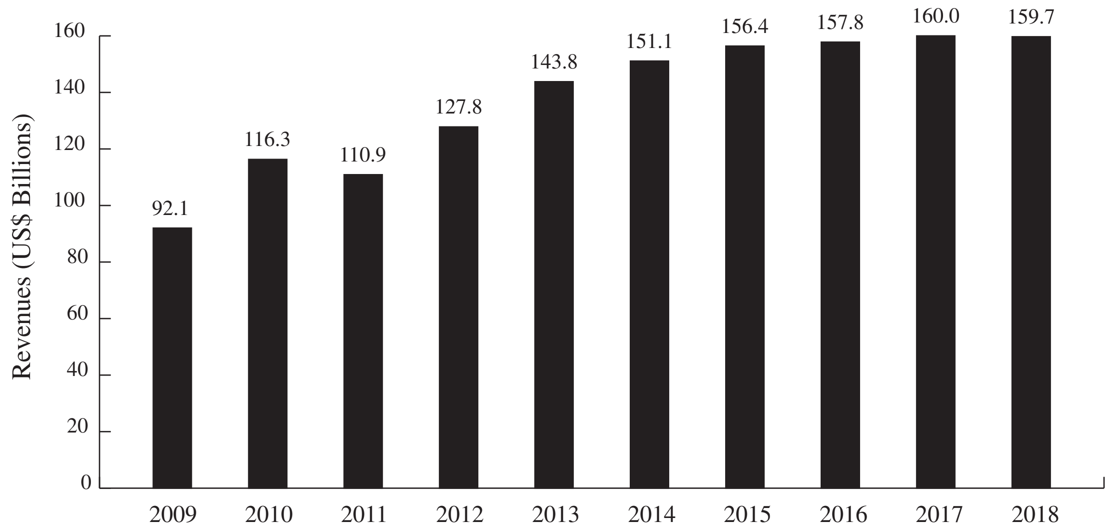
The following table shows the historical worldwide FPD shipments from 2009 to 2011 and forecast worldwide FPD shipments from 2012 to 2018:



Source: "Q1'12 Quarterly Worldwide FDP Shipment and Forecast Report" by DisplaySearch

Note: DisplaySearch is a provider of information, consulting and conferences on the display supply chain and display-related industries. DisplaySearch offers regional and global analysis of display products, including technology assessments, trend reports, studies and surveys. DisplaySearch is an Independent Third Party. Information disclosed in this prospectus from DisplaySearch is extracted from its report not commissioned by our Company or the Sole Sponsor.

The following table shows the historical worldwide FPD revenues from 2009 to 2011 and forecast worldwide FPD revenues from 2012 to 2018:

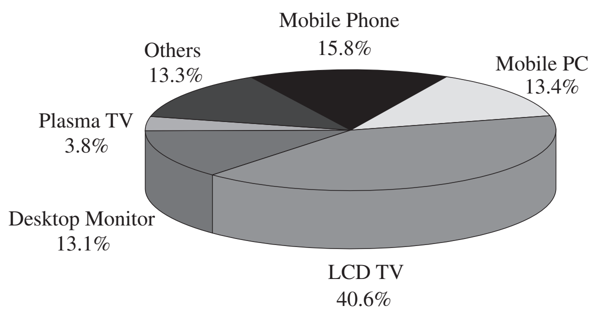


Source: "Q1'12 Quarterly Worldwide FDP Shipment and Forecast Report" by DisplaySearch

FPD Applications

LCD TV produces the largest worldwide FPD revenue, accounting for approximately 40.6% of total worldwide FPD revenue for 2011; mobile phone follows with approximately 15.8% share of worldwide FPD revenue, mobile PC (including tablet PC) with approximately 13.4% share of worldwide FPD revenue, and then Desktop Monitor with approximately 13.1%.

The following chart sets forth the historical worldwide FPD revenue share by applications for 2011:



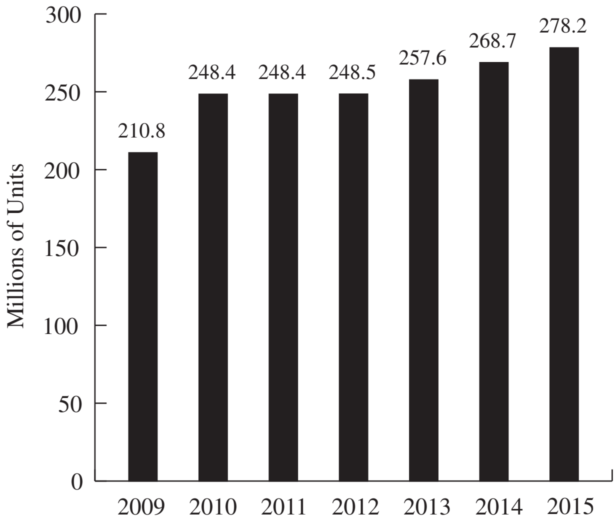
Source: "Q1'12 Quarterly Worldwide FDP Shipment and Forecast Report" by DisplaySearch

FPD TV Market

Overview

According to DisplaySearch, 2010 was a strong year for worldwide FPD TV shipment volume growth, rising 18%, after a particularly weak growth year in 2009 during the financial tsunami starting 2008. The worldwide shipment volume of FPD TV in 2011 were 248.4 million units, which was stable comparable to 2010, due to the general economic issues in the Eurozone.

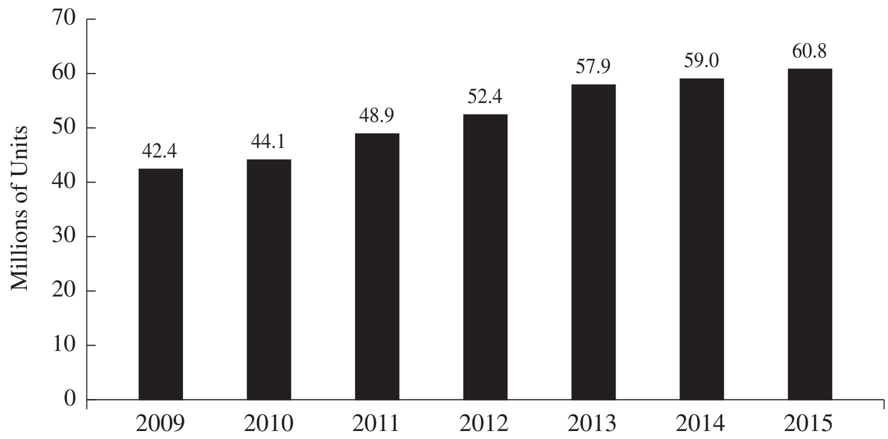
The following table shows the historical worldwide shipment volume of FPD TV from 2009 to 2011 and forecast worldwide shipments of FPD TV from 2012 to 2015:



Source: "Q1'12 Quarterly Global TV Shipment and Forecast Report" by DisplaySearch

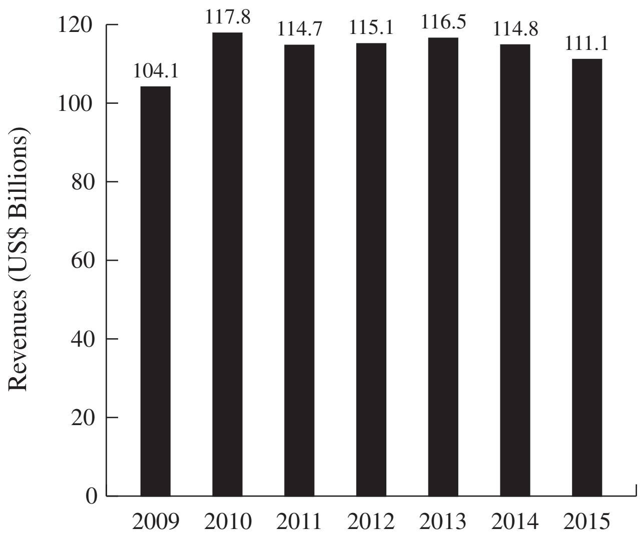
China accounted for over 19.7% of the total worldwide shipment volume share of FPD TV in 2011 with a shipment volume of FPD TV of 48.9 million units. According to DisplaySearch, the shipment volume share of FPD TV of China will increase to over 24.3% in 2015 with a shipment volume of FPD TV of 60.8 million units.

The following table shows the historical shipment volume of FPD TV of China from 2009 to 2011 and forecast shipment volume of FPD TV of China from 2012 to 2015:



Source: "Q1'12 Quarterly Global TV Shipment and Forecast Report" by DisplaySearch

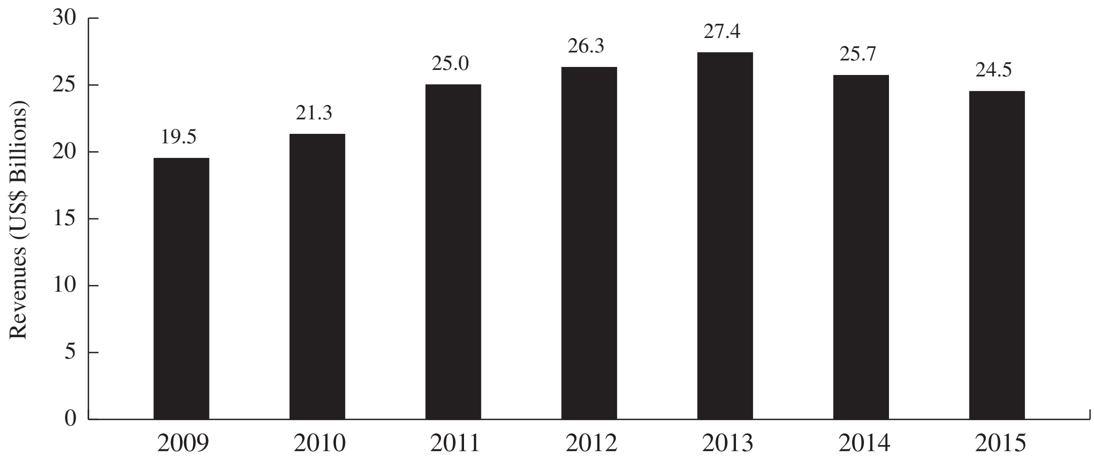
According to DisplaySearch, FPD TV revenues peaked in 2010 and began to decline as markets move towards FPD TV household saturation, slowing unit growth, and continuing ASP erosion. Panel makers have invested a lot of additional capacity over 2009 and 2010 and demand does not appear to be high enough to keep from a persistent oversupply. The following table shows the historical worldwide revenue of FPD TV from 2009 to 2011 and forecast worldwide revenues of FPD TV from 2012 to 2015:



Source: "Q1'12 Quarterly Global TV Shipment and Forecast Report" by DisplaySearch

The revenue of FPD TV of China attributable to over 21.8% of the total worldwide revenue share of FPD TV with a total revenue of US$25.0 billion in 2011. DisplaySearch forecasts that the revenue share of FPD TV of China will remain stable at 22.1% to 23.5% from 2012 to 2015.

The following table shows the historical revenue of FPD TV of China from 2009 to 2011 and forecast revenue of FPD TV of China from 2012 to 2015:



Source: "Q1'12 Quarterly Global TV Shipment and Forecast Report" by DisplaySearch

The following table shows the historical shipment volume of FPD TV by region from 2009 to 2011 and forecast Shipment Volume of FPD TV by region from 2012 to 2015:

FPD TV Shipment Volume by Region (US million)

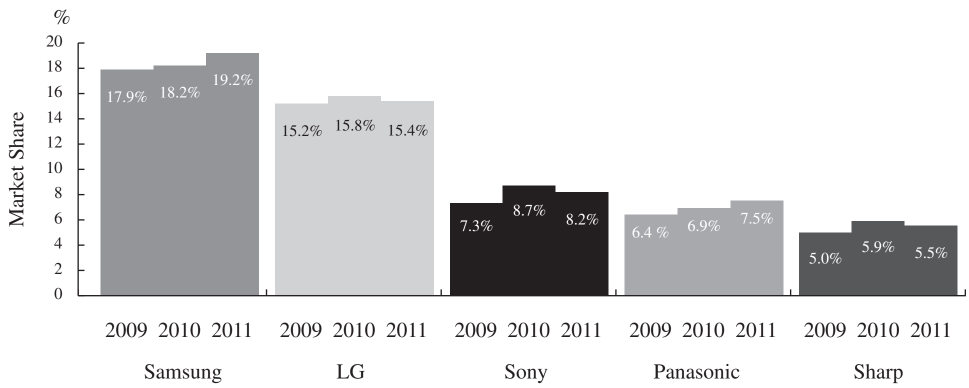
Region	2009	2010	2011	2012	2013	2014	2015	2011-2015 CAGR
Japan	13.7	24.8	20.1	10.3	9.3	9.3	9.5	-17.1%
North America	42.1	44.0	43.3	43.3	43.5	44.1	44.6	0.7%
Western Europe	36.6	42.5	37.0	35.5	35.8	36.8	37.5	0.3%
Eastern Europe	12.1	16.7	18.7	20.6	21.4	23.2	25.2	7.8%
China	42.4	44.1	48.9	52.4	57.9	59.0	60.8	5.6%
Asia Pacific	32.8	35.7	37.7	40.7	44.0	47.8	51.1	7.9%
Latin America	19.1	25.3	25.1	26.8	26.4	29.0	29.7	4.3%
Middle East and Africa	12.0	15.3	17.5	19.0	19.2	19.6	19.9	3.2%
Worldwide	210.8	248.4	248.4	248.5	257.6	268.7	278.2	2.9%

Source: "Q1'12 Quarterly Global TV Shipment and Forecast Report" by DisplaySearch

FPD TV Market by Brand

According to DisplaySearch, Samsung accounted for the largest share in the FPD TV market in terms of number of worldwide shipment volume, accounting for a worldwide shipment volume share of 17.9% or higher for each of the years 2009 to 2011. LG follows with 15.4%, and then Sony with 8.2%, and Panasonic accounted for 7.5% of worldwide FPD TV shipment volume in 2011.

According to DisplaySearch, the following table sets forth the historical worldwide shipment volume share of FPD TV by brand from 2009 to 2011:



Source: "Q1'12 Quarterly Global TV Shipment and Forecast Report" by DisplaySearch

Desktop Monitor Market

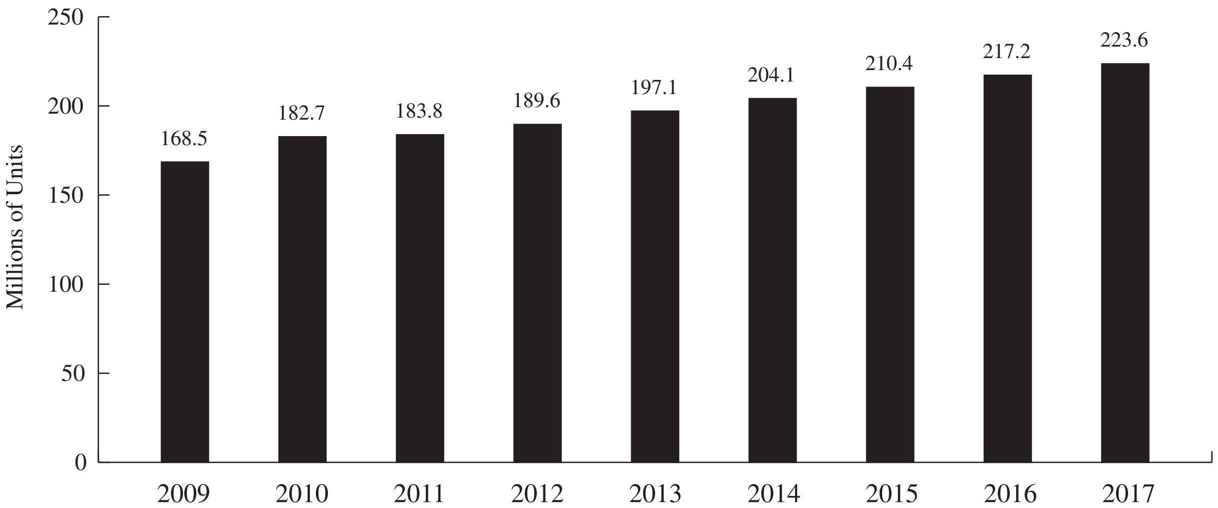
Overview

Desktop monitors are forecast to grow at rates higher than desktop PCs due to:

- increasing trend in stand-alone monitor purchases;
- increasing trend in notebook PC and mini-notebook PC adoption; and
- increasing trend in dual monitor use.

DisplaySearch forecasts the total worldwide desktop monitor shipment volume to be 189.6 million units in 2012, and to increase to 197.1 million units in 2013.

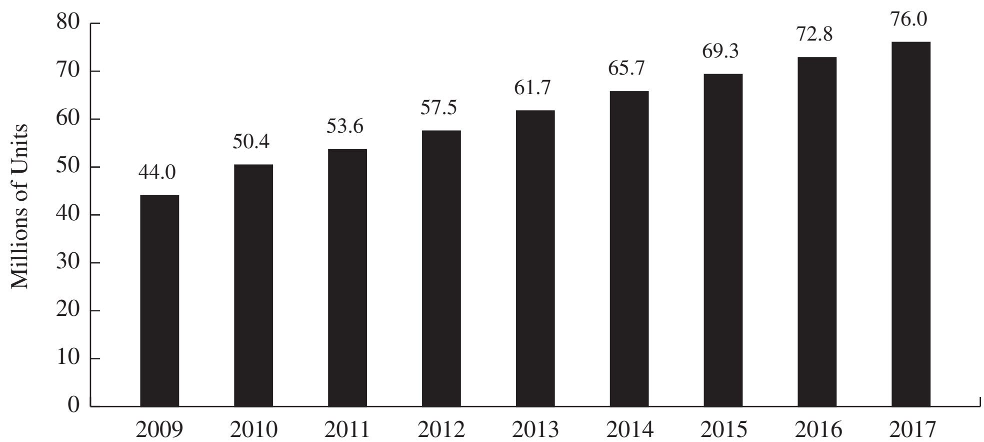
The following table shows the historical worldwide shipment volume of desktop monitors from 2009 to 2011 and forecast worldwide shipment volume of desktop monitors from 2012 to 2017:



Source: "Q1'12 Quarterly Advanced Desktop Monitor Shipment and Forecast Report" by DisplaySearch

China accounted for over 29.2% of the total worldwide shipment volume share of desktop monitor in 2011 with a shipment volume of desktop monitor of 53.6 million units. According to DisplaySearch, the shipment volume share of desktop monitor of China will increase to over 34.0% in 2017 with a shipment volume of desktop monitor of 76.0 million units.

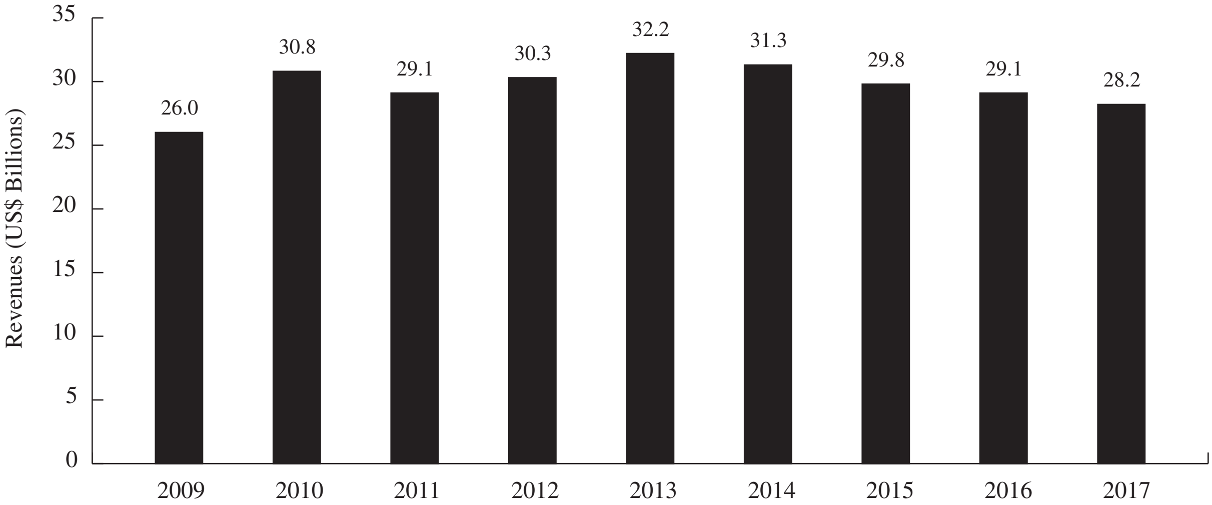
The following table shows the historical shipment volume of desktop monitor of China from 2009 to 2011 and forecast shipment volume of desktop monitor of China from 2012 to 2017:



Source: "Q'12 Quarterly Advanced Desktop Monitor Shipment and Forecast Report" by DisplaySearch; DisplaySearch

The worldwide revenue projections by DisplaySearch for desktop monitor is forecasted to be US$30.3 billion in 2012, and then to increase to US$32.2 billion in 2013.

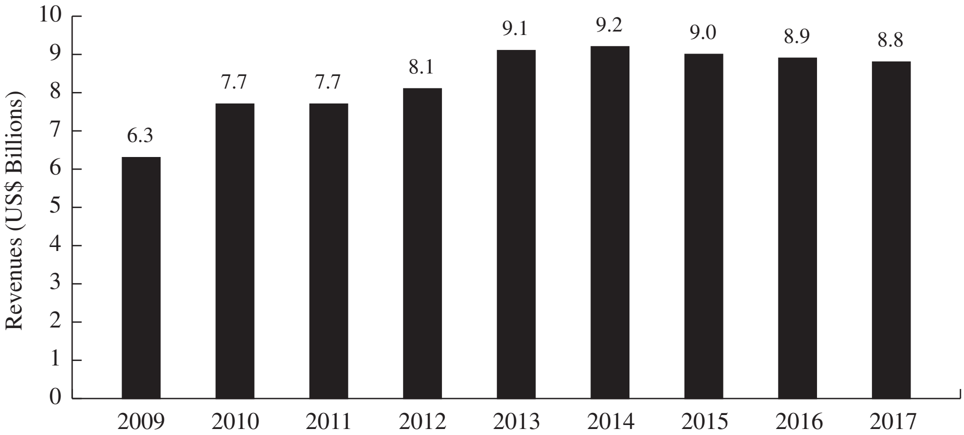
The following table shows the historical worldwide revenues of desktop monitors from 2009 to 2011 and forecast worldwide shipment volume and worldwide revenues of desktop monitors from 2012 to 2017:



Source: "Q1'12 Quarterly Advanced Desktop Monitor Shipment and Forecast Report" by DisplaySearch

China accounted for over 26.3% of the total worldwide revenue share of desktop monitor in 2011 with total revenue of desktop monitor of US$7.7 billion. DisplaySearch has projected that the total revenue of desktop monitor of China will increase to approximately US$8.8 billion, constituting over 31.3% of worldwide revenue in 2017.

The following table shows the historical revenue of desktop monitor of China from 2009 to 2011 and forecast revenue of desktop monitor of China from 2012 to 2017:



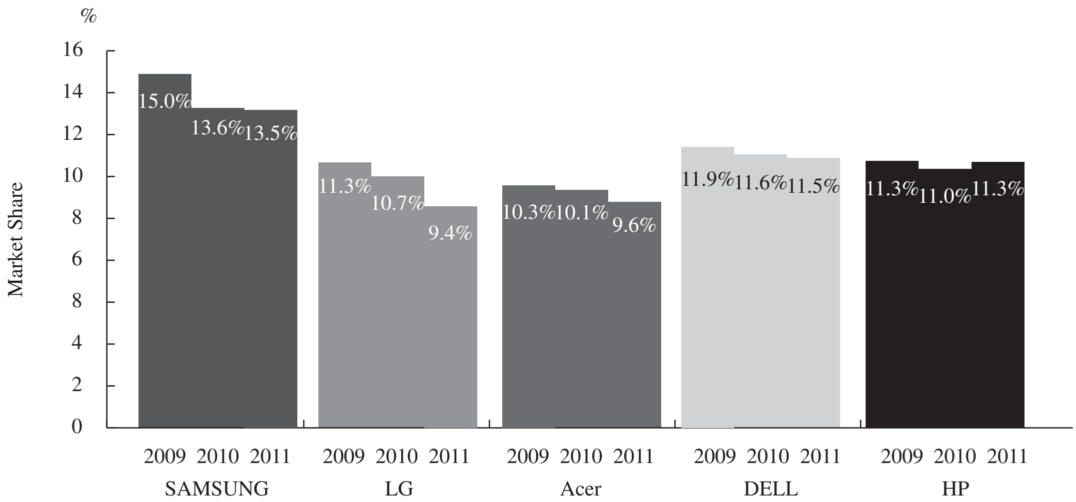
Source: "Q'12 Quarterly Advanced Desktop Monitor Shipment and Forecast Report" by DisplaySearch

Desktop Monitor Market by Brand

According to DisplaySearch, Samsung ranked No. 1 in worldwide shipment volume share of desktop monitor for each of the years from 2009 to 2011. LG ranked No. 5 in worldwide shipment volume share position in 2011.

The top five brands, which collectively made up to 55.4% of the worldwide desktop monitor shipment volume share in 2011, all enjoyed a sequential increase in unit shipment volume in 2011.

According to DisplaySearch, the following table shows the market share for historical worldwide shipment volume of desktop monitor by brand from 2009 to 2011:



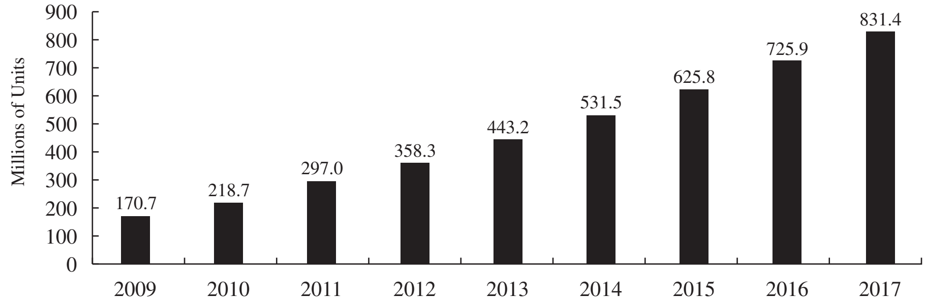
Source: "Q1'12 Quarterly Advanced Desktop Monitor Shipment and Forecast Report" by DisplaySearch

Mobile PC (Notebooks, Mini-notes, Tablets) Market

Overview

DisplaySearch has forecasted worldwide mobile PCs shipment volume (i.e. notebooks, mini-notes, tablets) at 358.3 million units in 2012. In 2012, the shipment volume of notebook PC is forecast at 212.1 million units, the shipment volume of mini-note is expected to reach 19.2 million and the shipment volume of tablets is estimated to reach 126.9 million units.

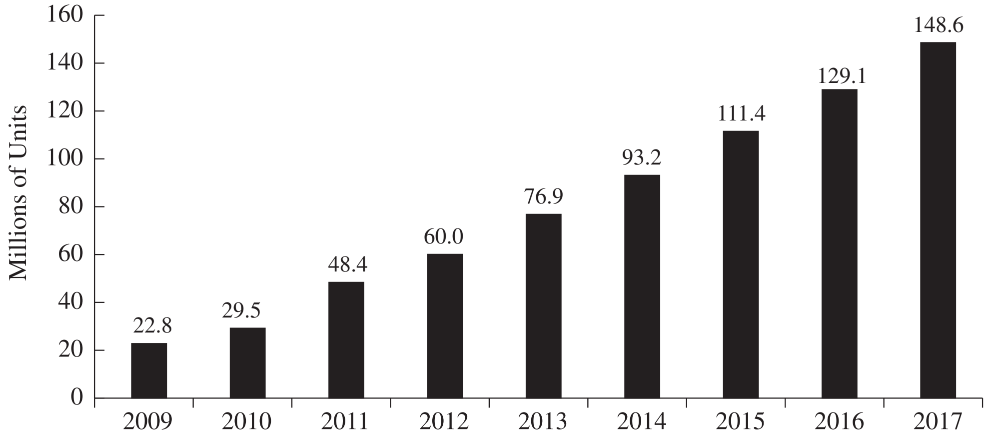
The following table shows the historical worldwide shipment volume of mobile PCs from 2009 to 2011 and forecast worldwide shipment volume of mobile PCs from 2012 to 2017:



Source: "Q1'12 Quarterly Mobile PC Shipment and Forecast Report" by DisplaySearch

China accounted for over 16.3% of the total worldwide shipment volume share of mobile PCs in 2011 with a shipment volume of mobile PCs of approximately 48.4 million units. According to DisplaySearch, the shipment volume share of desktop monitor of China will increase to over 17.9% in 2017 with a shipment volume of mobile PCs of approximately 148.6 million units. The CAGR of the revenue of mobile PCs was 26.0% from 2010 to 2017.

The following table shows the historical shipment volume of mobile PCs of China from 2009 to 2011 and forecast shipment volume of mobile PCs of China from 2012 to 2017:

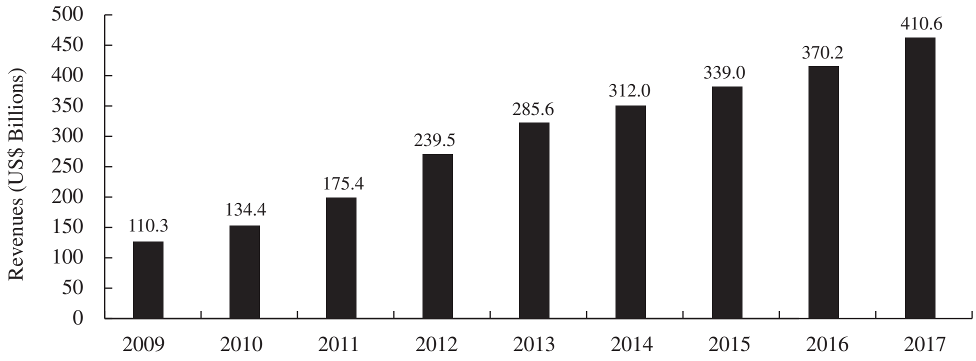


Source: "Q'12 Quarterly Mobile PC Shipment and Forecast Report" by DisplaySearch

According to DisplaySearch, mobile PC share will remain strong from 2012 to 2017 in emerging markets, where penetration rates are low, shipment volume growth increases on back of falling ASPs and the need for higher performance on mobile PC. First time buyers tend to prefer performance over convenience, which DisplaySearch believes is the main attribute of tablets.

According to DisplaySearch, the total worldwide mobile PC market revenue is expected to grow 36.6% year on year in 2012 to US$239.5 billion. Overall, the mobile PC market has a CAGR of 17.3% over the forecast period from 2010 to 2017.

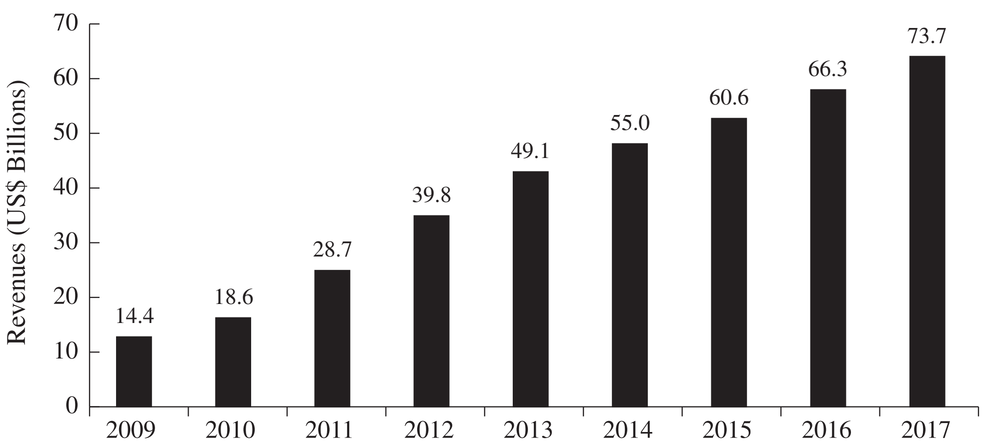
The following table shows the historical worldwide revenue of mobile PCs from 2009 to 2011 and forecast worldwide revenues of mobile PCs from 2012 to 2017:



Source: "Q1'12 Quarterly Mobile PC Shipment and Forecast Report" by DisplaySearch

China accounted for over 16.4% of the total worldwide revenue share of mobile PCs in 2011 with a total revenue of mobile PCs of approximately US$28.7 billion. The total revenue of mobile PCs from sales by China will increase to approximately US$73.7 million, constituting over 18.0% of worldwide revenue in 2017. The CAGR of the revenue of mobile PCs was 21.7% from 2010 to 2017 according to DisplaySearch.

The following table shows the historical revenue of mobile PCs of China from 2009 to 2011 and forecast revenue of mobile PCs of China from 2012 to 2017:



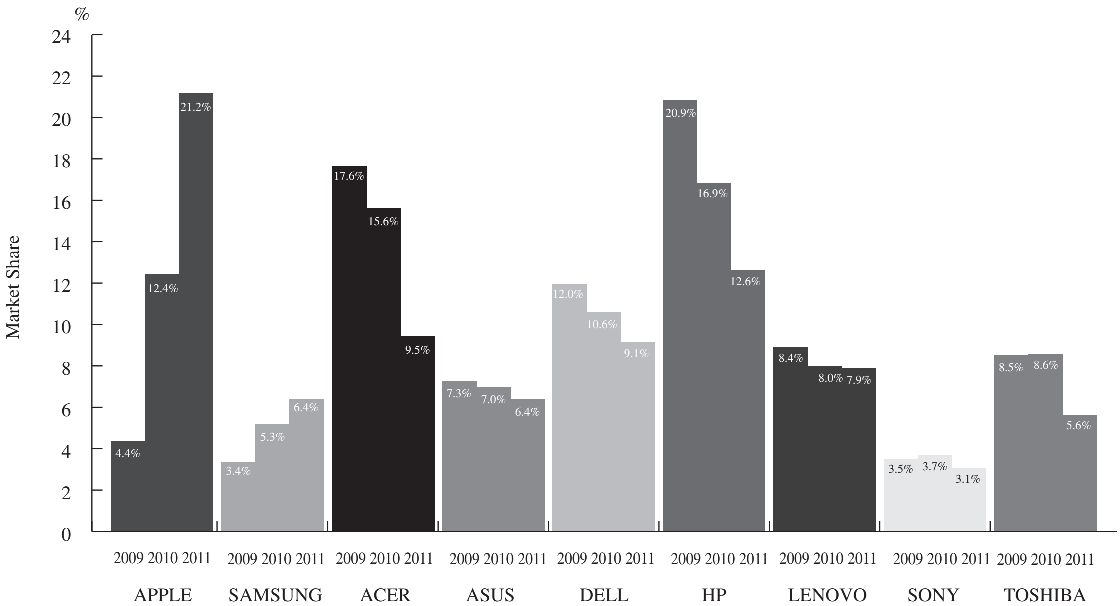
Source: "Q'12 Quarterly Mobile PC Shipment and Forecast Report" by DisplaySearch

Mobile PC Market by Brand

According to DisplaySearch, Apple ranked No. 1 in worldwide shipment volume share of mobile PC by brand in 2011. Samsung ranked No. 7 with 6.4% worldwide shipment volume share of mobile PC by brand in 2011.

According to Display Search, due to the strong growth of tablet, Apple recorded the highest growth rate of shipment volume share with a CAGR of 118.7% from 2009 to 2011. Samsung came in second with a CAGR of 36.1% for shipment volume share growth from 2009 to 2011.

The following table shows the historical worldwide shipment volume share of mobile PCs by brand from 2009 to 2011:



Source: "Q1'12 Quarterly Mobile PC Shipment and Forecast Report" by DisplaySearch

DisplaySearch expects Samsung to move up the list as it complements its growing mobile PC business with its burgeoning tablet business.

RECENT DEVELOPMENT OF PANEL MAKERS

According to the full year audited financial statements of 2011 of Samsung Electronics Co., Ltd. ("Samsung Korea") from the website of Investor Relations of Samsung, the LCD segment business of Samsung recorded a total segment revenue of approximately KRW61,648,667 million (approximately USD53,196.6 million) and an operating loss of approximately KRW749,339 million (approximately USD646.6 million) for the year ended 31 December 2011.

According to the consolidated financial results for the third quarter ended 31 December 2011 of SHARP CORPORATION ("Sharp") from the website of Investor Relations of Sharp, the LCD segment business of Sharp recorded a net sales of approximately JPY583,032 million (approximately USD7,391.4 million) and an operating loss of approximately JPY13,736 million (approximately USD174.1 million) for the nine months ended 31 December 2011.

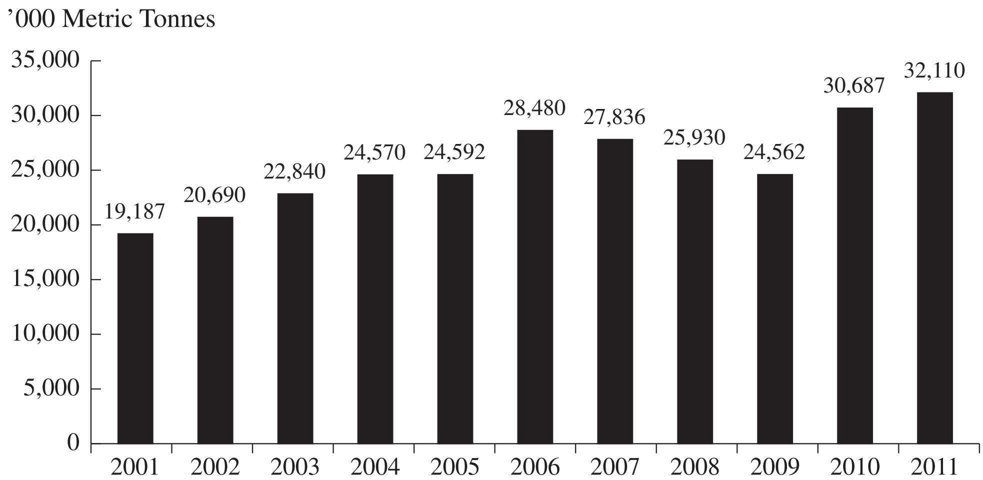
STAINLESS STEEL INDUSTRY

One of the major raw materials of our Group is stainless steel. The following paragraphs describe the industry information of stainless steel.

During 2008 and 2009, the global stainless steel industry weathered the deepest crisis ever. However, in 2010 the stainless steel industry has seen a remarkable turnaround. According to International Stainless Steel Forum ("ISSF"), World crude stainless steel production increased by 24.8% in 2010 as compared to 2009. That was mainly due to an increase in production in Asia, with China alone recording growth of 27.8%. Excluding China, Asia experienced an increase in production of 20.6% in 2010.

Preliminary figures from ISSF show that the world produced a record of approximately 32.1 million metric tonnes (mmt) of stainless steel in 2011, which is the largest annual tonnage ever, beating the previous peak of approximately 30.7 mmt produced in 2010. Asia produces more than 66.5% of the world's stainless steel. China has remained the driving force in stainless steel production with growth of 11.9% in 2011.

The following table shows the historical worldwide stainless crude steel production from 2001 to 2011:

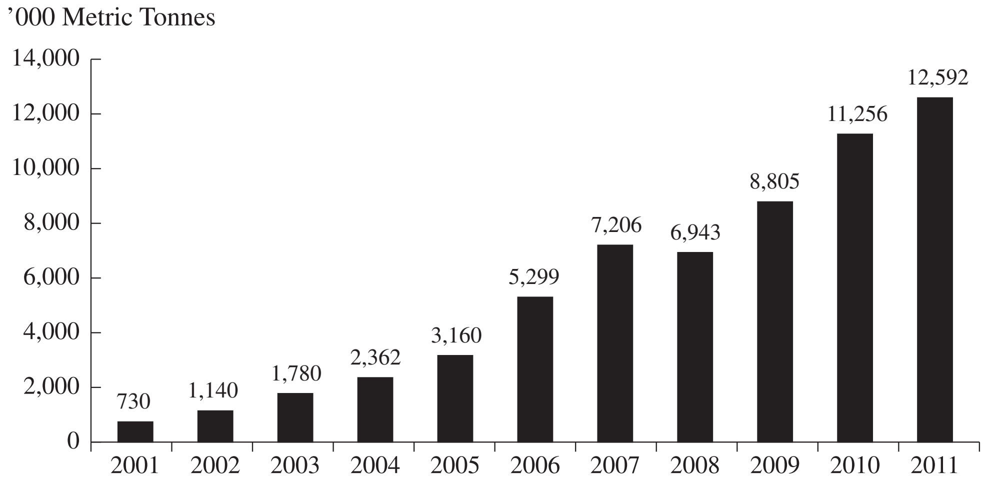


Source: ISSF

China alone is by far the largest stainless steel producing country. It produces more than one third of the world's stainless steel.

From 2001 to 2011, the production of stainless steel of China increased from approximately 0.73 mmt to approximately 12.6 mmt with a CAGR of 32.9%. China produced 3.8% of the world's total stainless steel in 2001, rapidly growing to 39.2% in 2011.

The following table shows the historical stainless crude steel production of China from 2001 to 2011:



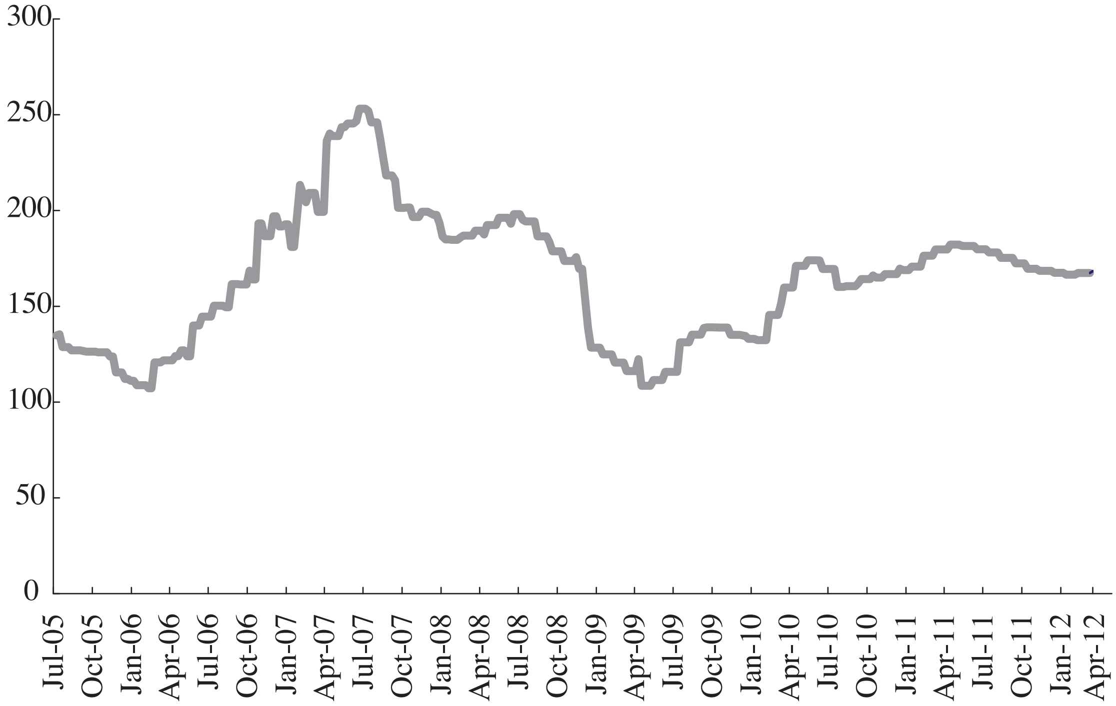
Source: ISSF

Price trend of stainless steel

Factors affecting the market price of stainless steel include the international market price of nickel, the supply of stainless steel from stainless steel mills and demand for stainless steel in the market.

The price of stainless steel peaked in mid 2007 when the demand was strong and driven by high level of manufacturing activities. Subsequently, the price started to decline when stainless steel mills, with excess capacity, produced more than the demand. Coupled with the financial tsunami and a decreasing level of manufacturing activities, the price of stainless steel hit its bottom in May 2009. Stainless steel price started to recover since March 2010 due to a strengthening of demand backed by a recovering economy.

The following table shows the historical CRU Stainless Steel Price Index(1) (CRUspi Stainless) from July 2005 to April 2012:



Source: Wind Information Co., Ltd ("Wind") is a financial data provider located in Shanghai, China. Wind provides a wide range of financial data includes stocks, funds, bonds, FX, insurance, futures, derivatives, commodities, and macroeconomic and financial news.

Note (1):

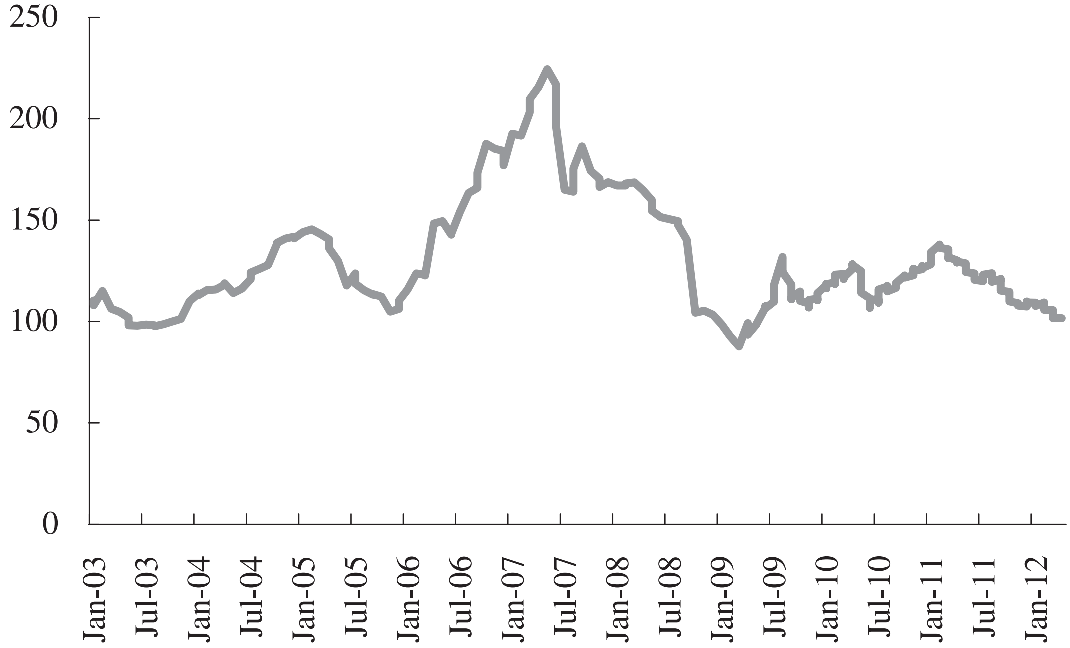
CRU is an independent, privately-owned company. It provides market analysis, management consultancy and events on the global metals, mining and fertilizer industries.

The CRU Steel Price Index (CRUspi) indices are compiled from a weighted average of steel industry prices. In total, there are eight weighted indices:

- ***Carbon Steel -** six indices (CRUspi Global, CRUspi Flats, CRUspi longs, CRUspi North America, CRUspi Europe and CRUspi Asia)*
- ***Stainless Steel -** one index (CRUspi Stainless)*
- ***Metallics (scrap, pig iron and DRI/HBI) -** one index (CRUmpi)*

The moving trend of the price of stainless steel in China follows the trend of the world price of stainless steel. The price of stainless steel in China stabilized from October 2009 to April 2012 after the financial tsunami.

The following table shows the historical My Stainless Steel Price Index[(2)] of China (MysspiC) from January 2003 to April 2012:



Source: *Mybuxiu.com, which is a group member of Mysteel.com, is an independent professional website that provides real time market information to China stainless steel market. Mysteel.com has established strategic partnership with over 20 metallurgic bodies in China, among which are China Iron and Steel Association, China Ferroalloy Industry Association, Special Steel Enterprises Association of China, Baosteel, Anshan Steel, Wuhan Steel, Shougang Group, Nanjing Steel, Sinosteel Corporation, etc. Mysteel.com at present has registered members of over 400,000 and info-collecting system covering over fifty cities across China. Mybuxiu.com and Mysteel.com are independent third parties of our Group. Neither the Directors nor the Sponsors have commissioned Mybuxiu.com and Mysteel.com to prepare any research reports.*

Note (2):
My Stainless Steel Price Index (MysspiC) is compiled from a weighted average of stainless steel industry prices in China.

Substantially all of our operations are based in the PRC. Accordingly, PRC laws and regulations play an important part in the regulation and supervision of our operations. Our manufacturing and sales are subject to extensive laws and regulations.

PRC LAWS AND REGULATIONS REGARDING FOREIGN INVESTMENTS

Foreign Investment Laws on Wholly Foreign Owned Enterprises ("WFOE")

WFOEs are governed by 中華人民共和國外資企業法 (Law of the PRC on Wholly Foreign Owned Enterprises), which was promulgated on 12 April 1986 and amended on 31 October 2000, and its Implementation Regulations promulgated on 12 December 1990 which was amended on 12 April 2001 (collectively the "**WFOE Law**").

Investment in the PRC conducted by foreign investors and foreign-invested enterprises are required to comply with 外商投資產業指導目錄 (Foreign Investment Industrial Guidance Catalogue) (the "**Catalogue**"), which was amended and promulgated by the Ministry of Commerce ("**MOFCOM**") and the NDRC on 31 October 2007. The Catalogue, as amended, became effective on 1 December 2007 and contains specific provisions guiding market access of foreign capital, stipulating in detail the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign investment. Any industry not listed in the Catalogue is a permitted industry.

(a) *Procedures for establishment of a WFOE*

The establishment of a WFOE will have to be approved by the MOFCOM (or its delegated Authorities ("**approval authority**")). If two or more than two foreign investors jointly apply for the establishment of a WFOE, a signed copy of the contract must be submitted to approval authority for filing. After the approval of the application of the establishment of a WFOE by approval authority, the foreign investors should apply for the registration with the State Administration for Industry and Commerce within 30 days upon receive the approval certificate, in order to obtain the business license.

(b) *Nature*

A WFOE is a limited liability company under the WFOE Law, which can be formed in another constitution after approval. A WFOE is a limited liability company, which is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital paid by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of paid contributions. In respect of a WFOE, a foreign investor may pay registered capital by instalments and the registered capital must be paid within the period as approved by approval authority in accordance with relevant PRC laws and regulations.

(c) *Profit distribution*

Pursuant to the WFOE Law, a WFOE is required to set aside at least 10% of its after-tax distributions calculated in accordance with the regulations of the PRC tax law and regulations each year as its reserves fund until the cumulative appropriation amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. A WFOE has the discretion to appropriate a portion of its after-tax profits to its staff benefits and welfare funds, which is likewise not distributable to its shareholders except in the event of a liquidation of the WFOE.

(d) *Project approval*

In accordance with 國務院關於投資體制改革的決定 (Decision of the State Council on Reforming the Investment System) and 外商投資項目核准暫行管理辦法 (Interim Measures for the Administration of Examining and Approving Foreign Investment Projects), a foreign-invested enterprise is required to obtain the approval from the NDRC or its local counterparts as applicable before the foreign investors carry out a project. We have obtained the relevant project approval documents in respect of our proposed plant construction and increase in our annual production capacity. Furthermore, the foreign-invested enterprise shall apply for a change of approval for the project if, (i) the construction venue changes; (ii) its investor or shareholding changes; (iii) there is a change in the major construction contents and main products; (iv) the total investment amount exceeds the original approved investment amount by 20% and above; and (v) other changes which are regulated by relevant laws and regulations and industry policies. Non-compliance with the above rules may subject the foreign-invested enterprise to restrictions including restrictions on use of foreign exchange, import of equipment, and the acquisition of new land use rights.

Enterprise Income Tax

PRC Enterprise Income Tax

Prior to 1 January 2008, the foreign-invested enterprises shall pay enterprise income tax ("**EIT**") pursuant to 中華人民共和國外商投資企業和外國企業所得稅法 (Foreign-Invested Enterprise and Foreign Enterprise Income Tax Law of the PRC) promulgated by the National People's Congress Standing Committee in 1991 ("**Prior EIT Laws**") and related implementation regulations. Pursuant to the Prior EIT Law, except for the preferential tax rates, a foreign-invested enterprise was subject to EIT at a statutory rate of 33%. In addition, if certain foreign-invested enterprises are eligible for the preferential income tax policy of "2-year exemption followed by 3-year 50% reduction", they will be exempted from EIT for two years starting from the first profit-making year and followed by a fifty percent reduction of the EIT in the next three consecutive years.

On 16 March 2007, the National People's Congress passed the PRC EIT Law, with effect from 1 January 2008. The PRC EIT Law adopted an applicable uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and revoked the current tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises. However, according to 國務院關於實施企業所得稅過渡優惠政策的通知 (Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy) issued on 26 December 2007 and effective on 1 January 2008, there is a transition period for enterprises, whether foreign-invested or domestic, that received preferential tax treatments granted by relevant tax authorities prior to the effectiveness of the PRC EIT Law. Enterprises that were granted preferential EIT benefits (such as tax exemption for the first two years and a 50% reduction in tax rate for the subsequent three years) before the PRC EIT Law came into effect may continue to enjoy such preferential EIT treatments until their expiration. In addition, high technology enterprise, which requires the support of the State, is entitled to an enterprise income tax rate of 15% pursuant to Article 28 of the PRC EIT Law.

Under the PRC EIT Law, enterprises are classified as either "resident enterprises" or "non-resident enterprises." Pursuant to the PRC EIT Law and its implementation rules, besides enterprises established within the PRC, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and subject to the uniform 25% EIT rate for their global income. According to the implementation rules of the PRC EIT Law, "de facto management body" refers to a managing body that exercises, in substance, overall management and control over the manufacture and business, personnel, accounting and assets of an enterprise. In our circumstance, our management is currently substantially based in China and is expected to remain in China in the future. It is not clear whether we would be deemed as a "resident enterprises". In addition, although the PRC EIT Law provides that dividend income between "qualified resident enterprises" is exempted income, and the implementing rules refer to "qualified resident enterprises" as enterprises with "direct equity interest," it is not clear whether dividends we receive from our subsidiary are eligible for such exemption if we are deemed to be a PRC "resident enterprise." If we are considered a PRC "resident enterprise" and thus required to withhold income tax for any dividends we pay to our non-PRC resident enterprise investors, the amount of dividends we can pay to our Shareholders could be materially reduced. In addition, any gain realized on the transfer of ordinary shares by our non-PRC resident investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

Furthermore, the PRC EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within China but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. The implementation rules of the PRC EIT Law provide that after 1 January 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC Shareholders reside.

Value Added Tax

中國增值稅暫行條例 (Amended Provisional Regulations of the PRC Concerning Value Added Tax) (the "**VAT Regulations**") was amended by 國務院 (State Council of the PRC) on 10 November 2008 and came into effect on 1 January 2009. Under the VAT Regulations and its implementation regulations, value added tax is imposed on the sale of goods and the provision of processing, repair and replacement services within the PRC and the importation of goods into China. The rate of value added tax for a general tax payer is 17% except for certain products. For a small scale tax payer, the applicable tax rate is 3%.

Business Tax

中國營業稅暫行條例 (Provisional Regulations of the PRC Concerning Business Tax) (the "**Business Tax Regulations**") was amended by 國務院 (State Council of the PRC*) on 10 November 2008 and came into effect on 1 January 2009. Under the Business Tax Regulations, businesses that provide services (including entertainment business), assign intangible assets or sell immovable property inside the PRC are liable to business tax at a rate ranging from 3.0% to 20.0%.

PRC Customs Duties

According to 中華人民共和國海關法 (Customs Law of the PRC), the consignee of the imports, the consignor of exports and the owner of the imports and the exports are the persons obligated to pay customs duties (generally speaking, exports are not subject to customs duties). 中華人民共和國海關總署 (General Administration of Customs*) is the authority in charge of the collection of customs duties. The customs duties in the PRC mainly fall under ad valorem duties, i.e. the price of import/export commodities is the basis for the calculation of the duties. When calculating the customs duties, import or export commodities are classified under appropriate tax items in accordance with the category provisions of the Customs Import and Export Tariff and are subject to tax levies pursuant to relevant tax rates.

As from 1 January 1998, according to 國務院關於調整進口設備稅收政策的通知 (Notice of the State Council of the PRC regarding the Adjustment of Taxation Policy of Import Equipment), in respect of the foreign investment projects that fall under Encouraging Category of 外商投資產業指導目錄 (Industrial Guidance Catalogue of Foreign Investment) and also involve the transfer of technology, equipment imported by a foreign-invested enterprise for its own use within the total investment can be exempt from the customs duties, except for the commodities listed in 外商投資項目不予免稅的進口商品目錄 (Catalogue of the Non-tax-exemption Import Commodity of Foreign Investment Projects).

Tax on dividends from PRC Enterprise with foreign investment

According to 財政部、國家稅務總局關於企業所得稅若干優惠政策的通知 (Circular of the Ministry of Finance and the State Administration of Taxation Concerning Several Preferential Policies Relevant to Enterprise Income Tax), the undistributed profits earned by foreign investment enterprises prior to 1 January 2008 and distributed to foreign investors later shall be exempt from PRC withholding tax, whereas the profits earned and distributed after 1 January 2008 shall be subject to PRC withholding tax pursuant to the EIT Law.

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced passive income of non-resident enterprises. The Implementation Regulations reduced the rate from 20% to 10% effective from 1 January 2008. The PRC and Hong Kong signed 中國內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排 (Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income) on 21 August 2006. According to the arrangement, no more than 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company in any time for the past 12 months before the dividend distribution. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the capital of the PRC company.

In accordance with the circular issued by 國家税務總局關於如何理解和認定稅收協定中"受益所有人"的通知 (State Administration of Taxation in relation to How to Understand and Determine "Beneficial Owners" under Tax Conventions), a beneficial owner is a person who has both ownership and right of control over the income or the assets or rights generating the income and generally must be engaged in substantive business. A Hong Kong resident entity also needs to be a beneficial owner so as to enjoy the preferential tax treatment.

Urban maintenance and construction tax and Education surcharge

According to 國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知 (Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals), which was promulgated on 18 October 2010, and became effective from 1 December 2010, 中華人民共和國城市維護建設稅暫行條例 (Tentative Regulations of the PRC on Urban Maintenance and Construction Tax), promulgated in 1985, 徵收教育費附加的暫行規定 (Tentative Rules on Levy of Education Surcharge), promulgated in 1986, and other regulations and rules promulgated by the State Council and other competent departments of the relevant financial and tax authorities shall be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners.

Pursuant to 中華人民共和國城市維護建設稅暫行條例 (Tentative Regulations on Urban Maintenance and Construction Tax of the PRC), which was promulgated on 8 February 1985 and became effective from 1985, and 國家稅務總局關於城市維護建設稅徵收問題的通知 (Circular of the State Administration of Taxation on Issues Concerning the Collection of the Urban Maintenance and Construction Tax), which was promulgated on 12 March 1994 and became effective from 1 January 1994, all organisations or individuals who are required to pay consumption tax, value-added tax and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, value-added tax and business tax which a taxpayer actually pays and shall be made simultaneously when the latter are paid. In addition, the tax rate of 城市維護建設稅 (Municipal Maintenance Tax) are as follows: the tax rate shall be 7.0% for a taxpayer whose domicile is in an urban area; 5.0% for a taxpayer whose domicile is in a county and a town; and 1.0% for a taxpayer whose domicile is not in any urban area or county or town.

In accordance with 徵收教育費附加的暫行規定 (Tentative Provisions on the Collection of Education Surtax), which became effective on 20 August 2005, all organizations and individuals who pay consumption tax, value-added tax and business tax shall also be required to pay education surtax in accordance with these Provisions. The education surtax rate is set at 3% of the amount of value-added tax, business tax and consumption tax actually paid by each organization or individual, and the surtax shall be paid simultaneously with the value-added tax, business tax and consumption tax.

Foreign Exchange Control

Foreign exchange regulation in China is primarily governed by the following rules:

- 中華人民共和國外匯管理條例 (Foreign Currency Administration Rules), as amended, or the Exchange Rules; and

- 結匯、售匯及付匯管理規定 (Administration Rules of the Settlement, Sale and Payment of Foreign Exchange), or the Administration Rules.

Under the Exchange Rules, the RMB is convertible for current account items, including the distribution of dividends, interest and royalties payments, trade and service-related foreign exchange transactions. Conversion of RMB for capital account items, such as direct investment, loan, securities investment and repatriation of investment, however, is still subject to the approval of SAFE. Under the Administration Rules, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at those banks authorised to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from the SAFE. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, including approval by the MOFCOM, the SAFE and the National Development and Reform Commission or their local counterparts.

On 29 August 2008, SAFE issued 關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知 (Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises), or Circular No. 142. Pursuant to Circular No. 142, the RMB fund from the settlement of foreign currency capital of a foreign-invested enterprise must be used within the business scope as approved by the examination and approval department of the government, and cannot be used for domestic equity investment unless it is otherwise provided for.

PRODUCT QUALITY

The revised 中華人民共和國產品質量法 (Product Quality Law of the PRC) (the "**Revised Product Quality Law**") was promulgated on 8 July 2000 and became effective on 1 September 2000. The State Council's product quality supervision authority is in charge of the nationwide supervision of product quality, while the local product quality supervision authority at or above the county level is responsible for supervising the product quality within its respective administrative region. The Revised Product Quality Law requires manufacturers and vendors to establish internal quality management systems, implement strict job quality specifications and corresponding quality evaluation procedures. The State Council encourages enterprises to ensure that the quality of their products achieves and surpasses the industrial, national and international standards.

LABOUR LAW

We are subject to 中華人民共和國勞動法 (Labour Law of the PRC), pursuant to which companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

The principal regulations governing the employment contract is 中華人民共和國勞動合同法 (PRC Labour Contract Law), which was promulgated by the Standing Committee of the National People's Congress ("**NPC**") on 29 June 2007 and came into effect on 1 January 2008. Pursuant to the PRC Labour Contract Law, employers shall establish employment relationship with employees on the date that they start employing the employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for the illegal actions. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

According to 工傷保險條例 (Regulation on Work-Related Injury Insurance) promulgated on 27 April 2003 which took effect form 1 January 2004 and was amended on 20 December 2010 and 企業職工生育保險試行辦法 (Interim Measures concerning the Maternity Insurance for Enterprise Employees) promulgated on 14 December 1994 and effective on 1 January 1995, PRC companies shall pay occupational injury insurance premiums and maternity insurance premiums for their employees. Pursuant to 社會保險費徵繳暫行條例 (Interim Regulations on the Collection and Payment of Social Insurance Premiums) promulgated and effective on 22 January 1999 and 社會保險登記管理暫行辦法 (Interim Measures concerning the Administration of the Registration of Social Insurance) promulgated and effective on 19 March 1999, basic pension insurance, medical insurance and unemployment insurance are collectively referred to as social insurance. Each of the PRC companies and their employees are required to contribute to the social insurance plan. Pursuant to 住房公積金管理條例 (Regulations on the Administration of Housing Fund) promulgated and effective on 3 April 1999, as amended on 24 March 2002, PRC companies must register with the applicable housing fund management center and establish a special housing fund account in an entrustment bank. Each of the PRC companies and their employees are required to contribute to the housing fund.

ENVIRONMENT

Environmental Protection

According to 中華人民共和國環境保護法 (Environmental Protection Law of the PRC) promulgated by the Standing Committee of NPC on 26 December 1989, 國務院環境保護行政主管 (Administration Supervisory Department of Environmental Protection) of 國務院 (State Council of the PRC) sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

Any company or enterprise which causes environmental pollution and discharges polluting materials that endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gas, water and residue, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with 國務院環境保護行政主管 (Administration Supervisory Department of Environmental Protection*) and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which cause severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will either be penalised or have their business licenses terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as compensate for any losses or damages suffered as a result of such environmental pollution.

According to 排污費徵收使用管理條例 (Administrative Regulations on Levy and Utilisation of Sewage Charge), enterprises which discharge water, air, noise pollutants and the solid wastes shall pay discharge fees pursuant to the types and volume of pollutants discharged. The discharge fees are calculated by the local environmental protection authority which review and verify the types and volume of pollutants discharged. Once the discharge fees have been calculated, a notice on payment of discharge fees shall be issued to the relevant enterprises.

中華人民共和國環境影響評價法 (Environmental Impact Appraisal Law) promulgated by the Standing Committee of the NPC on 28 October 2002 which became effective on 1 September 2003 and 建設項目環境保護管理條例 (Administration Rules on Environmental Protection of Construction Projects) promulgated by 國務院 (State Council of the PRC) on 29 November 1998 which became effective on 29 November 1998, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report must be filed with, and approved by, the local environmental protection bureau, prior to commencement of any construction work.

Energy Saving

中華人民共和國節約能源法 (Energy Saving Law of the PRC) was revised on 27 October 2007 and came into effect on 1 April 2008. The Energy Saving Law implements an energy saving appraisal and examination system with respect to fixed asset investment projects in the PRC. In cases where a particular project fails to comply with the compulsory energy saving standards, the authorities in charge of the examination and approval or verification of projects shall not approve or certify the construction; the construction unit shall not begin construction on the project; or if completed, the completed construction project shall be prohibited from commencing production or use. 中華人民共和國節約能源法 (Energy Saving Law of the PRC) also implements a compulsory retirement system for superseded or outdated products, facilities and production techniques that consume excessive amounts of energy.

INTELLECTUAL PROPERTY

Trademark Law

中華人民共和國商標法 (PRC Trademark Law) which was promulgated on 23 August 1982, amended on 22 February 1993 and on 27 October 2001, seeks to improve the administration of trademarks, protect the right to exclusive use of trademarks and encourage producers and operators to guarantee the quality of their goods and services and maintain the reputation of their trademarks, so as to protect the interests of consumers and of producers and operators.

Under this law, any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark:

- using a trademark which is identical with or similar to the registered trademark on identical or similar commodities without a license from the registered holder of that trademark;
- selling commodities that infringe upon the right to exclusive use of a registered trademark;
- forging, manufacturing without authorisation registered trademarks, or selling registered trademarks forged or manufactured without authorisation;
- changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registered holder of that trademark; and
- causing other damage to the right of the owner to exclusive use of a registered trademark.

In the event that any of the above-mentioned acts infringe upon the right to the exclusive use of a registered trademark, the infringer would be imposed a fine, ordered to stop the infringing acts immediately, and give the infringed party compensation.

PRC Patent Law

According to 中華人民共和國專利法 (PRC Patent Law) last amended on 27 December 2008, patents are divided into three categories: invention patents, utility patents and design patents. Invention patents are intended to protect new technology or measures for a product, method or its improvement. Utility patents are intended to protect new technology or measures to increase the utility of a product's shape, structure or combination. Design patents are intended to protect new designs of a product's shape, graphic or colour with aesthetic and industrial application value. As at the Latest Practicable Date, we held seven registered patents and seven pending patent applications in China.

Invention Patents

Products seeking invention patent protection must possess novel and innovative characteristics, and the grant of an invention patent is subject to disclosure and publication. Normally, the patent administrative authority publishes the application 18 months after it is filed, which period may be shortened upon request by the applicant. After the application is published, the patent administrative authority conducts a substantive review upon request by the applicant and makes a decision. The protection period for an invention patent is 20 years from the date of application. During the protection period, unless otherwise permitted by law, no individual or entity is permitted to engage in the manufacture, use, sale or import of the product protected by such patent or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent without the consent of the patent holder.

Utility Patents

Products seeking utility patent protection must also possess novel and innovative characteristics. Utility patents are granted and registered upon application unless there are reasons for the patent administrative authority to reject the application after preliminary review. Utility patents are also subject to disclosure and publication upon application. The protection period for a utility patent is ten years from the date of application.

During the protection period, unless otherwise permitted by law, no individual or entity is permitted to engage in the manufacture, use, sale or import of the product protected by such patent or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent without the consent of the patent holder.

Design Patents

Products seeking design patent protection must not be the same as or similar to those previously released in domestic or overseas publications, publicly used in the country or infringe upon third parties' legal rights. The application procedures and protection period are the same as utility patents.

During the protection period, no individual or entity is permitted to engage in the manufacture, use, sale or import of the product protected by such patent without the consent of the patent holder. Please refer to the paragraph headed "Intellectual Property Rights" of Appendix VI to this prospectus for details of our patents registration.

PRC LAWS AND REGULATIONS REGARDING IMPORTS AND EXPORTS, PROCESSING TRADE

Foreign Trade Law

中華人民共和國對外貿易法 (PRC Foreign Trade Law) which was promulgated on 12 May 1994 and amended on 6 April 2004, requires that foreign trade dealers engaged in import and export of goods shall register with the authority responsible for foreign trade under the State Council (MOFCOM) or its designated bodies unless laws, regulations and MOFCOM do not so require.

Regulation on Administraion of Imports and Export of Goods

According to 中華人民共和國貨物進出口管理條例 (Regulation on the Administration of Import and Export of Goods of the PRC), which was promulgated by 國務院 (State Council of the PRC) on 10 December 2001 and became effective on 1 January 2002, imported goods are classified into three categories, free, restricted and prohibited import. Exported goods are also classified into three categories, free, restricted and prohibited export. For goods falling into the free category, import and export of the same is free. For the goods falling into the restricted category, the import and export of the same is subject to a license or quota permit. For goods falling into the prohibited category, the import and export of the same is prohibited.

Customs Law

According to 中華人民共和國海關法 (Customs Law of the PRC), enterprises engaged in the processing trade are required to file an approval document and a processing contract at the Customs office. The amount of raw materials consumed during the production of the finished products is to be determined by the Customs office.

The finished products of a processing trade are required to be re-exported within the stipulated time limit. If the imported raw materials or parts for producing finished products of a processing trade are bonded goods specified by the State, the enterprise shall verify cancellation of the bond at the Customs office. If the Customs duties of the goods are pre-paid, the enterprise may ask for refunds from the Customs office in accordance with the law.

If the imported materials, parts, or finished products are eventually sold domestically, the Customs office shall ensure that the goods have been approved for domestic sale and shall levy customs duties on the bonded imported materials and parts. If the importation of such goods is restricted, the enterprise shall also provide an importation license to the Customs office.

Processing Trade Law

對外貿易經濟合作部關於印發 《加工貿易審批管理暫行辦法(1999年)》 的第314號通知 (Circular of the Ministry of Foreign Trade and Economic Cooperation on Printing and Distributing Provisional Measures for the Management of Examination and Approval of Processing Trade [1999] No. 314) (the "**Circular No. 314**") was promulgated on 27 May 1999 and became effective on 1 June 1999. Pursuant to the Circular No. 314, prior to engaging in the processing trade, the operating enterprise is required to make an application to the competent examination and approval authority and obtain 加工貿易批准證書 (Approval Certificate for Processing Trade).

中華人民共和國海關對加工貿易貨物監管辦法 (Measures of the Customs of the People's Republic of China on the Control of Processing Trade Goods) was promulgated by the Order No. 113 of 中華人民共和國海關總署 (General Administration of Customs of the PRC*) on 26 February 2004 and was amended by the order of No. 168 and the order of No. 195 of 中華人民共和國海關總署 (General Administration of Customs of the PRC*) promulgated on 14 January 2008 and 1 November 2010, respectively. Pursuant to such regulations, (i) the filing for records, import and export customs declaration, processing, regulation, and verification and writing-off processing trade goods is regulated by the Customs and an operating enterprise shall go through the formalities for filing of records for the processing of trade goods with the Customs of the place where the processing enterprise is located; (ii) an operating enterprise shall make import and export customs declaration for the processing of trade goods by taking with it such relevant documents as specified in the manual of processing trade, and the special customs declaration form; (iii) the operating enterprise shall process and re-export the imported materials within the prescribed time limit, and shall report to the Customs for verification and write-off within 30 days from the day of export of the last batch of finished products under the manual of processing trade or the day of expiration under the manual of processing trade; and (iv) if due to certain reasons, the imported materials or finished products under processing trade need to be sold on the domestic market, the Customs may, on the strength of the valid document of approval for domestic sale issued by the competent authority, collect taxes on the bonded imported materials according to law and collect additional interest for late tax collection; where the imported materials fall within the import restrictions imposed by the state, the operating enterprise shall also provide the import permit to the Customs.

Factory Transfer Arrangement

Under 中華人民共和國海關法 (Customs Law of the PRC), 中華人民共和國海關法關於加工貿易保稅貨物跨關區深加工結轉的管理辦法 (PRC Customs Management Method regarding the Processing and Trade of Goods by way of Factory Transfer) and the relevant regulations of the PRC Customs, Jiangsu Fine DNC and FMS Guaugzhou are allowed to sell their products by way of Factory Transfer Arrangement where, instead of physically exporting their products out of the PRC, products sold by Jiangsu Fine DNC and FMS Guangzhou to their overseas customers are allowed to be directly transferred to the customers' assembly plants in the PRC for further processing. However, based on the relevant PRC customs laws and regulations, such sales made by Jiangsu Fine DNC and FMS Guangzhou must first undergo PRC customs' clearance procedures to obtain export approval, and the relevant customers' assembly plants are also required to undergo the PRC customs' import clearance procedures. Sales by way of the Factory Transfer Arrangement are regarded as export sales because all the products under the Factory Transfer Arrangement are required to undergo customs' clearance process for export approval. Domestic sales are not required to undergo such customs' clearance process. The relevant payment should be settled by foreign currencies in accordance with the relevant PRC laws and regulations.

Classified Management of Enterprises of the PRC

According to 中華人民共和國海關企業分類管理辦法 (Measures of the Customs of the PRC for the Classified Management of Enterprises) issued on 14 October 2010 by 中華人民共和國海關總署 (General Administration of Customs of the PRC*) and effective as of 1 January 2011, consignees and consigners of import and export goods required to be registered with the customs are under classified management ("**Customs Classified Management**"). The Customs evaluates relevant enterprises according to the enterprises' observance of laws, administrative regulations, customs rules, relevant provisions on incorrupt government, their respective business management situations as well as the Customs supervision and statistical records, etc.. Based on the evaluation, the Customs classifies each enterprise according to five management categories: AA, A, B, C and D. The Customs provides for different management of enterprises in different management categories. Enterprises classifies under "AA" and "A" are allowed relatively more convenient customs clearance measures.

Category A enterprises shall satisfy the following requirements: (i) having been subject to Category B management for more than one year; (ii) not having committed any smuggling or violated the provisions on customs supervision and control for one consecutive year; (iii) not having been subject to any customs administrative punishment due to importing or exporting goods infringing intellectual property rights in the previous year; (iv) not having defaulted in the payment of the previous year; (v) having a gross import and export value of more than US$500,000 in the previous year; (vi) having an error rate of import or export declaration of below 5% during the previous year; (vii) having sound accounting rules, as well as truthful and complete business records; (viii) having taken initiatives in cooperation with customs administration, timely handling various customs formalities, and providing truthful, complete and valid documents and certificates to the Customs; (ix) submitting a valuation report on enterprise business management status every year; (x) handling the formality for re-issuing and altering the Register Document for Customs Declaration of Consignees or Consigners of Import or Export Goods of the Customs of the PRC according to provisions; and (xi) having no bad record in the administrative departments and institutions of commerce, people's bank, industry and commerce, taxation, quality inspection, foreign exchange and supervision, etc. for one consecutive year.

As at the Latest Practicable Date, Jiangsu Fine DNC was categorized under Class A under the Customs Classified Management. According to 行政處罰決定書 (Determination Letter for Administrative Penalty) issued by the Wuxi Customs dated 5 July 2011, the PRC Legal Advisers advised that Jiangsu Fine DNC had not been downgraded to Class B under the Customs Classified Management as at the date thereof. The PRC Legal Advisers further advised that pursuant to the common practice of the customs authority, if a company is to be downgraded, the customs authority shall issue a 企業類別調整決定書 (Determination Letter relating to the Change of the Enterprise Classification category). As at the Latest Practicable Date, Jiangsu Fine DNC has not received such a notice. Nevertheless, we cannot ascertain whether Jiangsu Fine DNC would be downgraded in the future. Since only one imported raw material of Jiangsu Fine DNC falls within the restricted category, the Directors are of the view that even if Jiangsu Fine DNC is downgraded to Class B, which would require Jiangsu Fine DNC to pay 50% of the customs duties and value added tax as deposit for importing the restricted material, which is estimated to be approximately RMB3.92 million per year, there will not be any material adverse impact on the financial position of our Group.

Korean Law

As advised by the Korean Legal Advisers, since our Group comprises companies which are incorporated in Hong Kong and the PRC, Korean laws will not be applicable to these companies in principle and there are no Korean laws and regulations applicable in connection with the Listing and there are no Korean laws and regulations which will prohibit and restrict the Listing. Nevertheless, if the business of our Group has consequential effects in Korea, certain Korean laws could be applicable. Such Korean laws include (i) the Commercial Act, which shall apply in case our Group establishes an office in Korea and conducts business out of such office; (ii) the Financial Investment Services and Capital Markets Act, which shall apply if our Group becomes publicly listed in Korea, issues shares or engages in financial investment business; (iii) the Foreign Exchange Transactions Act, which shall apply in case our Group engages in foreign exchange transaction with the Korean corporations; and (iv) Monopoly Regulation and Fair Trade Act. Details of each of the aforesaid laws and regulations are as follows:

(1) *Commercial Act*

The Commercial Act is the general law that governs commercial transaction between corporations in Korea or Korean corporations. The Commercial Act comprises the following five chapters: (i) general provisions, (ii) commercial acts, (iii) corporations, (iv) insurance and (v) admiralty. Commercial dealings between corporations are covered in the general provisions(components of merchants), general provisions relating to commercial acts and types of commercial acts are covered in the commercial acts section and the establishment, dissolution, organization and management of corporations is covered in the corporations section.

Our Group is required to establish a local office in Korea and register with the commercial registry in order to engage in marketing activities and conduct business in Korea. Additionally, the Commercial Act will be applicable in the event that any company (i) issues shares or bonds or (ii) transfers its shares, pledges or bonds, if such transaction takes place in Korea. According to Commercial Act, full purchase price shall be paid before the issuance of shares become effective and the transfer of shares requires delivery of the share certificates.

As at the Latest Practicable Date, our Group has no intention to engage in marketing activities and conduct business in Korea or issue shares or bonds in Korea.

(2) *Financial Investment Services and Capital Markets Act*

The Financial Investment Services and Capital Markets Act is comprised of 10 parts (1) general provisions; (2) financial investment services; (3) issuance and distribution of securities; (4) regulations on unfair dealings; (5) collective investment schemes; and (6)-(10) related authorities, the Korean exchange, supervision, sanctions, etc.

When a corporation engages in investment advisory services, collective investment scheme or financial investment services, Part 2 shall apply for approvals, registration, management organization and business rules and Part 5 shall apply regarding collective investment schemes and exceptions for foreign collective investment securities. When issuing shares, Part 3 shall apply regarding the securities report and business reports and such.

The Financial Investment Services and Capital Markets Act shall apply only if our Group engages in financial investment business or a company issues shares in Korea. When a company wishes to engage in the securities business, investment advisory business, collective business or financial investment services, it is required to fulfill certain requirements and obtain approval from or register with the Financial Services Commission.

When the Financial Investment Services and Capital markets Act apply as explained above the Financial Investment Business Provisions and the Provisions on Issuance and Listing of Securities shall be applicable regarding financial investment services and issuance of shares.

As at the Latest Practicable Date, our Group has no intention to engage in the securities business, investment advisory business, collective business, financial investment services or to issue shares in Korea.

(3) *Foreign Exchange Transactions Act*

The Foreign Exchange Transactions Act applies in cases where an entity incorporated in Korea and an entity incorporated elsewhere other than Korea engages in foreign currency transactions (buy/sell). Accordingly, the Foreign Exchange Transactions Act is applicable when our Group and a Korean corporation such as Fine DNC Korea or Fine Technix engages in transaction such as (i) deposit agreement, escrow agreement, lease agreement, debt guarantee agreement, sales agreement for foreign means of payment; (ii) issuance of shares, acquisition of shares; and (iii) derivatives transactions; (iv) acquisition of real estate in Korea. In such circumstances, the party making the payment must report to the Bank of Korea or a foreign currency bank in advance.

(4) *Monopoly Regulation and Fair Trade Act*

The Monopoly Regulation and Fair Trade Act was enacted to prevent the abuse of market dominative power of a corporation and restricts unfair joint practices and unfair trade dealings. Monopoly Regulation and Fair Trade Act covers the followings: (i) regulation on abuse of market dominance, (ii) restriction on combination of corporations to a certain extent, (iii) restriction on concentration of financial power; (iv) restriction on unfair joint practices; and (v) restriction of unfair trade dealings.

The Directors confirm that, as at the Latest Practicable Date, there is no record showing that our Group has violated any of the aforesaid Korean laws during the Track Record Period.

CORPORATE DEVELOPMENT

The following sets forth the corporate development of each member of our Group since their respective dates of establishment or incorporation. Our principal operating entities are Jiangsu Fine DNC and FMS Guangzhou (became a member of our Group after completion of the FMS Guangzhou Acquisition in August 2011). We underwent certain reorganisation steps for the purpose of the Global Offering, particulars of which are set forth in the sub-section headed “Reorganisation” in this section.

Jiangsu Fine DNC

Jiangsu Fine DNC is a member of our Group engaging in the development and manufacture of metallic components of display panels for use in LCD (including LED) TVs, monitors, mobile PCs and mobile phones.

Jiangsu Fine DNC was established on 9 December 2002 with an initial registered capital of US$5 million and total investment of US$12.5 million. At the time of establishment, Jiangsu Fine DNC was a foreign-invested enterprise wholly owned by Fine DNC Korea. The term of operation of Jiangsu Fine DNC is from 9 December 2002 to 8 December 2052. The business scope of Jiangsu Fine DNC at its establishment is development, manufacture and sale of new model flat panel display components, photoelectron components, new model electronic components and sale of self-manufactured products and provision of after-sales service.

On 25 September 2003, the registered capital and the total investment of Jiangsu Fine DNC was approved by 無錫國家高新技術產業開發區管理委員會 (Management Committee of Wuxi National High-Tech Industrial Development Zone*) to be increased from US$5 million to US$7.2 million and from US$12.5 million to US$16.9 million respectively.

On 12 July 2006, Fine DNC Korea was allowed to transfer the entire equity interest in Jiangsu Fine DNC to Infinity at nil consideration by 無錫國家高新技術產業開發區管理委員會 (Management Committee of Wuxi National High-Tech Industrial Development Zone*) and the constitution of Jiangsu Fine DNC was approved to be amended accordingly. On 20 July 2006 and 2 August 2006, Jiangsu Fine DNC obtained 中華人民共和國外商投資企業批准證書 (Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC) and its renewed business licence, respectively.

On 20 December 2006, Jiangsu Fine DNC was approved by 無錫國家高新技術產業開發區管理委員會 (Management Committee of Wuxi National High-Tech Industrial Development Zone*) to extend its business scope to include development and manufacture of new model flat panel display components, photoelectron components, new model electronic components and moulds for flat panel display components, sale of self-manufactured products and provision of after-sales services and to increase its registered capital from US$7.2 million to US$7.3 million and its total investment from US$16.9 million to US$17.04 million by way of capitalization of its undistributed profits.

On 12 September 2007, Jiangsu Fine DNC was approved by 無錫國家高新技術產業開發區管理委員會 (Management Committee of Wuxi National High-Tech Industrial Development Zone*) to increase its registered capital from US$7.3 million to US$8.5 million and its total investment from US$17.04 million to US$18.74 million by way of capitalization of its undistributed profits.

On 5 November 2007, Infinity agreed to transfer 4.85% equity interest in Jiangsu Fine DNC to China Bay, the principal activity of which is investment holding, at a consideration of approximately RMB9.7 million; 2.10% to Fine & Pacific, the principal activity of which is investment holding, at a consideration of approximately RMB4.2 million; 0.27% to Wuxi Fanchuang, the scope of business of which is sales of office supplies, at a consideration of approximately RMB0.5 million; and 0.28% to Wuxi Heqi, the scope of business of which is sales of office supplies, at a consideration of approximately RMB0.5 million. Both Wuxi Fanchuang and Wuxi Heqi are owned by employees of our Group. The consideration of the equity transfer was calculated based on the price of RMB2.88 per share, which was determined based on the price to earning ratio of 4 times. Adopting the price to earning ratio of 4 times was aimed to provide a discount for the employees to acquire the interest in Jiangsu Fine DNC, with reference to the basis of consideration for the equity investment by other third parties determined according to a price to earning ratio of 5 times. Upon completion of the transfers, Jiangsu Fine DNC was owned as to 92.5% by Infinity, 4.85% by China Bay, 2.10% by Fine & Pacific, 0.27% by Wuxi Fanchuang and 0.28% by Wuxi Heqi. The approval from the 無錫國家高新技術產業開發區管理委員會 (Management Committee of Wuxi National High-Tech Business Development Zone*) for the transfers was obtained on 30 November 2007 while the new approval certificate of foreign-invested enterprise in the PRC was issued on 20 December 2007.

On 7 November 2007, Chang-Han, Asia Orchid, Jiangsu Hightech, Jiangsu Eagle Power and Beijing Shouchuang agreed to invest approximately RMB21.3 million, RMB8.8 million, RMB5.0 million, RMB5.0 million and RMB5.0 million into Jiangsu Fine DNC respectively, out of which approximately US$0.73 million, US$0.30 million, US$0.17 million, US$0.17 million and US$0.17 million was respectively applied to increase the registered capital of Jiangsu Fine DNC from US$8.5 million to US$10.04 million, while the remaining invested amount was treated as the capital reserve of Jiangsu Fine DNC. Upon completion of the increase in registered capital, Jiangsu Fine DNC was owned as to 78.33% owned by Infinity; 7.23% owned by Chang-Han; 4.11% owned by China Bay; 2.99% owned by Asia Orchid; 1.78% owned by Fine & Pacific; 1.70% owned by Jiangsu Hightech; 1.70% owned by Jiangsu Eagle Power; 1.70% owned by Beijing Shouchuang; 0.24% owned by Wuxi Heqi; and 0.23% owned by Wuxi Fanchuang. The approval from 無錫國家高新技術產業開發區管理委員會 (Management Committee of Wuxi National High-Tech Industrial Development Zone*) for the investment was obtained on 30 November 2007 while the new approval certificate of foreign-invested enterprise in the PRC was issued on 20 December 2007.

As advised and confirmed by the PRC Legal Advisers, 無錫國家高新技術產業開發區管理委員會 (Management Committee of Wuxi National High-Tech Industrial Development Zone*) is the competent authority for issuing the approvals for the various equity transfers, and increases in equity investment, in Jiangsu Fine DNC during 2006 and 2007 as disclosed above. Jiangsu Fine DNC obtained all the required approvals and the approval certificates from the relevant authorities for each of the transfers and investments which took place during the period from 2006 and 2007 and completed all the registration with 無錫工商行政管理局 (Wuxi Municipal Industry and Commerce Administration*).

On 21 February 2008, Jiangsu Fine DNC was approved by 江蘇省對外貿易經濟合作廳 (Department of Foreign Trade and Economic Cooperation of Jiangsu Province*) to increase its registered capital to US$16.0 million and total investment to US$35.84 million by capitalization of its capital reserve of approximately US$4.6 million and undistributed profits of approximately US$1.36 million. The new business licence of Jiangsu Fine DNC was issued on 10 March 2008. The then shareholding of the equity holders of Jiangsu Fine DNC remained unchanged.

On 19 May 2008, the shareholders of Jiangsu Fine DNC unanimously agreed that Jiangsu Fine DNC would be converted from limited liability enterprise to joint stock limited company. The then net assets of Jiangsu Fine DNC were taken as capital contribution and were converted into shares of the joint stock company at a proportion of 1:0.706743. The share capital of Jiangsu Fine DNC was changed to RMB180 million. The approval from 江蘇省對外貿易經濟合作廳 (Department of Foreign Trade and Economic Cooperation of Jiangsu Province*) was obtained on 2 September 2008. The net assets less the capital contribution were counted as capital reserve of Jiangsu Fine DNC. Upon completion of the conversion, the shareholding of the then shareholders of Jiangsu Fine DNC remained unchanged.

On 14 October 2010, 江蘇省商務廳 (Department of Commerce of Jiangsu Province*) approved the increase in registered capital of Jiangsu Fine DNC from RMB180 million to RMB452 million. The shareholding of the then shareholders of Jiangsu Fine DNC remained unchanged.

FMS Guangzhou

FMS Guangzhou became a member of our Group after completion of the FMS Guangzhou Acquisition in August 2011, and is engaging in the manufacture of metallic components of display panels for use in LCD (including LED) TVs, monitors and others including sale of scrap materials.

FMS Guangzhou was established on 4 November 2009 with an initial registered capital of US$8 million and total investment of US$20 million. At the time of establishment, FMS Guangzhou was a foreign-invested enterprise wholly owned by FMS Korea. The term of operation of FMS Guangzhou was from 4 November 2009 to 4 November 2059. The business scope of FMS Guangzhou at its establishment is research and development, manufacture of new model electronic components, sales of self-manufactured products and provision of after-sales service.

On 9 June 2010, the registered capital and the total investment of FMS Guangzhou were jointly approved by 廣州經濟技術開發區 (Guangzhou Economic & Technological Development Zone*), 廣州高新技術產業開發區 (Guangzhou Hi-Tech Industrial Development Zone*), 廣州出口加工區 (Guangzhou Export Processing Zone*), 廣州保税區管理委員會 (Management Committee of Guangzhou Free Trade Zone*) to be increased from US$8 million to US$10 million and from US$20 million to US$22.85 million, respectively.

Our Company

Our Company was incorporated on 2 June 2011 in Hong Kong with limited liability. At the time of incorporation, our Company had an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each.

Upon incorporation, one share of HK$1.00 was allotted and issued to Infinity as subscriber.

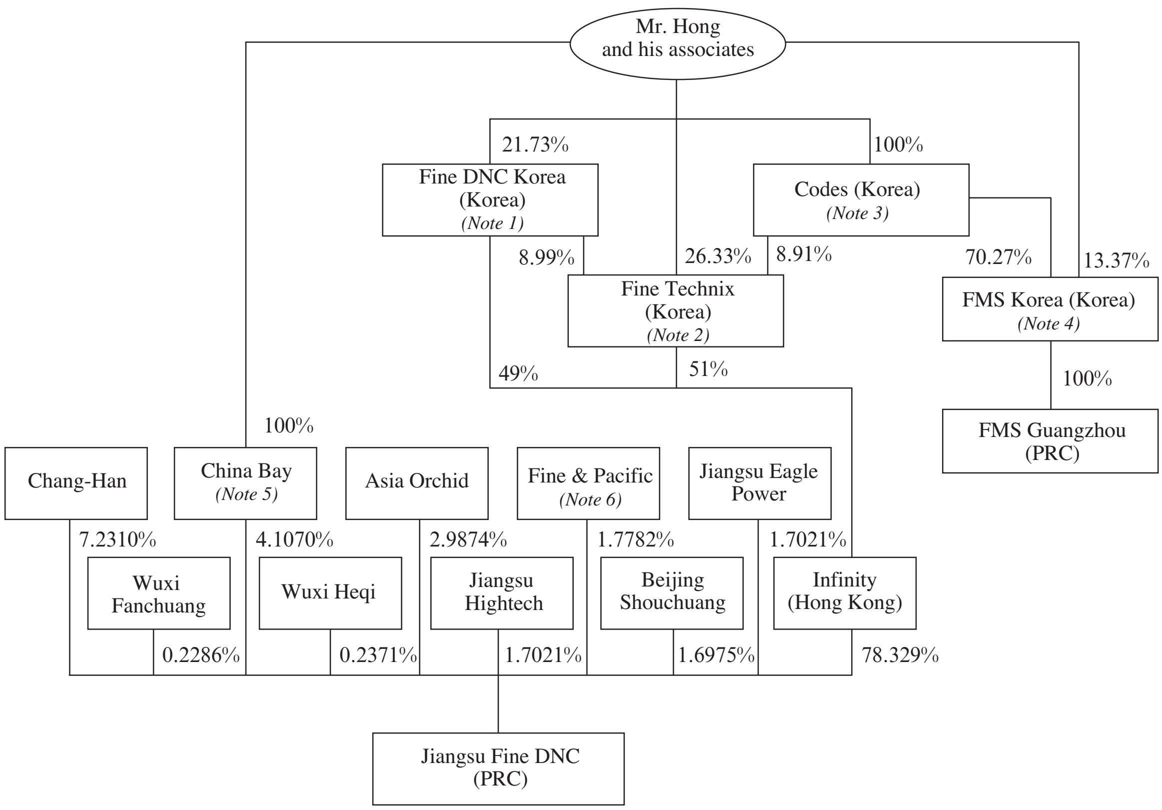
REORGANISATION

INTRODUCTION

In contemplation of the Listing, our Group has undergone certain restructuring steps whereby a coherent corporate structure of our Group has been established which is suitable for Listing. The Reorganisation involved the following principal steps:-

- Incorporation of our Company
- Acquisition of Jiangsu Fine DNC by our Company
- Acquisition of FMS Guangzhou by our Company

The following diagram illustrates our shareholding and corporate structure prior to the Reorganisation:-



Notes:

1. Fine DNC Korea is a company with its shares trading on the Korea Exchange and as at the Latest Practicable Date, was owned as to approximately 21.73% by Mr. Hong and his associates. The remaining shareholders of Fine DNC Korea include financial institution in Korea, international financial institutions, corporate and individual shareholders. The Directors confirm that, to the best of their knowledge, information and belief, the remaining shareholders of Fine DNC Korea are Independent Third Parties.

2. Fine Technix is a company with its shares trading on the Korea Exchange and was owned as to 8.91% by Codes, 26.33% by Mr. Hong and his associates and 8.99% by Fine DNC Korea as at 8 September 2011. Fine DNC Korea sold its 4.21% shareholding interest in Fine Technix on 9 September 2011 and as at the Latest Practicable Date, Fine DNC Korea held 4.59% of shareholding interest in Fine Technix. The remaining shareholders of Fine Technix include financial institution in Korea, international financial institutions, corporate and individual shareholders. The Directors confirm that, to the best of their knowledge, information and belief, the remaining shareholders of Fine Technix are Independent Third Parties.

3. Codes is an organization established under the laws of Korea and wholly owned by Mr. Hong and his associates.

4. FMS Korea is owned as to 70.27% by Codes and 13.37% by Mr. Hong and his associates. The remaining shareholders of FMS Korea include a director of FMS Korea, a director of Codes, former auditor of Fine DNC Korea, a company in which Codes is interested in and corporate and individual shareholders. The Directors confirm that, to the best of their knowledge, information and belief, the corporate and individual shareholders of FMS Korea are Independent Third Parties.

5. China Bay is a company incorporated under the laws of the British Virgin Islands and the ultimate shareholders of which are Mr. Hong and his associates.

6. Fine & Pacific is a company incorporated under the laws of the British Virgin Islands, the shareholders of which are employees of our Group. As at the Latest Practicable Date, Mr. Park Ilmo, our executive Director, held approximately 32.70% of the issued share capital of Fine & Pacific. Mr. Park Ilmo is also the sole director of Fine & Pacific.

DETAILED PROCEDURES

For the purpose of the Listing, the following Reorganisation steps have been implemented:-

(a) Incorporation of our Company

Our Company was incorporated in Hong Kong as the listed company of our Group on 2 June 2011. The initial authorised share capital of our Company was HK$10,000 divided into 10,000 shares of HK$1.00 each. Upon incorporation, one share of HK$1.00 in our Company was issued to Infinity as subscriber. On 28 November 2011, we sub-divided our shares from one share of HK$1.00 each into 10 Shares of HK$0.10 each. Following the sub-division, the authorised share capital of our Company was increased from HK$10,000 divided into 100,000 Shares to HK$300,000,000 divided into 3,000,000,000 Shares.

(b) Acquisition of Jiangsu Fine DNC by our Company

On 1 July 2011, our Company entered into an equity interests transfer agreement with Infinity pursuant to which Infinity agreed to transfer the 78.3290% equity interests in Jiangsu Fine DNC to our Company at a consideration of RMB369,302,478, which was based on the net asset value of Jiangsu Fine DNC as shown in its audited accounts as at 30 April 2011 and was satisfied by our Company allotting and issuing 78,319 new Shares to Infinity.

On 20 July 2011, our Company entered into an agreement with, amongst others, Infinity whereby, among other things, Infinity agreed to subscribe for 1.6975% interests in our Company (being 1,698 new Shares) at a cash consideration of RMB8,800,000 which is equivalent to the consideration payable by our Company for the acquisition of 1.6975% equity interests in Jiangsu Fine DNC held by Beijing Shouchuang.

On 20 July 2011, our Company entered into an equity interests transfer agreement to acquire 18.2714% equity interests in Jiangsu Fine DNC from the following Investors, Employees at a total consideration of RMB86,145,275.64, which was based on the net asset value of Jiangsu Fine DNC as shown in its audited accounts as at 30 April 2011, and was satisfied in the following manner:

Name of allottee	**% of equity interests transferred**	**Consideration** *(RMB)*	**Manner of settlement of consideration**	**No. of new Shares allotted**
Chang-Han *(note 3)*	7.2310%	34,092,433.43	Allotment and issue of 7.2310% new Shares	7,231 Shares
China Bay *(note 4)*	4.1070%	19,363,521.52	Allotment and issue of 4.1070% new Shares	4,107 Shares
Asia Orchid *(note 5)*	2.9874%	14,084,875.62	Allotment and issue of 2.9874% new Shares	2,987 Shares
Fine & Pacific *(note 6)*	1.7782%	8,383,787.18	Allotment and issue of 1.7782% new Shares	1,778 Shares
Jiangsu Eagle Power *(note 7)*	1.7021%	8,024,993.91	By cash and pursuant to a separate agreement, allotment and issue of 3.4042% new Shares to Hong Kong Xin Su Limited *(notes 1, 2)*	3,404 Shares
Wuxi Heqi *(note 8)*	0.2371%	1,117,869.72	By cash and pursuant to a separate subscription agreement, allotment and issue of 0.2371% new Shares to Fine & Pacific *(note 6)*	237 Shares
Wuxi Fanchuang *(note 9)*	0.2286%	1,077,794.26	By cash and pursuant to a separate subscription agreement, allotment and issue of 0.2286% new Shares to Fine & Pacific *(note 6)*	229 Shares
Total	18.2714%	86,145,275.64	19.9735% new Shares	19,973 Shares

Notes:

1. The transfer of equity interests in Jiangsu Fine DNC by Jiangsu Eagle Power was settled in cash in foreign currency. To the best knowledge, information and belief of the Directors, Jiangsu Eagle Power is an investment company, the investment management company of which is 江蘇高投創業投資管理有限公司 (Jiang Su Govtor Ventures Management Co., Ltd.*) which in turn, is wholly owned by Jiangsu Hightech. Pursuant to a separate agreement dated 20 July 2011, Hong Kong Xin Su Limited agreed to subscribe for 3.4042% interests in our Company, being the percentage of Shares Jiangsu Eagle Power and Jiangsu Hightech would have been entitled to and the equivalent subscription consideration payable was settled by Hong Kong Xin Su Limited in cash. Hong Kong Xin Su Limited is a company incorporated in Hong Kong with limited liability and is wholly owned by Jiangsu Hightech.

2. Jiangsu Hightech is a state-owned enterprise and pursuant to a separate agreement dated 20 July 2011, we agreed to acquire the 1.7021% equity interests held by Jiangsu Hightech in Jiangsu Fine DNC through the tender, auction, listing-for-sale process as referred to in the paragraph below.

3. Chang-Han is an exempted limited partnership registered in the Cayman Islands, the partners of which include government department of Korea, financial institutions in Korea and other private equity funds. The Directors confirm that, to the best of their knowledge, information and belief, all the partners of Chang-Han are Independent Third Parties.

4. China Bay is a company incorporated under the laws of the British Virgin Islands and the ultimate shareholders of which are Mr. Hong and his associates.

5. Asia Orchid is registered in Korea, the partners of which include financial institutions, securities companies and private equity funds. The Directors confirm that, to the best of their knowledge, information and belief, all the partners of Asia Orchid are Independent Third Parties.

6. Fine & Pacific is a company incorporated under the laws of the British Virgin Islands, the shareholders of which are employees of our Group. As at the Latest Practicable Date, Mr. Park Ilmo, our executive Director, held approximately 32.70% of its issued share capital. Mr. Park Ilmo is also the sole director of Fine & Pacific. Pursuant to a separate subscription agreement dated 31 January 2012, Fine & Pacific agreed to subscribe for 466 Shares in our Company, equivalent to the number of Shares Wuxi Heqi and Wuxi Fanchuang would have been entitled to and the equivalent subscription consideration payable will be settled by Fine & Pacific in cash.

7. Jiangsu Eagle Power is a company incorporated under the laws of the PRC, the shareholders of which include investment companies, investment management company and individuals. To the best knowledge of the Directors, the investment management company of Jiangsu Eagle Power is 江蘇高投創業投資管理有限公司 (Jiang Su Govtor Ventures Management Co., Ltd.*), which in turn is wholly owned by Jiangsu Hightech. The Directors confirm that, to the best of their knowledge, information and belief, all the shareholders of Jiangsu Eagle Power are Independent Third Parties.

8. The transfer of equity interests in Jiangsu Fine DNC by Wuxi Heqi was settled in cash in foreign currency. Wuxi Heqi is a company incorporated under the laws of the PRC, the shareholders of which are employees of our Group.

9. The transfer of equity interests by Wuxi Fanchuang was settled in cash in foreign currency. Wuxi Fanchuang is a company incorporated under the laws of the PRC, the shareholders of which are employees of our Group.

On 24 November 2011 and 10 January 2012, our Company entered into agreements with Jiangsu Hightech and Beijing Shouchuang to acquire the 1.7021% and 1.6975% equity interests in Jiangsu Fine DNC respectively through the tender, auction, listing-for-sale (招標、拍賣、掛牌) process at a consideration of RMB8,814,300 and RMB8,800,000 respectively, which were determined based on the valuation results as stated in the《國有資產評估報告》(Valuation Report relating to the State-owned Assets*). Jiangsu Fine DNC became the wholly owned subsidiary of our Company on 24 February 2012.

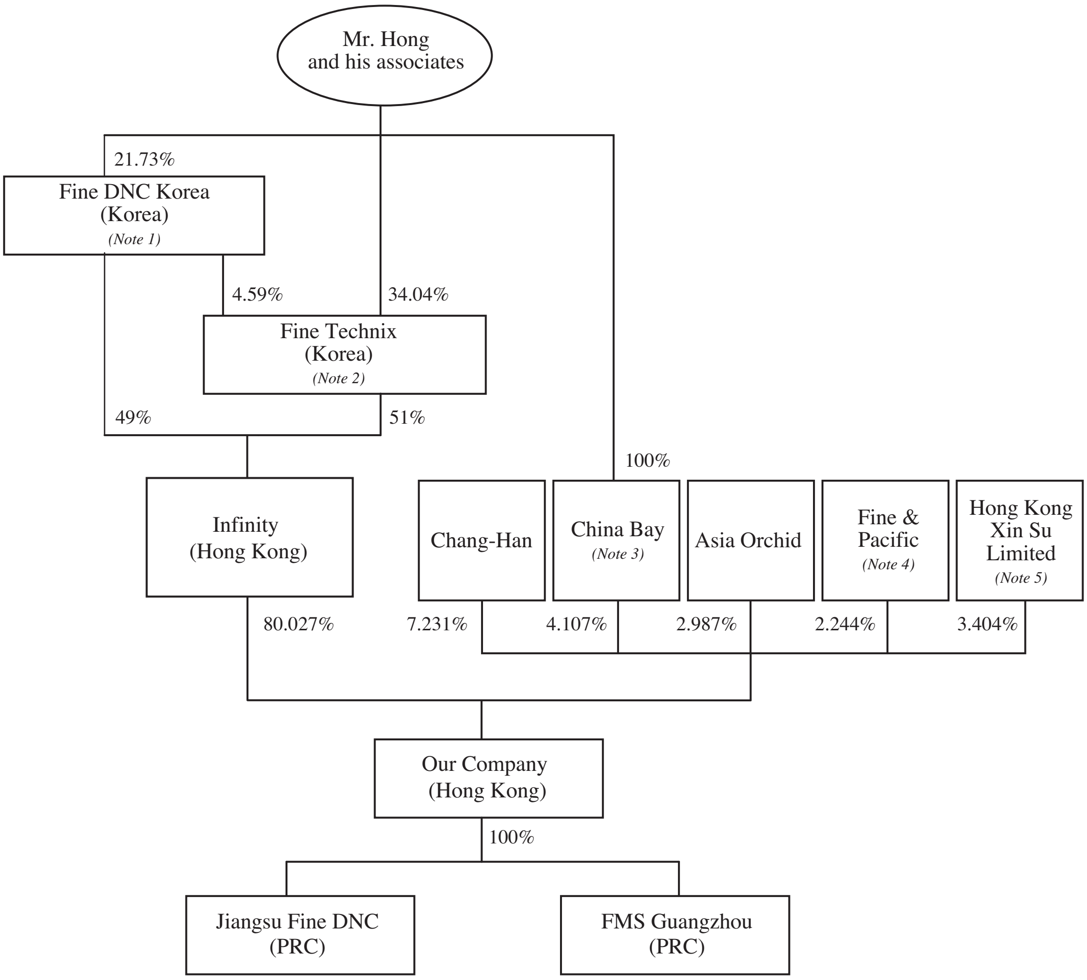
(c) Acquisition of FMS Guangzhou by our Company

On 20 July 2011, our Company entered into an agreement (as supplemented by a supplemental agreement dated 15 June 2012) to acquire the 100% equity interests in FMS Guangzhou from FMS Korea at a consideration of US$7,500,000, which was determined in accordance with the valuation of FMS Guangzhou of RMB49 million as at 30 April 2011. The amount of US$2.2 million was settled by the Company with its internal resources and the balance of US$5.3 million will be settled by the Company with the net proceeds from the New Issue by 31 July 2012 or within 30 days from the date of Listing, whichever is earlier, or such later date as may be agreed by our Company and FMS Korea. Having considered the cash flow of our Group and the business prospects of FMS Guangzhou, it is in the interest of our Group and Shareholders to settle part of the consideration with the net proceeds raised from the New Issue. Since FMS Korea is a connected person of our Company under the Listing Rules, the balance of consideration of US$5.3 million due from our Company to FMS Korea will constitute financial assistance from FMS Korea to our Company but exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules. For the purpose of completing the acquisition, our Company is required under the PRC laws to obtain the approvals from 廣州經濟技術開發區 (Guangzhou Economic and Technology Development Zone*), 廣州高新技術產業開發區 (Guangzhou High and New Technology Industry Development Zone*), 廣州出口加工區 (Guangzhou Export Processing Zone*) and 廣州保稅區管理委員會 (Guangzhou Free Trade Zone Management Committee*). We have obtained the requisite approvals under the applicable PRC laws and regulations and have completed all the filing and registration with 工商行政管理部門 (Administration for Industry and Commerce*) in respect of the acquisition.

The Korean Legal Advisers advised that pursuant to the Foreign Exchange Transactions Regulations of Korea, our Company is required to file a report to the Bank of Korea for the FMS Guangzhou Acquisition after signing of the transaction agreement and before the matters necessary for the payments or receipts such as procedures for money exchange, remittance and withdrawal of property are completed. Our Company has filed the requisite report to the Bank of Korea on 13 December 2011. The Korean Legal Advisers confirmed that other than the filing with the Bank of Korea, no approval, consent, permit, filing and reporting will be required in respect of the FMS Guangzhou Acquisition.

FMS Guangzhou became the wholly owned subsidiary of our Company on 16 August 2011.

The chart below shows our Group structure upon completion of the Reorganisation:



Notes:

1. Fine DNC Korea is a company with its shares trading on the Korea Exchange and as at the Latest Practicable Date, was owned as to approximately 21.73% by Mr. Hong and his associates. The remaining shareholders of Fine DNC Korea include financial institution in Korea, international financial institutions, corporate and individual shareholders. The Directors confirm that, to the best of their knowledge, information and belief, the remaining shareholders of Fine DNC Korea are Independent Third Parties.

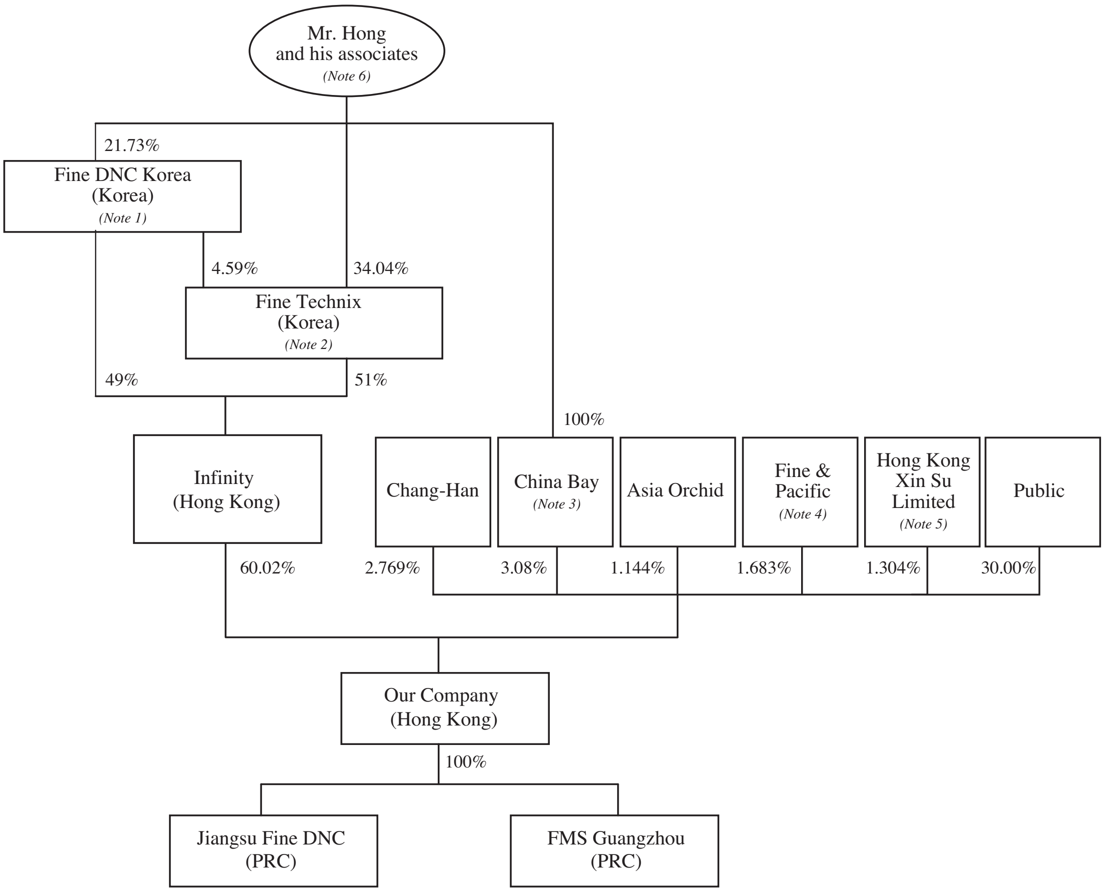
2. Fine Technix is a company with its shares trading on the Korea Exchange and as at the Latest Practicable Date, was owned as to approximately 34.04% by Mr. Hong and his associates, and approximately 4.59% by Fine DNC Korea. The remaining shareholders of Fine Technix include financial institution in Korea, international financial institutions, corporate and individual shareholders. The Directors confirm that, to the best of their knowledge, information and belief, the remaining shareholders of Fine Technix are Independent Third Parties.

3. China Bay is a company incorporated under the laws of the British Virgin Islands and the ultimate shareholders of which are Mr. Hong and his associates.

4. Fine & Pacific is a company incorporated under the laws of the British Virgin Islands, the shareholders of which are employees of our Group. As at the Latest Practicable Date, Mr. Park Ilmo, our executive Director, held approximately 32.70% of the issued share capital of Fine & Pacific. Mr. Park Ilmo is also the sole director of Fine & Pacific.

5. Hong Kong Xin Su Limited is a company incorporated in Hong Kong with limited liability and is wholly owned by Jiangsu Hightech.

The chart below shows our Group structure upon completion of the Global Offering, without taking into account the Shares to 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:



Notes:

1. Fine DNC Korea is a company with its shares trading on the Korea Exchange and as at the Latest Practicable Date, was owned as to approximately 21.73% by Mr. Hong and his associates. The remaining shareholders of Fine DNC Korea include financial institution in Korea, international financial institutions, corporate and individual shareholders. The Directors confirm that, to the best of their knowledge, information and belief, the remaining shareholders of Fine DNC Korea are Independent Third Parties.

2. Fine Technix is a company with its shares trading on the Korea Exchange and as at the Latest Practicable Date, was owned as to approximately 34.04% by Mr. Hong and his associates, and approximately 4.59% by Fine DNC Korea. The remaining shareholders of Fine Technix include financial institution in Korea, international financial institutions, corporate and individual shareholders. The Directors confirm that, to the best of their knowledge, information and belief, the remaining shareholders of Fine Technix are Independent Third Parties.

3. China Bay is a company incorporated under the laws of the British Virgin Islands and the ultimate shareholders of which are Mr. Hong and his associates.

4. Fine & Pacific is a company incorporated under the laws of the British Virgin Islands, the shareholders of which are employees of our Group. As at the Latest Practicable Date, Mr. Park Ilmo, our executive Director, held approximately 32.70% of the issued share capital of Fine & Pacific. Mr. Park Ilmo is also the sole director of Fine & Pacific.

5. Hong Kong Xin Su Limited is a company incorporated in Hong Kong with limited liability and is wholly owned by Jiangsu Hightech.

6. As at the Latest Practicable Date, Mr. Hong held bond with warrant amounting to 939,226 shares in Fine Technix and if Mr. Hong exercised his option in full at the Latest Practicable Date, Mr. Hong and his associates would be interested in approximately 40.78% of the enlarged issued share capital of Fine Technix.

Lock-up arrangement of the Selling Shareholders

Each of Chang-Han, Asia Orchid and Hong Kong Xin Su Limited has agreed to undertake to the Sole Global Coordinator and the Company that during the 3-month period commencing from the Listing Date, it shall not, among others, accept subscription for, pledge, issue, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares (other than the Sale Shares) or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, any of the Shares beneficially owned by each of them.

BUSINESS MILESTONES

The key milestones of our business development are as follows:

December 2002	Jiangsu Fine DNC and 凡潤電子(無錫)有限公司 (Fine DNC (Wuxi) Hi-Tech Co., Ltd.*)) was established.
2003	Jiangsu Fine DNC commenced production.
November 2006	Jiangsu Fine DNC was granted 2006 年協力社發展革新競賽銀獎 (Silver award in Cooperative Companies' Innovative Development Competition of 2006*) by Samsung China.
December 2006	Jiangsu Fine DNC added the development and production of the press module of flat display devices（平板顯示器件的衝壓模具的開發生產）to its business scope.
November 2007	Jiangsu Fine DNC was granted 高新技術企業認定證書 (High and New Technology Enterprise Certificate*) by 江蘇省科學技術廳 (Jiangsu Science and Technology Department*).
	Jiangsu Fine DNC was granted 海關實施A類管理通知書 (Class A Management Notice awarded by the Customs*) by 中華人民共和國海關總署 (General Administration of Customs*).
December 2007	Jiangsu Fine DNC changed from a wholly foreign-owned enterprise to a sino-foreign equity joint venture.
2007	Jiangsu Fine DNC was granted QBR優秀廠商 (QBR Best Company*) by 瑞儀光電(蘇州)有限公司 (Radiant Opto-Electronics (Suzhou) Co., Ltd*), one of the BLU manufacturers of Samsung.
May 2008	Jiangsu Fine DNC obtained ISO 9001 Certificate issued by DAS Certification Ltd.(達衛師認証有限公司) and the ISO 9001 Certificate was received in June 2011.

June 2008	Jiangsu Fine DNC's moulds development department was granted 無錫新區企業技術研發機構 (Wuxi New District Technology Enterprises R&D Centre*) by 無錫新區科技局 (Technology Bureau of the Wuxi New District*).
October 2008	Jiangsu Fine DNC changed from a limited liability company to a joint stock limited company.
	Jiangsu Fine DNC changed its name from 凡潤電子(無錫)有限公司 (Fine DNC (Wuxi) Hi-Tech Co., Ltd.*) to 江蘇凡潤電子股份有限公司 (Jiangsu Fine DNC Co., Ltd.*).
March 2009	Jiangsu Fine DNC was granted 產業發展貢獻獎 (Industry Development Contribution Award*) by 無錫市人民政府新區管理委員會 (Administration Committee of Wuxi New District*).
	Jiangsu Fine DNC obtained ISO 14001 Certificate issued by SGS United Kingdom Ltd Systems & Services Certification.
November 2009	FMS Guangzhou was established.
December 2009	Jiangsu Fine DNC was granted 高新技術企業證書 (High and New Technology Enterprise Certificate*) jointly by the 江蘇省科學技術廳 (Jiangsu Science and Technology Department*), the 江蘇省財政廳 (Finance Department of Jiangsu Province*), the 江蘇省國家稅務局 (State Taxation Bureau of Jiangsu Province*) and the 江蘇省地方稅務局 (Local Taxation Bureau of Jiangsu Province*).
	Jiangsu Fine DNC was granted 2009年協力社發展革新競賽銀獎 (Silver Award in the Cooperative Companies' Innovative Development Competition of 2009*) by Samsung China.
	Jiangsu Fine DNC was granted 協力社TFT革新成果發表競賽銀獎 (Silver Award in the Cooperative Companies' TFT Innovative Achievements Developing Competition*) by 泰山光電(蘇州)有限公司 (Taesan LCD (Suzhou) Co., Ltd*), one of the BLU manufacturers of Samsung.
January 2010	Jiangsu Fine DNC was granted 外框最佳供應商獎 (T/C Best Supplier Award*) by 福建華冠光電有限公司 (Fujian Huaguan Opto-Electronics (Suzhou) Co., Ltd*), one of the BLU manufacturers of Samsung.
July 2010	FMS Guangzhou commenced production.
December 2010	Jiangsu Fine DNC was granted 高新技術產品認定證書 (High Technological Product Approval Certificate*) for the production of Bottom Chassis by 江蘇省科學技術廳 (Jiangsu Science and Technology Department*).

	Jiangsu Fine DNC was granted 優秀協力社 (Best Co-operative Company Award*) by Samsung China.
January 2011	Jiangsu Fine DNC was granted 無錫新區2010年度安全生產工作-先進集體 (Wuxi New District Work Safety - Advanced Group of 2010*) by 無錫新區安全生產委員會 (Wuxi New District Safe Production Committee*).
	Jiangsu Fine was granted 革新部門賞 (Innovative Company Award*) by Samsung China.
August 2011	FMS Guangzhou became part of our Group.
February 2012	Jiangsu Fine DNC became part of our Group. Jiangsu Fine DNC changed its name from 江蘇凡潤電子股份有限公司 (Jiangsu Fine DNC Co., Ltd.*) to 江蘇凡潤電子有限公司 (Jiangsu Fine DNC*).

OVERVIEW

We are an established manufacturer of metallic components of display panels for use in consumer electronics products, including LCD (including LED) TVs, monitors, mobile PCs and mobile phones in China. We use our expertise to design and develop moulds for the production of our products based on our customers' specifications and employ high-precision technologies to produce high quality products. In the PRC, we are one of the suppliers of metallic components of display panels to Samsung, a leading electronics company producing TVs, monitors, mobile PCs and mobile phones in the world. In August 2011, we acquired FMS Guangzhou which enabled us to further diversify our customer base to include LG, another world leading electronics manufacturer, and its designated BLU manufacturers. The FMS Guangzhou Acquisition expanded our Group's production capacity and allowed us to be more flexible to take on new orders from customers with short notice. We believe that the FMS Guangzhou Acquisition brought us a synergy of the competitive strengths of each of Jiangsu Fine DNC and FMS Guangzhou. After the FMS Guangzhou Acquisition, the moulds development department of Jiangsu Fine DNC could provide mould design, development and production services to FMS Guangzhou if it is required by the customers of FMS Guangzhou. Furthermore, Jiangsu Fine DNC and FMS Guangzhou could share the know-how, expertise and technology each of them developed, and our Directors believe that our Group's reputation in the industry could be further enhanced through the business relationships of Jiangsu Fine DNC and FMS Guangzhou with the two world leading electronics manufacturers, Samsung and LG, respectively. During the Track Record Period and as at the Latest Practicable Date, Samsung remained as our major ultimate customer. In the first quarter of 2011, we started to manufacture metallic components of display panels for use in one of the most popular tablet PCs, which contributed to approximately 2.0% of our Group's total revenue for the year ended 31 December 2011. Going forward we will place more focus on the production of metallic components of display panels for use in LCD (including LED) TVs and tablet PCs (especially one of the most popular tablet PCs).

Since we are an approved supplier of Samsung and LG, we also supply our products to BLU manufacturers designated by Samsung and LG directly. When dealing with the designated BLU manufacturers, we only negotiate and enter into the transactions directly with the designated BLU manufacturers without participation of Samsung and LG in the transactions. We understand that most of our products sold to these designated BLU manufacturers would form part of Samsung's and LG's products. During the Track Record Period, the contribution from (i) direct sales to Samsung (comprising Samsung Korea and Samsung HK), (ii) indirect sales to Samsung through Samsung's designated BLU manufacturers, (iii) direct sales to LG and (iv) indirect sales to LG through LG's designated BLU manufacturers, towards our revenue was as follows:

	For the year ended 31 December		
% of our revenue contributed by	**2009**	**2010**	**2011**
	(approx.)	*(approx.)*	*(approx.)*
Direct sales to Samsung	33.0	20.6	19.7
Indirect sales to Samsung through Samsung's designated BLU manufacturers	61.4	74.9	60.0
Total	**94.4**	**95.5**	**79.7**

% of our revenue contributed by	For the year ended 31 December 2011 *(approx.)*
Direct sales to LG	4.2
Indirect sales to LG through LG's designated BLU manufactures	10.6
Total	**14.8**

For illustrative purposes, since the acquisition of FMS Guangzhou by our Group was only completed in August 2011, assuming that the FMS Guangzhou Acquisition was completed on 1 January 2011, sales to LG, together with LG's designated BLU manufacturers, would account for approximately 26.7% of the enlarged Group's (including FMS Guangzhou) total revenue for the year ended 31 December 2011.

Jiangsu Fine DNC was established in 2002 in Wuxi of Jiangsu Province in China with the support of Fine DNC Korea, one of our Controlling Shareholders which is listed on the Korea Exchange, and since then we have grown our relationships with our customers and our expertise and expanded our production capacity substantially. Having established strong customer relationships with market-leading Korean-based companies, we have the advantage of exposure to advanced technology and market trends which also facilitate our technological innovation. As at the Latest Practicable Date, we had a total of 29 customers.

Our production bases are located in Wuxi of Jiangsu Province in China and, since we acquired FMS Guangzhou in August 2011, we also have a production base in Guangzhou of Guangdong Province in China. As at the Latest Practicable Date, we had a total of 76 production lines. In September 2011, construction of our new and largest production base in Wuxi was completed and it commenced trial production in September 2011. This new production base in Wuxi occupies a site area of approximately 65,138.3 sq.m. and could install 21 production lines mainly for the production of metallic components of display panels for use in LCD (including LED) TVs.

We have the technical know-how and advanced technology to design, develop and produce moulds for producing high-precision metallic components of display panels for leading consumer electronics companies. We have also developed our own technologies applying to our manufacturing processes which we believe improves the quality of our products and enhances our efficiency and production time. Leading consumer electronics companies such as Samsung and LG have stringent requirements of sophisticated product specifications, high quality and precision of products and reliable supply of products on time. We were awarded 革新部門賞 (Innovative Company Award*) and 優秀協力社 (Best Co-operative Company Award*) by Samsung in January 2011 and December 2010 respectively, and a number of other awards from our customers and the PRC local government, such as 高新技術企業證書 (High and New Technology Enterprise Certificate*) awarded in December 2009, which recognize our long-term commitment to achieve the high expectations of our customers.

Our business has grown significantly over the Track Record Period. Our revenue increased from approximately RMB748.5 million for the year ended 31 December 2009, to approximately RMB901.2 million for the year ended 31 December 2010, to approximately RMB1,505.3 million for the year ended 31 December 2011, representing a CAGR of approximately 41.8%.

RECENT TREND OF OUR GROUP'S BUSINESS

As at the Latest Practicable Date, production lines of metallic components of display panels for use in LCD (including LED) TVs and monitors and mobile PCs at the Wuxi Production Bases recorded an annual average utilisation rate of approximately 86% and 90%, respectively, as compared to approximately 71% and 89% respectively, for the year ended 31 December 2011. As at the Latest Practicable Date, production lines of metallic components of display panels for use in LCD (including LED) TVs and monitors at the Guangzhou Production Base recorded an annual average utilisation rate of approximately 73% and 77%, respectively, as compared to approximately 67% and 86% respectively for the year ended 31 December 2011. As at the Latest Practicable Date, we have approximately 2,572 full-time employees and our moulds development department at our First Wuxi Production Base has approximately 162 personnel.

As at the Latest Practicable Date, the recent global financial crisis and economic downturn had not bring any material adverse impact on our Group's operational and financial performance. As set out in the sub-section headed "Our Business — Our Business Strategies", our Group intends to focus on manufacturing metallic components of display panels for use in LCD (including LED) TVs and tablet PCs due to a greater potential market growth in these products as compared to metallic components of display panels for use in other monitors and mobile PCs and mobile phones. In addition, our metallic components of display panels for use in LCD (including LED) TVs have, for the two years ended 31 December 2011, displayed a trend of higher profitability as compared to our metallic components of display panels for use in monitors and mobile PCs and mobile phones. Our Directors are of the view that the strategy of focusing on products with higher profitability and greater potential market growth may alleviate any potential impact of the recent global financial crisis and economic downturn on our Group's operational and financial performance.

COMPETITIVE STRENGTHS

We believe that our Group's competitive strengths are as follows:

- **Established supplier in the PRC of metallic components of display panels for use in consumer electronics products.** In the PRC, we are currently one of the suppliers of metallic components of display panels to Samsung and LG, the leading electronic companies producing LCD (including LED) TVs, monitors, mobile PCs and mobile phones in the world, and their designated BLU manufacturers. We have also received a number of awards, such as 優秀協力社 (Best Co-operative Company Award*) from Samsung China in December 2010 and 產業發展貢獻獎 (Industry Development Contribution Award*) awarded by 無錫市人民政府新區管理委員會 (Administration Committee of Wuxi New District*) in March 2009. For details of the awards and recognitions we received, please refer to the sub-section headed "Awards and Recognitions" in this section. We believe that our established position in the industry assists us in attracting new customers and recruiting talent.

- **Established customer relationships with market-leading Korean-based companies.** We have established long-term relationships with Samsung, and through the FMS Guangzhou Acquisition completed in August 2011, we were also able to supply our products to LG. Samsung and LG are two of the market leaders in the consumer electronics industry. According to DisplaySearch, in 2011, Samsung had the largest shipment in both the global FPD TV and desktop monitor markets and LG ranked the second and fifth in the global FPD TV and desktop monitor markets. We commenced our business relationship with Samsung in 2004 pursuant to the existing relationship between Samsung and Fine DNC Korea and since then, we have maintained our relationship with Samsung for more than 7 years. Since completion of the FMS Guangzhou Acquisition, we were able to further diversify our customer base to include LG and have maintained a stable relationship with LG. We are well positioned to serve Samsung and LG because of our high standards in quality and reliability, our expertise in moulds research, design and development, advanced manufacturing technologies, our production capacities, our familiarity with their business culture and our commitment to achieve the high expectations of our customers. We believe these qualities provide us with a competitive edge over our competitors. Our revenue from direct sales to Samsung Korea accounted for approximately 26%, 17% and 18% of our total revenue for each of the three years ended 31 December 2011. Our revenue from direct sales to Samsung HK accounted for approximately 7%, 4% and 1% of our total revenue for the same period, respectively. We also supply our products to designated BLU manufacturers of Samsung and LG directly.

  We believe that having Samsung and LG as our major ultimate customers give us the following key advantages:

  (a) **Growth potential** — We believe that we will benefit from the growth potential of Samsung and LG. Since Samsung and LG are leading consumer electronics companies which produce a wide range of products, we believe that our customer relationships with them will assist us to expand our sales network through enhancing our reputation in the metallic components for display panels industry and through referrals or recommendations to other potential consumer electronics products manufacturers.

  (b) **Exposure to advanced technology and market trends** — Based on our established and long-term relationships with our customers which are the leading consumer electronics companies in the world, we collaborate with them to achieve their desired specifications of products. Our involvement in the product development process provides us with exposure to advanced technology and market trends, which facilitate our technological innovation.

  (c) **Continued outsourcing** — We consider that our customer-focused approach has helped us to integrate into the production chain of our customers. Over time, our customers have recognised our commitment to quality and reliability, and have rewarded us by continuing to outsource to us the manufacture of certain metallic components of their products.

- **Expertise in manufacturing technologies.** Our expertise in manufacturing technologies assist our customers to accelerate time-to-market and time-to-volume in the following ways:

  (a) **Timely response to customers' needs** — Our moulds development department with approximately 162 personnels in Wuxi assists our customers in designing and producing moulds for the production of our products based on our customer's specifications. We work with customers to finalise the specifications of our moulds and engineer the product specifications based on the moulds.

  (b) **Enhancement of mass production technology** — We refine production processes to maximise our efficiency and the timely transition to mass production.

- **Advanced technologies and in-house know-how.** We have the following strengths in terms of our technologies and technical know-how:

  (a) **High-precision moulds production technology and know-how** — We work closely together with our customers in relation to the design, development and production of our moulds. We carry out feasibility analysis, customize the moulds according to our customer's requirements and do quality checks against our raw materials. Techniques applied in the production of our moulds include milling, lathe, grinding, CNC medium cutting, heating, coating lapping and assembling. We have also developed our own technique and know-how which enhances our production efficiency. Please refer to the paragraph headed "Production technologies" in the sub-section headed "Manufacturing capacities" of this section for further details of our technologies.

  (b) **Mass production technology and know-how** — We are able to apply on an industrial scale a wide range of advanced technologies such as laser welding for which we have obtained patent registration in the PRC and studs caulking. Please refer to the paragraph headed "Intellectual property rights" in the section headed "Statutory and General Information" in Appendix VI of this Prospectus for further details of our intellectual property portfolio.

  We believe that as a result of such efforts, we are well positioned to further expand our market share and widen our customer base by continuing to provide our customers with new technology and new applications of existing technologies as well as manufacturing solutions to improve production efficiency and reduce costs.

- **Advanced production facilities and measures.** We have developed comprehensive measures for mass production. Further to the completion of the FMS Guangzhou Acquisition in August 2011, we currently have a total of 76 production lines in our Wuxi Production Bases and Guangzhou Production Base. To satisfy the increasing demand from our customers, construction of our new and our largest production facility in Wuxi was completed in September 2011 and it commenced trial production in September 2011. This new production facility has a site area of approximately 65,138.3 sq. m. and could install 21 production lines mainly for the production of metallic components of display panels for use in LCD (including LED) TVs which could have a total annual production capacity of approximately 40,649,000 units. We believe that our advanced production equipment and extensive manufacturing experience have greatly contributed to our success in the industry.

- **Quality and reliability.** We view product quality to be of critical importance to our business. As such, we have imposed strict quality control standards on each of the production stages at our production facilities to meet our customers' stringent requirements and to deliver high quality products quickly. Our commitment to quality and reliability has been recognised by our ISO 9001 accreditation. Further, over the course of the years, we have received awards and other recognition from our customers which evidence our customers' satisfaction with our products and services. We were awarded the 優秀協力社 (Best Co-operative Company Award*) and 革新部門賞 (Innovative Company Award*) by Samsung in December 2010 and January 2011, respectively. These certifications, recognitions and titles are important indicators of our success and reflect our commitment to strict quality standards which help us to retain our existing customers and attract new customers, such as international consumer electronics manufacturers.

- **Long-term presence in the PRC.** Our Group was established in the PRC in 2002, and we subsequently grew our customer base and expanded the scope of our business substantially. Our manufacturing facilities in the PRC and our accumulated extensive experience of operating in the PRC have provided us with the following advantages:

  (a) **Retention of local professional middle management personnel** — We have retained loyal and skillful local middle management personnel in the PRC, which could reduce our overhead costs.

  (b) **Good employer-employee relationships** — We maintain good employer-employee relationships which we believe could lower our chances of having labour disputes. We provide a range of welfare benefits for employees in the PRC including dormitories, dining, and recreational facilities on site.

- **Strong management with customer-oriented corporate culture.** We have a committed and professional management team and a strong customer-oriented corporate culture focused on meeting the high expectations and changing demands of our customers. Our company is led by a management team which possesses extensive experience in the consumer electronics industry and knowledge in engineering, sales and marketing, financial management and corporate governance. We believe that the experience and dedication of our management team enhances our capacity to service our customers' needs.

- **Proximity to place of delivery of our products.** Our production facilities in Wuxi and Guangzhou are relatively near to the places of delivery of our products. Our close proximity to the places of delivery of our products enables us to provide timely and responsive delivery of products to our customers. This, in turn, enables us to serve our customers efficiently in the form of reduced transportation costs which in the long term strengthens our working relationships with our customers.

BUSINESS STRATEGIES

We aim to become a competitive manufacturer of metallic components for display panels in the PRC. We intend to achieve this by focusing on the following business strategies:

- **Expand our production capacity for metallic components of display panels for use in LCD (including LED) TVs.** Our expansion plans are customer-driven. In order to capitalise more fully on the increasing demand for our metallic components of display panels for use in LCD (including LED) TVs and to improve our flexibility, efficiency and speed, we intend to expand our manufacturing capacity. To satisfy the increasing demand from our customers, we had constructed the Second Wuxi Production Base, our new and largest production facility in Wuxi, the PRC. Construction of the Second Wuxi Production Base was completed in September 2011 and commenced trial production in September 2011. This production facility has a site area of approximately 65,138.3 sq. m. and could install 21 production lines for the production of mainly metallic components of display panels for use in LCD (including LED) TVs which could have a total annual production capacity of approximately 40,649,000 units. Moreover, we intend to acquire additional land in Guangzhou in the PRC for construction of a new production base. Please refer to the section headed "Future Plans and Use of Proceeds" for details of our development plans.

- **Strengthen strategic relationships with current customers and develop business relationships with new customers.** We will continue to devote significant resources to maintaining and strengthening our existing relationships with leading consumer electronics companies, including Samsung and LG. Our goals are to increase the volume of orders from them for existing products and also to expand our business with them for other products, and be well-positioned to anticipate future trends in the consumer electronics industry. We will also pro-actively target other market-leading electronics manufacturers and other global players as potential new customers by leveraging on our reputation for being a supplier of metallic components of display panels to manufacturers of LCD (including LED) TVs who are major market players in the world. We believe that our strategic relationships with our current customers will help us develop similar relationships with other leading brand name customers as our relationships with current customers demonstrate our technological capabilities, cost competitiveness, quality of products and services and production capacities.

- **Continued focus on advanced technologies.** Our strategic focus is to manufacture our products using advanced technologies. We successfully implemented laser welding and studs caulking technology on an industrial scale since February 2007. As the life cycle of LCD (including LED) TV models and other consumer electronics products in general are becoming shorter, in order to repeat such success and to respond quickly to the latest development in the industry, we will continue to focus on the research and development of advanced manufacturing technologies, such as enhancement of moulding technology. We intend to hire additional design engineers in our moulds development department to support efforts in enhancing our manufacturing technologies. We believe that our relationship with our customers can help us to further enhance our manufacturing technologies, increase our efficiency and ultimately increase our production capacity. We hope to continue to have a competitive advantage over our competitors by being a competitive manufacturer of metallic components for display panels to whom our customers can outsource these high-precision manufacturing processes for more advanced models of their products.

- **Improve efficiency and achieve cost reductions.** We seek to improve our efficiency and achieve cost reductions during our production process. We believe that we can achieve further savings by increasing our in-house research and development efforts and further optimizing the production equipment and production lines that we have developed in-house to achieve a higher degree of cost-effectiveness. In addition, we seek to optimize the efficiency of our production line by the improvement of automation of our production lines and replacement of obsolete equipment and continuous upgrade and maintenance of existing equipment. As the scale of our operations grows, we also expect to further benefit from our increased economies of scale and increase our bargaining power over raw material suppliers, thereby further reducing our production costs.

- **Focus on products with higher profitability and greater potential market growth.** Our metallic components of display panels for use in LCD (including LED) TVs displayed a trend of higher profitability as compared to our metallic components of display panels for use in monitors and mobile PCs in 2010 and 2011. We also expect a greater market growth in our metallic components of display panels for use in LCD (including LED) TVs and tablet PCs than our metallic component products in the upcoming years. It is our current strategy to focus on manufacturing metallic components of display panels for use in LCD (including LED) TVs and tablet PCs. We believe that our reputation as a cost-efficient and high quality manufacturer will also provide us with the ability to attract new customers in the consumer electronics industry which manufacture, amongst others, LCD (including LED) TVs.

AWARDS AND RECOGNITIONS

We have obtained the following major awards and recognitions:

Awards/Certifications	Date of Grant	Awarding Authority	Details of Award
無錫新區2010年度安全生產工作-先進集體 (Wuxi New District Work Safety - Advanced Group for 2010*)	January 2011	無錫新區安全生產委員會 (Wuxi New District Safe Production Committee*)	Awarded to Jiangsu Fine DNC
高新技術產品認定證書 (High Technological Product Certificate*)	December 2010	江蘇省科學技術廳 (Science and Technology Department of Jiangsu Province*)	Awarded to Jiangsu Fine DNC regarding the production of bottom chassis for a period of 5 years

Awards/Certifications	Date of Grant	Awarding Authority	Details of Award
高新技術企業證書 (High and New Technology Enterprise Certificate*)	December 2009	江蘇省科學技術廳 (Science and Technology Department of Jiangsu Province*), 江蘇省財政廳 (Finance Department of Jiangsu Province*), 江蘇省國家稅務局 (State Taxation Bureau of Jiangsu Province*) and 江蘇省地方稅務局 (Local Taxation Bureau of Jiangsu Province*)	Awarded to Jiangsu Fine DNC for a period of 3 years
ISO 14001	March 2009	SGS United Kingdom Ltd Systems & Services Certification	Awarded to Jiangsu Fine DNC
產業發展貢獻獎 (Industry Development Contribution Award*)	March 2009	無錫市人民政府新區管理委員會 (Administration Committee of Wuxi New District*)	Awarded to Jiangsu Fine DNC
無錫新區企業技術研發機構 (Wuxi New District Technology Enterprises R&D Centre*)	June 2008	無錫新區科技局 (Techonology Bureau of the Wuxi New District*)	Awarded to Jiangsu Fine DNC
ISO 9001	May 2008	達衛師認証有限公司 (DAS Certification Ltd.)	Awarded to Jiangsu Fine DNC and renewed in June 2011
海關實施A類管理通知書 (Class A Management Notice*)	November 2007	中華人民共和國海關總署 (General Administration of Customs of the PRC*)	Awarded to Jiangsu Fine DNC

In addition, our customers have granted us the following titles:

Customers	Awards	Date of Grant
Samsung China	2011年上半年協力社品質革新競賽大獎 (Award in Cooperative Companies' Quality Innovation Competition for the first half of 2011*)	June 2011
Samsung	革新部門賞 (Innovative Company Award*)	January 2011
Samsung China	優秀協力社 (Best Co-operative Company Award*)	December 2010
Samsung China	優秀合作公司獎 (Best Co-operation Company Award*)	October 2010

Customers	Awards	Date of Grant
福建華冠光電有限公司 (Fujian Huaguan Opto-Electronics (Suzhou) Co., Ltd*)	外框最佳供應商獎 (T/C Best Supplier Award*)	January 2010
Samsung China	2009年協力社發展革新競賽銀獎 (Silver Award in Cooperative Companies' Innovative Development Competition of 2009*)	December 2009
泰山光電(蘇州)有限公司 (Taesan LCD (Suzhou) Co., Ltd*)	協力社TFT革新成果發表競賽銀獎 (Silver Award in Cooperative Companies' TFT Innovative Achievements Developing Competition*)	December 2009
瑞儀光電(蘇州)有限公司 (Radiant Opto-Electronics (Suzhou) Co., Ltd*)	QBR優秀廠商 (QBR Best Company*)	2007
Samsung China	2006 年協力社發展革新競賽銀獎 (Silver Award in Cooperative Companies' Innovative Development Competition of 2006*)	November 2006

OUR PRODUCTS

We are principally engaged in the manufacturing and sale of metallic components of display panels for use in consumer electronics products.

The products of our Group are classified mainly based on their applications to the end products, namely, metallic components of display panels for use in LCD (including LED) TVs, metallic components of display panels for use in monitors and mobile PCs and metallic components of display panels for use in mobile phones. Our Group also provides moulds design, development and production service to our customers which are used in our production process. We design and develop moulds for the production of our products based on our customer's specifications at our First Wuxi Production Base. The moulds are critically important for our manufacturing processes and the shape, specifications and quality of our products depend on our moulds. Each mould is only able to produce a particular series of product. The design, development and production of moulds involves a high level of precision, expertise and technological know-how.

The table below sets forth a breakdown of revenue from sales of our Group by products during the Track Record Period:

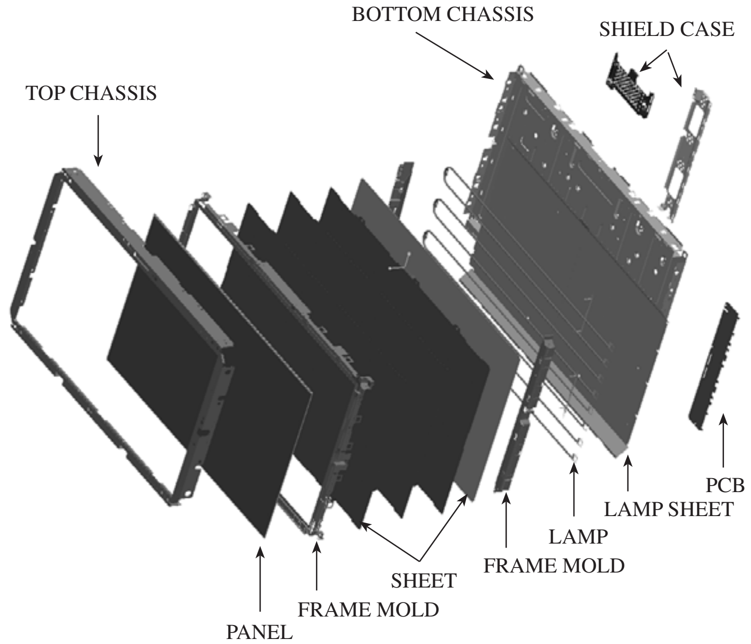
Revenue from sales	Year ended 31 December 2009		2010		2011	
	RMB'000 (approx.)	*% (approx.)*	*RMB'000 (approx.)*	*% (approx.)*	*RMB'000 (approx.)*	*% (approx.)*
Metallic components of display panels for use in						
LCD TVs (including LED TVs since 2010)	132,227	17.7%	326,727	36.3%	923,327	61.3%
Monitors and mobile PCs *(Note)*	549,919	73.4%	475,186	52.7%	473,127	31.4%
Mobile phones	17,165	2.3%	13,843	1.5%	4,358	0.3%
Others						
Moulds	27,365	3.7%	50,279	5.6%	57,159	3.8%
Scrap materials	21,863	2.9%	35,180	3.9%	47,309	3.2%
Total	748,539	100.0%	901,215	100.0%	1,505,280	100.0%

Note: For the year ended 31 December 2011, it included revenue from sales of metallic components of display panels for use in one of the most popular tablet PCs, which had contributed to approximately 2.0% of our Group's total revenue during that period.

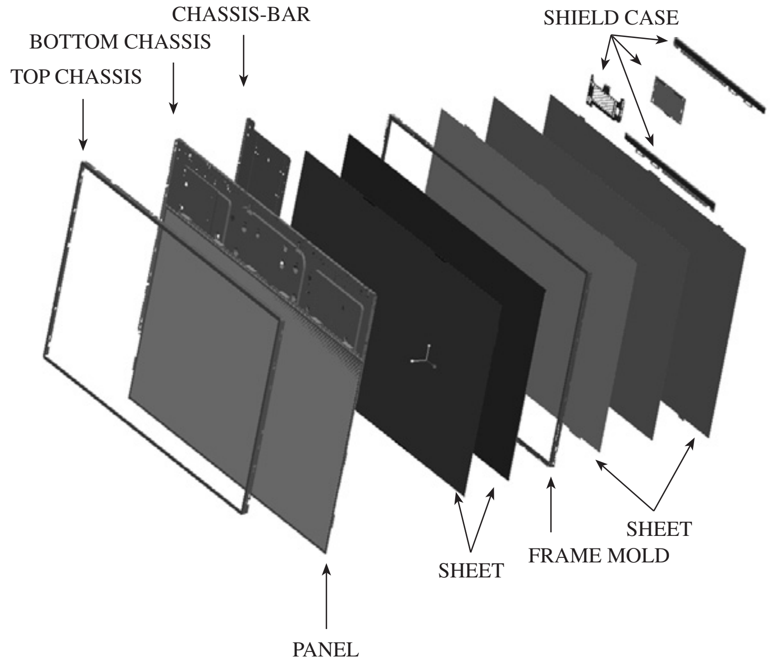
Main products

Below are cross-section diagrams illustrating our main products and how they are applied to the end products, including CCFL TV, LED TV, CCFL monitor, LED monitor, CCFL Notebook PC and LED Notebook PC.

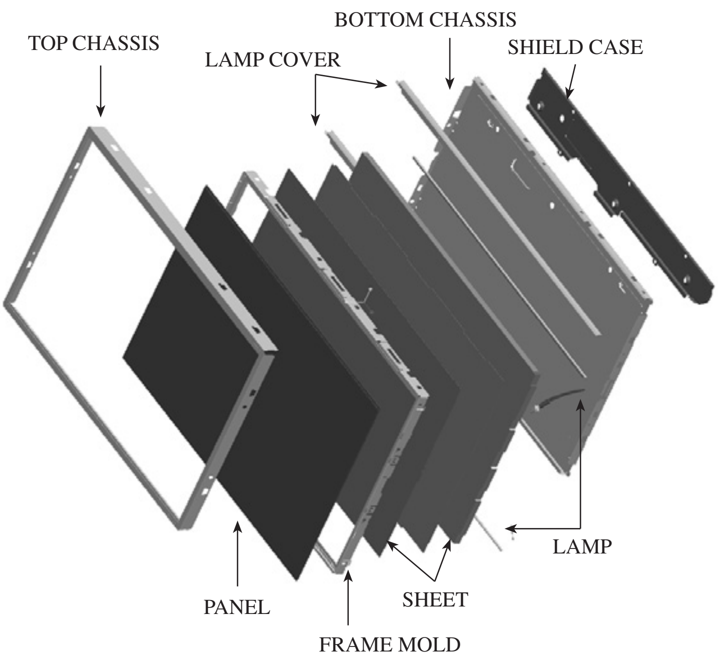
CCFL TV



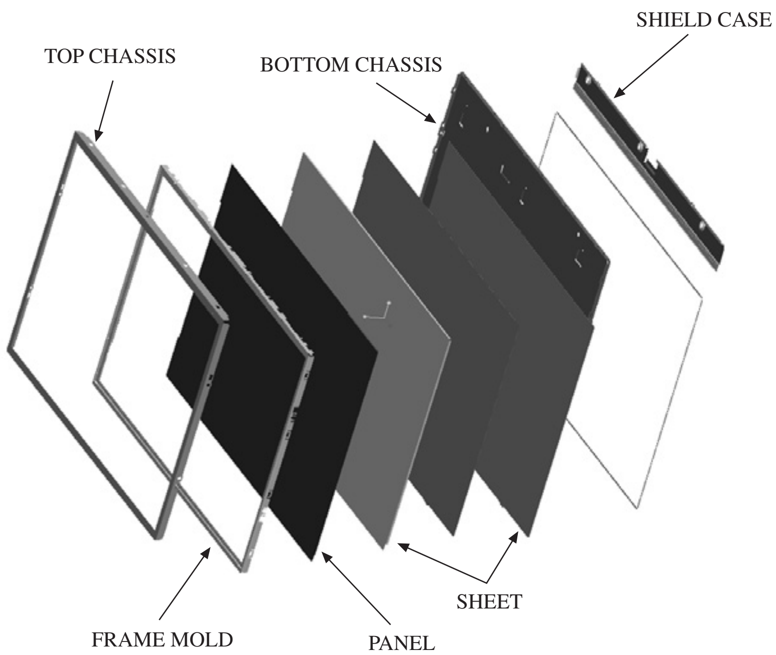
LED TV



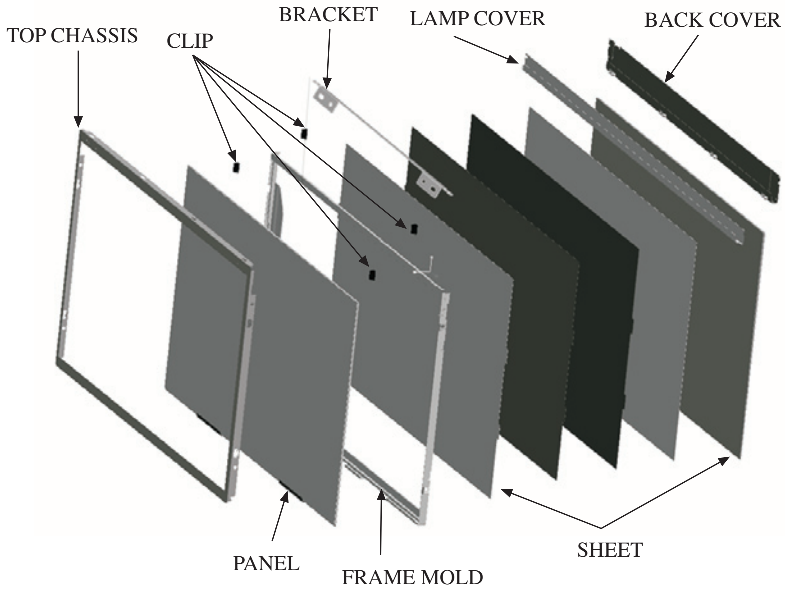
CCFL MONITOR



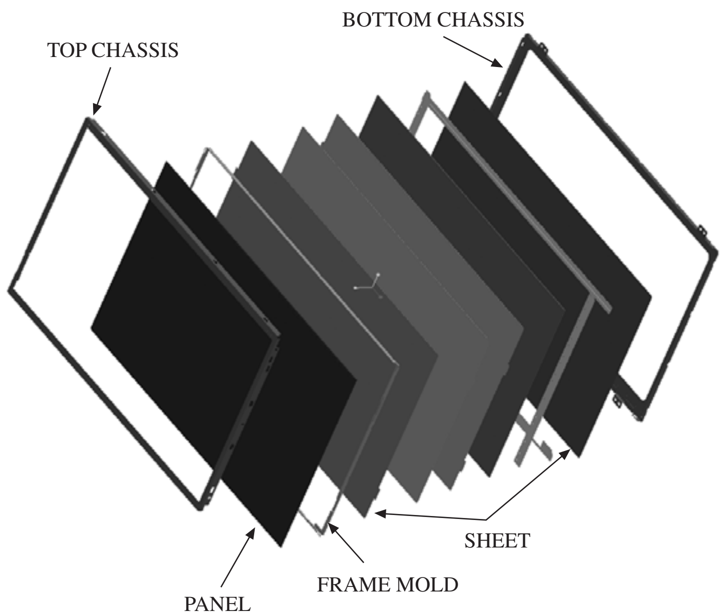
LED MONITOR



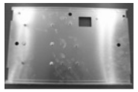
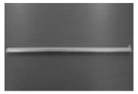
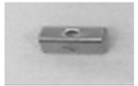
CCFL NOTEBOOK PC



LED NOTEBOOK PC



Metallic components of display panels which our Group manufacture are summarized below:

TOP CHASSIS	BLU METALLIC COMPONENTS					
	Bottom chassis	**Lamp cover**	**Back cover**	**Shield case**	**Clip**	**Bracket**
				 **Cover Shield (for monitors)**  **Cover Shield (for TVs)**		
Top chassis supports BLU and PCB panel and protects the other components of the display panel. Our large scale 600 tonnes machineries are able to produce top chassis for TFT-LCD TVs as large as 60 inches.	Bottom chassis supports the display panel and protects the BLU components and other vulnerable parts of the BLU from damage caused by excessive outside impact. Our large scale 600 tonnes machineries are able to produce bottom chassis for TFT-LCD TVs for as large as 60 inches.	Lamp cover is assembled onto the upper and lower parts of the bottom chassis and protects the lamp and assists the reflection of the light from the lamp. The lamp cover is now seldomly used in notebooks and monitors as the composition and quality of the bottom chassis has been improved and its function has been integrated with the function of the lamp cover. Therefore, its importance in our production decreased during the Track Record Period.	Back cover is mainly used in the monitors of notebook computers. It is assembled onto the bottom of the backlight chassis to protect the lamp and lamp cover of the BLU.	Shield case is assembled to the outside of the circuit board after the installation of the PCB circuit board. It is used for protecting the circuit board.	Clip is mainly used in the monitors of notebook computers and supports the components of the display panels.	Bracket is mainly used in the monitors of notebook computers and is assembled to the outside of circuit board after the installation of the PCB circuit board. It is used for protecting the circuit board. Brackets are not used in the recent models of display panels which our Group manufactured. Our Group ceased to produce brackets since 2009.

Moulds

We design, develop and produce moulds for production of our main products, metallic components of display panels for consumer electronics products, based on our customer's specifications, where required by our customers. Each mould is specifically designed and developed for a single model of metallic components such as a single model of a FPD TV. Where the sizes of the metallic components to be manufactured are, however, the same, we are able to utilise moulds for similar sizes of metallic components after making minor adjustments to such moulds. We also sell our moulds to our customers separately from our sales of metallic components and we issue invoice to our customers for the sale of moulds separately. The sale of moulds is a service to our customers which are separate from the sales of our main products, metallic components. After the moulds have been approved by our customers, we would then proceed to produce metallic components using the moulds approved. We would keep the moulds for any recurring or future orders of the same models in order to shorten the production time, even though such moulds may have already been sold to the respective customers. During the Track Record Period and as at the Latest Practicable Date, our Group has not engaged in any production and sales of mould which is not related to any metallic components produced by us for any of our customers.

We regard our mould design, development and production service as a service provided to our customers in order to further assist our sales of our main products. Our main objective is to boost our sales revenue through mass production of our products. The sale price of the moulds is fixed by our customer, which usually has little room for negotiation by us. If the customer has selected us to produce the moulds, it is very likely that they will lodge their production orders with us. Therefore, we are aggressive in sourcing for the manufacturing of moulds in order to secure the potential sales orders despite the possibility of a gross loss in the sales of moulds. We also aim to provide our mould design, development and production service efficiently by shortening the production time and providing service which involves a high level of precision, expertise and technological know-how. During the Track Record Period, we recorded gross losses for sales of moulds of approximately RMB11.9 million, RMB7.5 million and RMB7.9 million for the three years ended 31 December 2011, respectively.

A typical mould selling process would involve the following: (a) order solicitation; (b) negotiation with our customers regarding our fees for our mould design, development and production service; (c) preliminary design of mould based on the specification provided by our customers; (d) after confirmation of order for mould development and production, commencement of detailed drawings of mould and production of mould; and (e) after confirmation of acceptance of mould samples by customers, we will issue the invoice.

Depending on the complexity of the design of a mould, it generally takes 29 days, 24 days and 21 days on average to develop and manufacture a mould for production of our metallic components of display panels for use in LCD (including LED) TVs, monitors and mobile PCs and mobile phones, respectively. The production of metallic components from a new mould developed by us generally does not require installation of a new set of production line or machinery. On average, each mould is used for producing approximately 1.5 million units of metallic components for customer products. The sales volume of moulds was approximately 202, 368 and 397 units during the three years ended 31 December 2011, respectively.

The table below shows the breakdown of our production costs of moulds during the Track Record Period:

	For the year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
	(approx.)	*(approx.)*	*(approx.)*
Breakdown of production costs of moulds			
Purchase of raw materials	15,454	13,169	12,761
Staff cost	1,476	1,655	1,934
Utility cost	431	457	396
Processing cost	21,882	42,473	49,970
Total	**39,242**	**57,754**	**65,061**

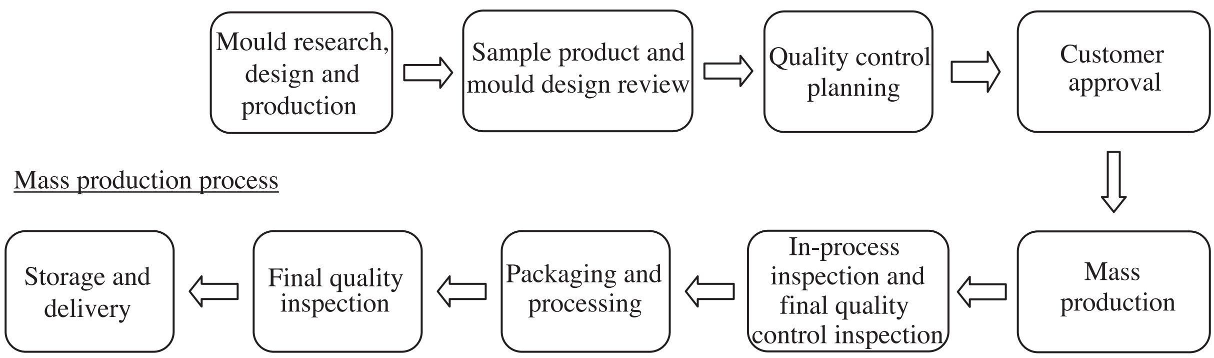
CUSTOMER CERTIFICATION

In order to qualify as a supplier for Samsung and LG, we have to pass certain certification with defined standards and requirements which are often required by consumer electronics products manufacturers. The certification involves an assessment on our Group's overall management, production scale and quality control management. In respect of overall management, our customers would send their representatives to our production sites to conduct on-site assessment on, amongst others, our overall production process, quality control policies, environmental management, occupational health and safety management. Upon passing the overall certification requirement, we will then commence accepting orders for mass production from our customer. Any failure to pass the requisite certification will affect our eligibility to become a supplier. Therefore, we have adopted stringent meaures in relation to matters which are concened by our customers to ensure our on-going competitiveness. After we have become the qualified supplier of Samsung and LG, we are subject to their on-going quarterly assessment on the quality and specification of our products. During the Track Record Period, we had not experienced any failure to pass our customers' assessment which resulted in our loss of customer certification with Samsung or LG. Samsung and LG have stringent requirements of sophisticated product specifications, high quality and precision of products and reliable supply of products on time. We were awarded 優秀協力社 (Best Co-operative Company Award*) and 革新部門賞 (Innovative Company Award*) by Samsung in December 2010 and January 2011 respectively, which recognize our long-term commitment to achieve the high expectations of our customers.

PRODUCTION PROCESS

The diagram below illustrates the process involved in the development and production of our major products. The production cycle of our major products is generally the same with minor differences. At our First Wuxi Production Base, it typically takes approximately 2 to 3.5 weeks to complete the production process from obtaining raw materials from our suppliers to delivering products to our customers. Since the Guangzhou Production Base only commenced operation in 2010, it normally takes approximately 2 to 5 weeks to complete the production process.

Pre-mass production process



Pre-mass production process

Mould research, design and production

At our First Wuxi Production Base, we provide to our customers professional advice on our product specifications and prepare mould design diagram for manufacturing. Our in-house moulds development department then uses our expertise to design the specific mould for producing our products in accordance with the customer's drawings and specification. Production of our moulds involves multiple procedures, including milling, lathing, grinding, coating, lapping and assembling. Depending on the complexity of the design of the mould, it generally takes 29 days, 24 days and 21 days in average to develop and produce a mould for production of our metallic components of display panels for use in LCD (including LED) TVs, monitors and mobile PCs and mobile phones, respectively.

Our Guangzhou Production Base which is operated by FMS Guangzhou is not involved in the design, development and production of moulds used during its production process. Instead, the customers of FMS Guangzhou provide finished moulds to FMS Guangzhou for the production of products.

Sample product and mould design review

We then produce sample products using the mould designed, developed and produced by us and the sample products are submitted to our customer for review. Various testings, revisions and adjustments are conducted to the mould before the moulds are ready for use in mass production. Our customers set a high standard in particular in terms of precision of our products, and we only commence mass production of products after our customer is satisfied with the sample product and issues an official approval for mass production. Some of our customers also require us to source the raw materials only from the suppliers approved by them. We also conduct quality checks on the raw materials we obtained from our suppliers.

Quality control planning

Quality control is of crucial importance in the production of metallic components of display panels as our products must adhere to the precise product specifications of our customers with little room for deviation. We and our customers set a very high standard of quality control. We have obtained ISO9001 for our mature quality control management system. We are requested by some of our customers to submit a quality control engineering diagram which sets out detailed procedures of quality control measures which will be carried out during the production process for their approval. In order to ensure that all sections of the production department are well aware of the product specifications, we prepare detailed internal production process diagrams and memorandums and require each section of the production department to follow the same during the production process.

Mass production process

Mass production

During the mass production process, a mould is installed onto our machinery for production. Each mould is only able to produce a particular series of product. However, different moulds could be installed onto our machinery to produce different series of products. Pressing, laser welding and studs caulking machines and other technologies are used during our mass production process to achieve the high quality standard required by our customers. Most of the mass production processes are highly automated to increase our productivity, lower our production cost and ensure the quality of our products. Most of our products are then cleaned in our ultra-sound cleaning machines. Insulating tape is attached to the final products and the final products are packaged before we run through the final quality control process.

In-process inspection and final quality control inspection

All our products are subject to in-process inspection throughout the production process. At every stage of production of each production line, inspection and quality test is carried out by our quality control department periodically many times a day to ensure that the product specifications at each stage have been complied with consistently. Since we and our customers allow only little room for deviation from the designed product specification, we rely on high technological inspection equipment such as three dimensional measuring equipment, hardness testing machine, temperature test chamber and salt water spray tester to ensure our product quality. Any product which has deviated from the specifications at any stage of the production is immediately detected and rectified. Our quality control department will also identify the root cause of failure or defects and take corrective and preventive actions.

Our moulds development department also works closely with our quality control department to inspect the status and performance of moulds constantly and repair the moulds when necessary. Further details are set out in the sub-section headed “Quality Control and Assurance” of this section.

All finished products are required to undergo final quality inspection by our quality control department. They are subject to three dimensional and visual inspection to ensure that our customers’ specifications are complied with.

Packaging and delivery

Once our finished products have passed our quality control tests, the finished products are packed and are stored at our warehouse before we arrange for delivery to our customers by third party logistics providers. All our products are delivered by trucks.

MANUFACTURING CAPABILITIES

Production technologies

Currently, we utilise the following production technologies:

- **Advanced mould design and production.** Our moulds development department is dedicated to optimise our production capacity and production quality by improving mould design and workings of the mould. We obtained patent registration in China for our mould design and workings which increases the productivity of the pressing process and reduces wastage of raw materials.

- **Studs caulking.** Studs caulking is the latest technology used at our Wuxi Production Bases and Guangzhou Production Base (operated by FMS Guangzhou which was acquired by our Group in August 2011). This technology allows studs to be attached to the front and the back of the bottom chassis at the same time by a single action. Studs caulking technology is mainly used in the production of metallic components of display panels for use in LCD (including LED) TVs and it helps to increase our productivity and automation and at the same time is effective in lowering our defective products rate.

- **Laser welding.** Laser welding is an advanced welding technique used to join multiple pieces of metal through the use of a laser. The laser beam provides a concentrated heat source, allowing for narrow, deep welds and high welding rates. Our welding machines are used in our top chassis production lines of metallic components of display panels for use in monitors and mobile PCs. We combine the use of our laser welding technology with our pressing processes and this technology greatly enhances our productivity and our utilisation of raw materials. Our utilisation rate of raw materials has increased from an average of approximately 20% as compared with the traditional processes, which involve six different time-consuming procedures, to an average of approximately 80% after using the laser welding technology. It also reduces the time and labour costs incurred in the production process. In 2007, we obtained patent registration in China with regards to our laser welding technology.

We use laser welding at our Wuxi Production Bases. The metallic components of the end products of Samsung China are also manufactured and supplied by other manufacturers and we have granted the right to other suppliers of Samsung China to use this laser welding technology developed by us. At the same time we have been granted reciprocal rights to use the other technology developed by other suppliers of Samsung China. To maintain long term customer relationship with Samsung, we have not received any consideration for their use of our technology since Samsung promotes the sharing of technology amongst its suppliers without cost so as to reduce the cost of its products, translating into a lower retail price for its products. The sharing of technology among the suppliers of Samsung China will also ensure standardization and a higher level of the quality of Samsung China's products. Our Group, as well as the other manufacturers, eventually stands to gain from the resulting increase in the market share of Samsung China. Jiangsu Fine DNC has on 15 November 2011 entered into a non-exclusive licence agreement with each of the other suppliers of Samsung China to document our relationship with each of the other suppliers of Samsung China. Pursuant to the licence agreements, each licensee has agreed to use the laser welding technology only in relation to the production of Samsung China's products in the PRC. In the event that Jiangsu Fine DNC is of the view that any of the other suppliers of Samsung China has infringed Jiangsu Fine DNC's intellectual property rights, Jiangsu Fine DNC may immediately terminate the relevant licence.

Production sites

Our production sites are located in Wuxi of Jiangsu Province in the PRC and, since we acquired FMS Guangzhou in August 2011, we also have a production base in Guangzhou of Guangdong Province in the PRC. The total site area of our Wuxi Production Bases and Guangzhou Production Base owned by us is approximately 131,329.1 sq.m..

Our production facilities at the First Wuxi Production Base include a moulds development centre, administration and office buildings, production workshops, warehouses and other ancillary facilities and has a site area of approximately 40,981.8 sq.m.. In order to meet the increasing customers' demand of our products, we leased two properties in Wuxi with a total gross floor area of approximately 16,600 sq.m. since November 2009 and July 2010 respectively, for our production and warehouse use. In September 2011, construction of the Second Wuxi Production Base, our new production site in Wuxi was completed and approved by 無錫新區規劃建設環保局 (Wuxi Municipal Environmental Protection Bureau*) to commence trial production on 22 September 2011. This new production site occupies a site area of approximately 65,138.3 sq.m. and is expected to have 21 production lines mainly for the production of metallic components of display panels for use in LCD (including LED) TVs. According to our PRC Legal Advisers, all the building ownership certificates in relation to the Second Wuxi Production Base have been obtained.

After the FMS Guangzhou Acquisition, we obtained FMS Guangzhou's production base in Guangzhou. Our Guangzhou Production Base is located at Science City Gaoxin Technology Zone. It has a total site area of approximately 25,209 sq.m. and houses 14 production lines. Our production facilities at the Guangzhou Production Base include administration and office buildings, production workshops, staff dormitories, warehouses and other ancillary facilities.

All our production facilities are very close to our customers which enable us to provide more convenient service with low transportation cost to our customers.

Production lines and utilisation rate

As at the Latest Practicable Date, we have a total of 62 production lines at our Wuxi Production Bases and 14 production lines at our Guangzhou Production Base. Our production lines are able to operate on a continuous basis, with two work shifts per day. As at the Latest Practicable Date, we had approximately 2,572 full-time employees at our Wuxi Production Bases and Guangzhou Production Base. We have a good relationship with our production workers and had not experienced any labour strikes, work stoppages or labour disputes which have affected our operations during the Track Record Period and up to the Latest Practicable Date.

The quality of our production workers is important to our business operation. We require new workers to undergo orientation training and all production workers to attend re-training programmes to upgrade their skills.

Details of our production lines of our major products at our Wuxi Production Bases during the Track Record Period are set out below:

	Annual production capacity ('000 unit) (approx.)			Actual production volume ('000 unit) (approx.)			Average capacity utilisation rate (%) (approx.)		
	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011
Wuxi Production Bases (located in Wuxi, Jiangsu Province, the PRC)									
Metallic components of display panels for use in									
- LCD TVs (including LED TVs since 2010)	9,236	13,785	22,349	4,350	11,393	15,781	47	83	71
- Monitors and mobile PCs	52,945	51,845	60,567	52,065	49,793	54,190	98	96	89
- Mobile phones	98,439	96,859	38,776	16,463	18,472	5,713	17	19	15

Notes:

1. Our First Wuxi Production Base commenced operation in 2003 and our Second Wuxi Production Base only commenced trial production in September 2011.

2. The annual production capacity is calculated on the basis of our production facilities operating at 20.5 hours per day and 300 days per year and the figures are estimates based on manufacturers' specifications of the equipment, historical figures and other data we believe to be reliable. However, actual production capacity may differ from estimated capacity due to variation in product mix and other factors.

3. Our average capacity utilisation rate for each of the three years ended 31 December 2011 is calculated based on the actual production volume of our products for such period divided by the annual production capacity of our production lines for the respective period. Only major metallic components of our products, consisting top chassis and bottom chassis, are included in the calculation of the figures for the purpose of this table.

4. During the Track Record Period, Wuxi Production Bases recorded a lower utilisation rate in its production lines for metallic components of display panels for use in mobile phones as compared to its other production lines. The metallic components of display panels for use in mobile phones were mainly used in slide mobile phones. Due to the decrease in popularity of slide mobile phones in recent years, Wuxi Production Bases recorded a lower utilisation rate in its production lines of metallic components of display panels for use in mobile phones. For the three years ended 31 December 2011, our revenue from sales of metallic components of display panels for use in mobile phones was approximately 2.3%, 1.5% and 0.3% of our Group's total revenue, respectively.

5. We only started production of metallic components of display panels for use in LCD TVs in 2008 and the average capacity utilisation rate of our production lines for metallic components of display panels for use in LCD TVs (including LED TVs since 2010) increased significantly from approximately 47% for the year ended 31 December 2009 to approximately 71% for the year ended 31 December 2011.

Details of the production lines of Guangzhou Production Base of its major products for the two years ended 31 December 2011 are set out below:

	For the year ended 31 December 2010			**For the year ended 31 December 2011**		
Guangzhou Production Base (located in Guangzhou, Guangdong Province, the PRC; commenced production in July 2010)	**Annual production capacity** *('000 unit)* *(approx.)*	**Actual production volume** *('000 unit)* *(approx.)*	**Average capacity utilisation rate** (%) *(approx.)*	**Annual production capacity** *('000 unit)* *(approx.)*	**Actual production volume** *('000 unit)* *(approx.)*	**Average capacity utilisation rate** (%) *(approx.)*
Metallic components of display panels for use in						
LCD TVs (including LED TVs since 2011)	6,039	2,651	44	11,820	7,919	67
Monitors	7,867	3,860	49	15,860	13,659	86

Notes:

1. The annual production capacity is calculated on the basis of the production facilities operating at 20.5 hours per day and and 300 days per year and the figures are estimates based on manufacturers' specifications of the equipment, historical figures and other data we believe to be reliable. However, actual production capacity may differ from estimated capacity due to variation in product mix and other factors.

2. Average capacity utilisation rate for the two years ended 31 December 2011 is calculated based on the actual production volume of products for such period divided by the annual production capacity of production lines for the respective period. Only major metallic components of the products, consisting top chassis and bottom chassis are included in the calculation of the figures for the purpose of this table.

3. Unlike the Wuxi Production Bases, Guangzhou Production Base was not involved in the mass production of any metallic components of display panels for use in mobile phones since its commencement of operation.

4. FMS Guangzhou only commenced its commercial production in July 2010. Therefore, its average capacity utilisation rate remained low in 2010 and during the year ended 31 December 2011.

The following table sets out the changes in our annual production capacity with a breakdown by types of products and with details as to whether the changes in annual production capacity was due to construction of new production facility, installation of machinery to new production facilities and disposal of machinery during the Track Record Period:

	Metallic components of display panels for use in				
	LCD TVs (including LED TVs since 2010)	**Monitors and mobile PCs**	**Mobile phones**	**Total**	
	Annual Production Capacity ('000 unit) (approx.)	*Annual Production Capacity ('000 unit) (approx.)*	*Annual Production Capacity ('000 unit) (approx.)*	*Annual Production Capacity ('000 unit) (approx.)*	*Cost incurred (RMB'000) (approx.)*
As at 1 January 2009	6,298	38,363	19,150	68,311	N/A
Additions:					
- Construction of new production facility	N/A	N/A	N/A	N/A	5,922(Note 2)
- Installation of machinery to new production facility	2,938	14,582	79,289	96,809	46,793
- Others(Note 1)	N/A	N/A	N/A	N/A	7,775
Disposal of machinery	—	—	—	—	N/A
For the year ended 31 December 2009	2,938	14,582	79,289	96,809	60,490
As at 31 December 2009	9,236	52,945	98,439	160,620	N/A
Additions:					
- Construction of new production facility	N/A	N/A	N/A	N/A	6,741(Note 3)
- Installation of machinery to new production facility	6,157	4,101	—	10,258	63,689
- Others(Note 1)	N/A	N/A	N/A	N/A	5,699
Disposal of machinery	(1,608)	(5,201)	(1,580)	(8,388)	N/A
For the year ended 31 December 2010	4,549	(1,100)	(1,580)	1,870	76,129
As at 31 December 2010	13,785	51,845	96,859	162,490	N/A

	LCD TVs (including LED TVs since 2010)	Monitors and mobile PCs	Mobile phones	Total	
	Annual Production Capacity	*Annual Production Capacity*	*Annual Production Capacity*	*Annual Production Capacity*	*Cost incurred*
	('000 unit)	*('000 unit)*	*('000 unit)*	*('000 unit)*	*(RMB'000)*
Additions:					
- Construction of new production facility	N/A	N/A	N/A	N/A	110,951(Note 5)
- Installation of machinery to new production facility	10,868	8,722	—	19,590	136,691
- Acquisition of FMS Guangzhou on 16 August 2011(Note 4)	9,516	15,860	N/A	25,376	N/A
- Others(Note 1)	N/A	N/A	N/A	N/A	11,681
Disposal of machinery	—	—	(58,083)	(58,083)	N/A
For the year ended 31 December 2011	20,384	24,582	(58,083)	(13,117)	259,323
As at 31 December 2011	34,169	76,427	38,776	149,373	N/A

Note 1: Others include other capital expenditure not incurred for the construction of new production facility or installation of machinery to new production facilities.

Note 2: This construction project commenced in June 2008 and was completed in May 2009. The relevant production lines started operation in June 2009.

Note 3: This construction project commenced in February 2010 and was completed in July 2010. The relevant production lines started operation in July 2010.

Note 4: Unlike the Wuxi Production Bases, Guangzhou Production Base was not involved in the mass production of metallic components of display panels for use in mobile phones.

Note 5: This construction project commenced in November 2010 and was completed in September 2011. The relevant production lines started operation in September 2011.

Our PRC Legal Advisers confirmed that all the necessary approvals, permits and licences have been obtained for each of our existing production facilities in Wuxi and Guangzhou and the expansion plans and construction projects as shown in the above table in accordance with the relevant laws and regulations in the PRC.

The following table sets out the expected change of our annual production capacity with a breakdown by types of products.

	Metallic components of display panels for use in				
	LCD (including LED) TVs	**Monitors and mobile PCs**	**Mobile phones**	**Total**	
	Annual Production Capacity ('000 unit) (approx.)	*Annual Production Capacity ('000 unit) (approx.)*	*Annual Production Capacity ('000 unit) (approx.)*	*Annual Production Capacity ('000 unit) (approx.)*	*Cost to be incurred (RMB'000) (approx.)*
Additions *(expected)*:					
- Construction of new production facility	N/A	N/A	N/A	N/A	4,166 *(Note 2)*
- Installation of machinery to new production facility	9,792 *(Note 1)*	—	—	9,792	52,234
- Others	N/A	N/A	N/A	N/A	—
Disposal of machinery *(expected)*	—	—	—	—	N/A
For the year ending 31 December 2012 *(expected)*	9,792	—	—	9,792	56,400

Note 1: It is intended that three additional new production lines with an annual production capacity of approximately 5,760,000 units will be installed to the Second Wuxi Production Base for the production of metallic components of display panels for use in LCD (including LED) TVs and the instalment of these three new production lines is expected to be completed in September 2012. In addition, an additional new production line with an annual production capacity of approximately 1,728,000 units is intended to be installed at our Guangzhou Production Base for the production of metallic components of display panels for use in LCD (including LED) TVs, and the instalment of this production line is expected to be completed in November 2012.

The second production base in Guangzhou is expected to be established in November 2012 and is expected to install a production line with annual production capacity of approximately 2,304,000 units for the production of metallic components of display panels for use in LCD (including LED) TVs.

Note 2: The balance represented the expected cost for the establishment of the second production base in Guangzhou expected to be completed in November 2012 only (excluding the land acquisition cost).

According to DisplaySearch, it forecasts that the shipment volume of FPD TV in the world and in China will be on the rise in the upcoming years. The gross profit margin of metallic components of display panels sold by our Group for use in LCD (including LED) TVs was historically higher than other products of our Group. It is our current business strategy to place more focus on the production of metallic components of display panels for use in LCD (including LED) TVs in the near future.

For the year ended 31 December 2011, our Wuxi Production Bases recorded an average capacity utilisation rate of approximately 71% and 89% for its production lines for the production of metallic components of display panels for use in LCD (including LED) TVs and monitors and mobile PCs, respectively, which were our major products contributing to approximately 61.3% and 31.4% of our Group's revenue during this period. Given that our current production facilities are running at a high level of utilisation, we need to expand our production capacity to maintain flexibility to take on more orders with short notice from customers and to increase our capacity for producing metallic components display panels for use in LCD (including LED) TVs to implement our business strategy. We also need spare production capacity as well as additional floor space to install new machinery when discussing new business plans with our customers to demonstrate that we have the capacity to take on new orders. As a short term measure, we leased two properties in Wuxi, the PRC, with a total gross floor area of approximately 16,600 sq. m.. The first of such leased properties was leased in November 2009 and the second was leased in July 2010. As a long term measure, we plan to expand our production capacity by establishing a second production base in Guangzhou and increase the number of production lines at both our Wuxi Production Bases and Guangzhou Production Base. Please refer to the section headed "Future Plans and Use of Proceeds" for details of our development plans.

Machinery and equipment

We deploy highly automated machinery and equipment in the production process, including laser welding machines, studs caulking machines, in-line tapping machines, ultra cleaning machines, press welding machines, clinching machines and tapping machines. Most of our machinery and equipment are imported from Korea. On top of scalable production, our success is also attributable to the continuous improvement in our production efficiency.

We also use advanced technology in various stages of quality assurance such as three dimensional measuring equipment, hardness testing machines, temperature test chamber and salt water spray tester. Experimental findings from utilizing these advanced testing equipment serve as important resources to fuel ongoing improvements in production process and production quality.

It is common for our production machineries to operate approximately 20.5 hours a day. Therefore, we have a comprehensive maintenance system for our production facilities and equipment, including scheduled downtimes for maintenance and repairs, and regular inspection of our production facilities and equipment in order to ensure our production lines run smoothly and operate at optimal levels. Our production lines are subject to on-going maintenance checks. We have not experienced any material or prolonged interruptions to our production processes due to equipment or machinery failure during the Track Record Period.

Contractors

During the Track Record Period, Jiangsu Fine DNC contracted out the production of a small portion of metallic components which involved lower production technology requirement and which generated lower profit margin, including shield cases and clips, to third-party contractors. We consider that by engaging third-party contractors, our internal production resources can be deployed more efficiently for core production work. The amount incurred for the purchase from our third-party contractors for each of the three years ended 31 December 2011 was approximately RMB6.36 million, RMB35.76 million and RMB168.33 million, respectively, which accounted for approximately 1.2%, 4.9% and 13.3% of our total cost of sales (included in the cost of raw materials), respectively.

As at the Latest Practicable Date, we engaged 7 contractors who were independent third parties to our Group principally engaging in pressing, processing and assembling of metallic components and most of them were located close to our Wuxi Production Bases in Jiangsu Province, the PRC.

We do not enter into long-term agreements with our third-party contractors but maintain flexibility by entering into master agreements with them instead. We place individual purchase orders with the contractors, which set out the terms including, among others, quantity, price and specifications for each specific order. The salient terms of the master agreements entered into between third-party contractors and us are set out below:

- Provision of production materials — We shall provide product specification diagram, moulds and quality control engineering program to assist contractors to manufacture the products.

- Use of our moulds — Contractors shall be responsible for the safe-keeping of the moulds provided by our Group. Contractors shall not amend the moulds and are required to discuss the arrangement with us relating to the return of moulds to us after the use of the moulds.

- Payment terms — Payment shall be made within 60 days after the invoice date. The contractors shall issue invoices once a month.

- Defective products — Contractors shall be responsible for the losses incurred by us due to defective products.

Our contractors have passed our entry requirements and work together with us to ensure that quality products are produced for our customers. We review the suitability of the potential contractors, including their production capacity, production quality, office manual and financial background, before we formally engage them as our contractors. We provide the contractors with the relevant moulds as requested by our customers and the contractors manufacture according to our required specifications. We require our contractors to perform quality checks before delivery of products to us and we implement quality checks when the products are delievered to our storage as well as before they are sent to our customers. We had not received any material complaints as to any defect of the products produced by our contractors during the Track Record Period.

QUALITY CONTROL AND ASSURANCE

We believe that our commitment to quality, which we believe has been consistently reflected in our production processes and our products, is one of our competitive strengths. We regard the maintenance of and improvement in our product quality as one of our main objectives. We believe that product quality is one of the most important factors in maintaining good business relationships with our customers. As at the Latest Practicable Date, we had not received any material claims or complaints about the quality of our products.

As at the Latest Practicable Date, we had not less than 200 quality control personnel. Our quality control department is designed to maintain and operate our quality control system. The quality control department works with our customers closely to set targets, policies and plans for quality management in order to comply with our customers' quality assurance model and the requirements specified by each customer. The rate of return of defective products by our customers is consistently below their specified maximum tolerance levels. Our objective is to achieve as low a defective rate as possible by imposing the following quality control standards.

After we have received the product specifications diagram from our customers which sets out the specifications of the products they require, we set out comprehensive testing and quality control procedures required for each production stage in a quality control engineering diagram which is submitted to our customers for their approval. In order to ensure that all production departments are well aware of the product specifications, we also prepare detailed internal production process diagrams and product specification memorandums and require each production department to follow. We have obtained ISO9001 for our efforts in quality management system. Our achievements in quality control are attributable to us having imposed the following strict quality control standards on each of the following stages:

- **Incoming quality control (*IQC*).** Incoming raw materials and components are inspected on a sampling basis by the IQC personnel for compliance with, environmental standard and overall reliability. In this connection, IQC personnel deploy a wide range of automatic equipment and advanced technology such as hardness testing machine, pulling force testing machine and salt water spray tester. IQC personnel are also responsible for assessing the suppliers in respect of their product quality, supplies availability and delivery timeliness and keeping a record thereof. Upon the discovery of any sub-standard or defective materials and components, the IQC personnel will communicate with the relevant suppliers for defect analysis and arrange for return of supplies.

- **Production quality control (*PQC*).** Our quality control department tests the quality of work-in-progress at several points in the production process. One of the major objectives of PQC is to ensure that the overall quality of work-in-progress conforms to the required standards, by means of sample testing, immediate defect analysis and timely repair. We rely on high technological inspection equipment such as three-dimensional optical inspection equipment and equipment to test the products' resistance to twisting impacts. Those products that fail to meet the quality standards are repaired or disposed and are subject to failure analysis to identify the root cause of failures and determine corrective actions. Our moulds development department also works closely with our quality control department to inspect the status and performance of moulds constantly and repair or even replace the moulds when necessary.

- **Outgoing quality control (*OQC*).** OQC serves as the final control point to ensure that outgoing products comply with customer's requirements. We require our team to conduct visual inspection on all finished products and various testing of the finished products randomly selected. Those products that fail to meet the quality standard will be subject to additional work and those which meet the requisite standard will be subject to final inspection by our customers, if required. We are also required to deliver to our customers an inspection report together with the delivery of our products. Such inspection report sets out the results of our inspection of our products in accordance with the procedures agreed upon with our customers. Some of our customers also send their representatives to conduct quality checks on our finished products regularly.

MOULDS DESIGN AND DEVELOPMENT

To meet the technological requirements of our customers in the consumer electronics industry, which are subject to cyclical changes, rapid technological developments, short product life cycles, evolving industry standards and changing consumer preferences, we place emphasis on our moulds design, development and production activities. Our moulds design, development and production activities are carried out at our First Wuxi Production Base, which commenced moulds design and development since 2006. As at the Latest Practicable Date, our moulds development department at our First Wuxi Production Base had approximately 162 personnel. Our moulds development department can be broadly divided into two teams. One team has more than 54 personnel who is involved in the design, development of moulds, moulds performance analysis, advanced technical assistance to moulds development, products design, and developing new technologies and processes for our production. Another team has more than 108 design engineers who is responsible for the processing and repair of moulds. Nearly half of the team members of the moulds development department are graduated from tertiary institutions or universities and have over 6 years of relevant experience. During each of the three financial years ended 31 December 2011, we had incurred approximately RMB12.6 million, RMB16.1 million and RMB22.7 million for the development of moulds, respectively. We intend to enhance our research and development capability of mould technology by using part of the net proceeds from the New Issue.

Our moulds design, development and production efforts are focused on achieving the following:

- assisting with concept realisation of the moulds for our products after receiving the initial design of the product from our customers.

  To satisfy our customers' requirements and consolidate our supplier position, we are involved in our customers' products at early stage. For further details, please refer to the sub-section headed "Production Process" in this section. We will continue such collaborative moulds design and development efforts with our customers to enhance our moulds design and development capabilities and our customer loyalty;

- collaborating with our customers on the development of production processes for new product lines in accordance with their specifications and quality standards;

- providing manufacturing solutions to improve production efficiency and reduce costs; and

- exploring new technologies and new applications of existing technologies.

Our Guangzhou Production Base (under the operation of FMS Guangzhou which was acquired by us in August 2011) does not carry out moulds design, development and production activities. LG Guangzhou, one of the customers of FMS Guangzhou, provides finished moulds for the production at the Guangzhou Production Base. The cost of maintenance repairs to the moulds provided by our customers are, however, borne by us.

RESEARCH AND DEVELOPMENT

We believe that successful research and development is crucial for us to stay competitive in the industry. The amount we incurred in research and development for each of the three years ended 31 December 2011 was approximately RMB26.3 million, RMB30.1 million and RMB40.6 million, respectively. During the past years, we achieved various technological achievements. We have developed laser welding technique which could greatly enhance our productivity and utilisation rate of raw materials. In 2007, we obtained patent registration in China with regards to our laser welding technology. Also, we apply our studs calking technology on an industrial scale which could help increasing our productivity and automation and at the same time lower our defective products rate.

We strive to keep our employees abreast of the latest technologies by assimilating updates from our customers concerning the latest developments.

Before the establishment of FMS Guangzhou, FMS Korea had co-operated with LG Korea since 2006 and possessed the know-how relating to the production of components for, and the features of, the products of LG. FMS Guangzhou commenced production in 2010 and LG Guangzhou became FMS Guangzhou's customer since then. In order to facilitate the establishment of the production systems of FMS Guangzhou, FMS Guangzhou and FMS Korea entered into a royalty agreement on 26 July 2010, pursuant to which FMS Korea would transfer their know-how and technology in relation to the production of metallic components of display panels for use in TFT-LCD TVs and arrange for the deployment of their technical staff to FMS Guangzhou at the request of FMS Guangzhou and, in return, FMS Guangzhou would pay royalty expenses for the transfer of know-how technology and technical support fees for deployment of technical staff to FMS Guangzhou. Our Directors consider that the reliance between LG and us is mutual and complementary since (i) FMS Korea has been cooperating with LG Korea since 2006 and is familiar with the requirements of LG and its BLU manufacturers and the features of the products of LG, and FMS Guangzhou, which used to be a subsidiary of FMS Korea, has also maintained such advantages; (ii) FMS Guangzhou has the required production capacity and the production technology and know-how to produce the metallic components that can meet the demands and standard of LG; and (iii) since FMS Guangzhou has become a member of our Group, the moulds development department of Jiangsu Fine DNC is able to provide mould design, development and production services if LG so requires.

Since 2011, FMS Guangzhou has ceased to pay any royalty expense or technical support fee to FMS Korea. FMS Guangzhou and FMS Korea entered into a termination agreement terminating the royalties agreement on 30 January 2012. Our Directors believe that, based on current technology, know-how and production capacity of FMS Guangzhou, it is not necessary for FMS Guangzhou to rely on the know-how and technology and the technical assistance of FMS Korea.

SALES AND CUSTOMERS

Sales

Our Group's main products sold during the Track Record Period were metallic components of display panels for use in monitors and mobile PCs, which represented approximately 73.4%, 52.7% and 31.4% of our revenue for the three years ended 31 December 2011, respectively. Our Group's sales of metallic components of display panels for use in LCD TVs (including LED TVs since 2010) contributed to approximately 17.7%, 36.3% and 61.3% of our revenue for the three years ended 31 December 2011, respectively. Our Group's sales of metallic components of display panels for use in mobile phones contributed to approximately 2.3%, 1.5% and 0.3% of our revenue for the three years ended 31 December 2011, respectively. The remaining balance of our Group's revenue was derived from the design, development and production of moulds for producing our products and the sales of scrap materials created during our production process to the scrap collecting companies.

FMS Guangzhou's main products sold during the Track Record Period were metallic components of display panels for use in LCD (including LED) TVs, which represented approximately 68.2% and 69.8% of FMS Guangzhou's revenue for the two years ended 31 December 2011, respectively. FMS Guangzhou's sales of metallic components of display panels for use in monitors contributed to approximately 25.6% and 24.5% of its revenue for the two years ended 31 December 2011.

Metallic components of display panels sold by our Group for use in LCD (including LED) TVs recorded higher profitability in the recent two years and we expect a greater demand of metallic components of display panels for LCD (including LED) TVs from our customers in the upcoming years as compared to other products. Our sales of metallic components of display panels for use in LCD (including LED) TVs have been growing quickly and with our advanced technologies and expertise in producing metallic components for use in display panels of large scale LCD (including LED) TVs, our Directors intend to place a greater focus on the sale of metallic components of display panels for use in LCD (including LED) TVs and tablet PCs (especially one of the most popular tablet PCs) in the future. The revenue contribution by the metallic components of display panels for use in one of the most popular tablet PCs to our Group's total sales for the year ended 31 December 2011 was approximately 2.0%. The sales volume of metallic components of display panels for use in one of the most popular tablet PCs for the year ended 31 December 2011 was approximately 8.5 million units and our revenue of metallic components of display panels for use in one of the most popular tablet PCs for the same period was approximately RMB29.9 million.

The table below shows a breakdown of our Group's sales volume and average unit selling price of metallic components of display panels during the Track Record Period:

	For the year ended 31 December					
	2009		2010		2011	
	Sales volume *('000 units) (approx.)*	**Average unit selling price** *(RMB) (approx.)*	**Sales volume** *('000 units) (approx.)*	**Average unit selling price** *(RMB) (approx.)*	**Sales volume** *('000 units) (approx.)*	**Average unit selling price** *(RMB) (approx.)*
Metallic components of display panels for use in						
LCD TVs (including LED TVs since 2010)						
Major metallic components *(Note 2)*	4,126	29.71	11,095	28.54	19,726	44.43
Minor metallic components *(Note 3)*	3,224	2.98	2,683	3.76	8,482	5.52
Total/Overall	7,351	17.99 *(Note 1)*	13,778	23.71	28,208	32.73 *(Note 5)*
Monitors and mobile PCs *(Note 4)*						
Major metallic components *(Note 2)*	52,049	8.72	49,446	8.28	59,198	7.27
Minor metallic components *(Note 3)*	78,104	1.23	64,946	1.01	46,310	0.92
Total/Overall	130,154	4.23	114,392	4.15	105,507	4.48
Mobile phones						
Major metallic components *(Note 2)*	16,211	1.06	18,073	0.77	5,673	0.77
Minor metallic components *(Note 3)*	0	—	0	—	0	—
Total/Overall	16,211	1.06	18,073	0.77	5,673	0.77

Note 1: The lowest average unit selling price of metallic components of display panels for use in LCD TVs was recorded in 2009 during the Track Record Period. We consider that this was mainly due to a higher proportion of sales of smaller sizes of metallic components of display panels for use in LCD TVs in 2009 which in general were sold at a lower price than the metallic components of larger sizes.

Note 2: Major metallic components consist of top chassis and bottom chassis of display panels for use in consumer electronics products, which are the major metallic components of the BLUs. The Directors consider that this categorization follows the general industry practice of other manufacturers of metallic components of display panels in the PRC.

Note 3: Minor metallic components consist of lamp cover, back cover, shield case, clip and bracket, which are the less important metallic components of the BLUs. Some of these minor metallic components are now seldomly used in display panels. For example, markets are not used in the recent models of display panels which our Group's products are assembled on; and lamp cover is now seldomly used in monitors and mobile PCs as the composition and quality of the bottom chassis has been improved and its function has been integrated with the function of lamp cover.

Note 4: For the year ended 31 December 2011, this included the metallic components of display panels for use in one of the most popular tablet PCs.

Note 5: The increase of average unit selling price of metallic components of display panels for use in LCD TVs (including LED TVs) in 2011 was mainly due to the expansion of our sales of metallic components of display panels for use in LED TVs, which had a higher selling price than the metallic compenents of display panels for use in CCFL TVs.

The table below shows a breakdown of our Group's average unit cost of sales of metallic components of display panels during the Track Record Period:

	For the year ended 31 December		
	2009	**2010**	**2011**
	(RMB) *(approx.)*	*(RMB)* *(approx.)*	*(RMB)* *(approx.)*
Metallic components of display panels for use in			
LCD TVs (including LED TVs since 2010)	13.49*(Note 1)*	17.10	26.29
Monitors and mobile PCs	2.86	3.41	3.94
Mobile phones	1.05	1.03	1.01

Note 1: The lowest average unit cost of sales of metallic components of display panels for use in LCD TVs was recorded in 2009 as compared to other periods during the Track Record Period. We consider that this was mainly due to production of higher proportion of smaller sizes of metallic components of display panels for use in LCD TVs in 2009, which in general had a lower average unit cost of sales and cost of raw materials than the larger sizes of metallic components.

The table below sets out a breakdown of our Group's actual production volume, sales volume, average unit selling price and gross profit margin of metallic components of display panels for use in LCD (CCFL) TVs and LCD (LED) TVs for the two years ended 31 December 2011:

	For the year ended 31 December 2010				For the year ended 31 December 2011			
	Actual production volume	**Sales volume**	**Average unit selling price**	**Gross profit margin**	**Actual production volume**	**Sales volume**	**Average unit selling price**	**Gross profit margin**
	('000 units)	*('000 units)*	*(RMB) (approx.)*	*(%) (approx.)*	*('000 units)*	*('000 units)*	*(RMB) (approx.)*	*(%) (approx.)*
Metallic components of display panels for use in:								
LCD (CCFL) TVs*(Note 1)*	11,061	13,461	22.75	28.4	8,575	14,485	22.47	16.8
LCD (LED) TVs	332	317	64.91	20.8	9,053	13,724*(Note 3)*	43.57*(Note 4)*	22.9

Note 1: Only figures for the two years ended 31 December 2011 are disclosed in this table because we started our production and sales of metallic components of display panels for use in LCD (LED) TVs in 2010.

Note 2: Only major metallic components of our products, consisting top chassis and bottom chassis, are included in the calculation of the figures of the actual production volume. Minor metallic components (consist of lamp cover, back cover, shield case, clip and bracket) are not included in the calculation of the figures for the purpose of this table because they are less important metallic components of the BLUs and are less important in our products portfolio.

Note 3: The significant increase in our sales volume of metallic components of display penals for use in LCD (LED) TVs for the year ended 31 December 2011 was mainly due to the fact that we started to expand our production of metallic components of display panels for use in LCD (LED) TVs in 2011, which in general has a higher selling price.

Note 4: The seemingly significant decrease in average unit selling price of metallic components of display panels for use in LCD (LED) TVs from the year ended 31 December 2010 to the year ended 31 December 2011 and the relatively higher gross profit margin for the year ended 31 December 2011 were mainly due to the significantly low sales volume of metallic components of display panels for use in LCD (LED) TVs for the year ended 31 December 2010 and the high proportion of the large size metallic components of display panels for use in LCD (LED) TVs during this period.

Our sales pattern and our revenue were generally not subject to seasonal variations during the Track Record Period.

We generated the majority of our revenue from export sales during the Track Record Period. There were two types of export sales, namely (i) export sales made through Factory Transfer Arrangement, whereby products are allowed to be directly transferred to the customers' assembly plants in the PRC for further processing instead of physically exporting the products out of the PRC, and; (ii) direct export sales to overseas markets outside China. For Jiangsu Fine DNC, among the export sales, approximately RMB685.6 million, RMB807.6 million and RMB1,164.9 million were export sales made through Factory Transfer Arrangement during each of the three years ended 31 December 2011, respectively. Jiangsu Fine DNC's direct export sales to overseas markets outside China amounted to approximately RMB1.5 million, RMB4.9 million and RMB17.9 million for the same period, respectively. During the Track Record Period, Jiangsu Fine DNC only exported products to Korea in accordance with the orders made to Jiangsu Fine DNC by Fine DNC Korea and exported unmarketable products to a company in Korea. Jiangsu Fine DNC's direct export sales to Fine DNC Korea was approximately USD0.2 million, USD50,000 and USD2.0 million during the three years ended 31 December 2011, respectively. During the Track Record Period, revenue from domestic PRC sales of Jiangsu Fine DNC was approximately RMB61.4 million, RMB88.7 million and RMB87.4 million, respectively.

The increase in direct export sales for the year ended 31 December 2011 was due to an increase in orders made by Fine DNC Korea. During that period, there was an increase in demand from the customers of Fine DNC Korea and due to its limited production capacity, Fine DNC Korea purchased metallic components from Jiangsu Fine DNC to satisfy the demand of its customers. Our Directors are of the view that the terms of the sale of products to Fine DNC Korea were fair and reasonable as compared to the terms of the sale of the products to other BLU manufacturers, which are Independent Third Parties. In addition, Fine DNC Korea was also required to bear the additional transportation costs. Accordingly, the Directors are of the view that the terms of the sale of products to Fine DNC Korea by Jiangsu Fine DNC were on an arm's length basis.

Pursuant to 關於有關"凡潤電子(無錫)有限公司"可行性研究報告及章程的批覆(錫高管發[2002] 758號)(Approval Relating to the Feasibility Research Report and Articles of Association) issued by 無錫國家高新技術產業開發區管理委員會 (Wuxi National High-tech Industrial Development Zone Management Committee*) relating to Jiangsu Fine DNC dated 29 November 2002 (the "**Feasibility Research Report and Articles of Association Approval**"), the following matters, among others, have been approved: (i) the setting up of Jiangsu Fine DNC; (ii) the investment amount; (iii) the registered capital amount; (iv) scope of business; (v) production scale; and it states that 20% of the products manufactured by Jiangsu Fine DNC shall be expected and 80% of the products manufactured by Jiangsu Fine DNC shall be sold domestically (the "**Export and Domestic Sales Ratios**"). During the Track Record Period, most of metallic components of Jiangsu Fine DNC were exported and the Export and Domestic Sales Ratios of Jiangsu Fine DNC were approximately 92:8, 90:10 and 93:7, respectively. As such, the Export and Domestic Sales Ratios were not met by Jiangsu Fine DNC during the Track Record Period. Nonetheless, the PRC Legal Advisers confirmed that the Export and Domestic Sales Ratios are not mandatorily or legally required to be fulfilled. As advised and confirmed by the PRC Legal Advisers, pursuant to 中外合資經營企業法 (Laws of the People's Republic of China on Chinese Foreign Equity Joint Venture), Jiangsu Fine DNC is encouraged to export its products overseas whether by itself or through other intermediaries. However, Jiangsu Fine DNC is also allowed to sell its products domestically. In addition, Jiangsu Fine DNC has the liberty to decide the Export and Domestic Sales Ratios in respect of its products. The PRC Legal Advisers further confirmed that the non-compliance with the Export and Domestic Sales Ratios by Jiangsu Fine DNC will not have any legal consequences, nor will Jiangsu Fine DNC be penalized as a result of such non-compliance. Also, such non-compliance will not result in the revocation of the Feasibility Research Report and Articles of Association Approval by the relevant PRC authority. The PRC Legal Advisers confirmed that Jiangsu Fine DNC has obtained the requisite licenses, permits and approvals for its business, including import of raw materials and export sales.

FMS Guangzhou generated the majority of its revenue from export sales since its commencement of operation. The export sales made through Factory Transfer Arrangement of FMS Guangzhou for the two years ended 31 December 2011 were approximately RMB71.0 million and RMB471.7 million, respectively. The domestic PRC sales of FMS Guangzhou for the same period were approximately RMB4.7 million and RMB28.3 million, respectively.

Factory Transfer Arrangement

The production process of consumer electronics products, such as TVs, mobile PCs and mobile phones comprises, mainly, (i) sourcing of raw materials; (ii) production of various components; and (iii) assembly process. The entire production process is divided into several parts. Each part is handled by the manufacturer that possesses the relevant expertise and know-how. Manufacturers at the lower chain source the relevant raw materials and produce the components, which are then transferred to manufacturers at the higher chain for further processing and/or assembly and for the production of the finished products.

Some of our customers, such as Samsung Korea and LG Guangzhou, have established operating plants for manufacturing display panels in the PRC. We are given to understand from our customers that the display panels so produced in the PRC are mainly for production of consumer electronics products to be exported and sold overseas. Nevertheless, such operating plants are only engaged in the assembly process and our customers require other manufacturers to provide the parts and components for the production of the display panels. As such, our Group is engaged by our customers to produce metallic components of display panels for use in LCD (including LED) TVs, monitors and mobile PCs and mobile phones and supply the same to them in the PRC or their factories in the PRC or to their designated BLU manufacturers in the PRC for production of BLU(s) or LCD modules. Thereafter, the finished products are exported to overseas markets. In some circumstances, our customers are BLU manufacturers in the PRC, which produce BLU units for electronics brand owners. The raw materials or parts we use for production of the metallic components are partly imported from overseas and partly from other processing and trading enterprises in the PRC, which also import raw materials from overseas. The aforesaid production model is known as Factory Transfer Arrangement in the PRC and companies approved to participate in the Factory Transfer Arrangement are normally referred to as processing and trading enterprises. In the event that the products produced under the Factory Transfer Arrangement are sold in the PRC, import tax and value added tax will be levied on the products.

Companies participating in the Factory Transfer Arrangement are subject to various PRC laws and regulations. Please refer to the section headed "Regulations" of this prospectus. Pursuant to 中華人民共和國海關對加工貿易貨物監管辦法 (Measures of the Customs of the People's Republic of China on the Control of Processing Trade Goods), the Factory Transfer Arrangement is described as an arrangement whereby a processing and trading enterprise sources and imports raw materials from overseas, and uses such raw materials to produce partially finished products or components, which are then transferred to other processing and trading enterprises for further processing and/or assembly and whereby the finished products are thereafter re-exported overseas. In order for a company to participate in the Factory Transfer Arrangement, pursuant to 對外貿易經濟合作部關於印發《加工貿易審批管理暫行辦法(1999年)》的第314號通知 (The Circular of the Ministry of Foreign Trade and Economic Cooperation on Printing and Distributing Provisional Measures for the Management for Examination and Approval of Processing Trade 1999 No. 314) (the "**Circular No. 314**"), it is necessary to obtain the 加工貿易批准證書 (Approval Certificate for Processing Trade*) where thereafter, such company may submit the proposed import and export arrangements to the local customs authority for further approval. According to the Circular No. 314 as promulgated by 對外貿易經濟合作部 (Ministry of Foreign Trade and Economic Cooperation*), a company shall submit the following documents in relation to each processing and trading contract to 對外貿易經濟合作局 (Foreign Trade and Economic Cooperation Bureau*) at the provincial or delegated 對外貿易經濟合作局 (Foreign Trade and Economic Cooperation Bureau*) at the city or provincial level before commencing the processing and trading activities contemplated thereby:-

(i) an application report and the application form for engaging in processing and trading business;

(ii) approval documents relating to the applicant's right to conduct import and export business (or 加工貿易批准證書 (Approval Certificate for Processing Trade*)) and the business licence;

(iii) certificate relating to the production capacity of the processing enterprise issued by the relevant 對外貿易經濟合作局 (Foreign Trade and Economic Cooperation Bureau*) at the county level or above, which is located at the place of registration of the processing enterprise and the business license of the processing enterprise;

(iv) the original signed contracts relating to import and export relating to the operating enterprise;

(v) the original processing contracts signed between the operating enterprise(s) and processing enterprise(s); and

(vi) any other document which may be required by the relevant approval authorities.

In the event that the operating enterprise or the processing enterprise is a foreign-invested enterprise, in addition to the aforesaid documents, it has to submit the memorandum and articles of association detailing the scope of operation and production capacity and relevant contracts relating to production and operation, which have been approved by the relevant 對外貿易經濟合作局 (Foreign Trade and Economic Cooperation Bureau*), and the relevant documents confirming that the plant has been established for operation, and evidenced that the investment amount has been fully paid into the subject company and the joint annual inspection has been passed.

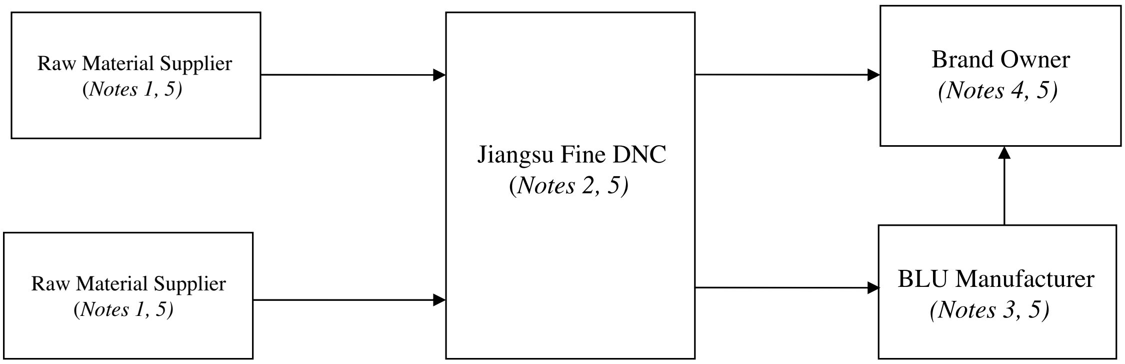
In the event that the processing and trading business is in relation to scrap materials or chemicals, then additional approval documents are required.

According to the PRC Legal Advisers, after the submission of all application documents pursuant to the Circular No. 314, 加工貿易批准證書 (Approval Certificate for Processing Trade*) will be issued by 對外貿易經濟合作局 (Foreign Trade and Economic Cooperation Bureau*) or the relevant delegated authority to the applicant confirming that it is able to engage in processing and re-export business. The PRC Legal Advisers confirmed that for each processing and trading contractual arrangement, it is necessary to obtain 加工貿易批准證書 (Approval Certificate for Processing Trade) before the commencement of the processing and trading activities, without which the customs authority will not process the import of the raw materials and the relevant processing enterprise cannot commence the processing and trading activities. The validity period of 加工貿易批准證書 (Approval Certificate for Processing Trade*) is subject to the decision of 對外貿易經濟合作局 (Foreign Trade and Economic Cooperation Bureau*) and is usually granted for a year, within which the processing and trading company is required to export the finished products directly or through the Factory Transfer Arrangement.

Upon obtaining the aforesaid approvals, customs duty and value-added tax are not required to be paid on the raw materials imported by the processing and trading enterprises so long as the finished products are exported to overseas markets or sold to other processing trade enterprises. The transfer of the partially finished products and/or components among the processing and trading enterprises constitutes export by the transferor and imports by the transferee and are required to undergo customs clearance.

We have submitted the relevant documents required by the delegated 對外貿易經濟合作局 (Foreign Trade and Economic Cooperation Bureau*) at Guangzhou and Wuxi Development New Zone, and have obtained 加工貿易批准證書 (Approval Certificate for Processing Trade*) to participate in the Factory Transfer Arrangement indicating that we, as a foreign-invested enterprise, have the right to conduct import and export business and have the required production capacity to engage in the production activity. Raw materials imported by us are from overseas or from other processing and trading enterprises in the PRC, which also import their raw materials mainly from overseas and such imported raw materials are exempted from payment of custom duty and value-added tax. In the event that our Group imports raw materials from local enterprises, which are not an approved processing and trading enterprise, our Group is required to pay for the value added tax levied on such materials. On the other hand, if our Group sells its products to local enterprises which is not an approved processing trade enterprise, then value added tax and customs duty will be levied on such products. As advised and confirmed by our PRC Legal Advisers, the Factory Transfer Arrangement that Jiangsu Fine DNC and FMS Guangzhou is involved in is legal and valid under relevant PRC laws and regulations. The businesses conducted by Jiangsu Fine DNC and FMS Guangzhou under the Factory Transfer Arrangement follow the import and export procedures as stipulated by the relevant law, rules and regulations of the PRC and comply with the stipulated laws relating to customs and foreign exchange, and other laws, rules and regulations of the PRC.

The following diagram illustrates the involvement of Jiangsu Fine DNC in the Factory Transfer Arrangement as one of the processing and trading enterprises, which produces the metallic components for the BLU units for the display panels for use in LCD (including LED) TVs during the Track Record Period:-



Note 1: Under the Factory Transfer Arrangement, Jiangsu Fine DNC is not required to pay any tax on the raw materials imported by it so long as its finished products (i.e. metallic components) are sold to an enterprise which has obtained 加工貿易批准證書 (Approval Certificate for Processing Trade) for further processing.

Note 2 : Jiangsu Fine DNC produces and sells the metallic components to BLU manufacturers or brand owners (such as Samsung Korea) directly. Such sales constitutes export on the part of Jiangsu Fine DNC and such purchase constitutes import on the part of the BLU manufacturers or brand owner under the Factory Transfer Arrangement.

Note 3: The metallic components sold to BLU manufacturers are further assembled together with other parts and components for production of BLUs, which are sold and delivered to other brand owners for production of FPDs. Such sale and delivery constitutes export on the part of the BLU manufacturers and import on the part of the brand owners under the Factory Transfer Arrangement.

Note 4: The metallic components sold to the brand owners by Jiangsu Fine DNC are further assembled with the BLUs and other parts and components for production of FPDs. The FPDs produced by the brand owners are then sold and *transferred to other factories or its customers in PRC through Factory Transfer Arrangement for further processing to produce LCD (including LED) TVs, which are then sold and exported overseas. In the event that the LCD (including LED) TVs produced through the Factory Transfer Arrangement are sold in the PRC, an import tax and value-added tax will then be levied on such products.*

Note 5: Each enterprise participating in the Factory Transfer Arrangement is required to obtain 加工貿易批准證書 (Approval Certificate for Processing Trade).

Customers

Our customers include some of the world's leading consumer electronics companies who are manufacturers of mobile communication equipment, information technology equipment and consumer electronics products. As at the Latest Practicable Date, our ultimate customers included the world's leading Korean-based consumer electronics companies, Samsung and LG (LG became our ultimate customer after the completion of FMS Guangzhou Acquisition in August 2011). During the Track Record Period and as at the Latest Practicable Date, we sold some of our products directly to Samsung Korea and Samsung HK. Our products are requested by our customers to be delivered in the PRC. Our revenue from direct sales to Samsung Korea, our largest customer during the Track Record Period until the year ended 31 December 2011, was approximately RMB192.5 million, RMB154.4 million and RMB275.1 million for each of the three years ended 31 December 2011, respectively, accounting for approximately 26%, 17% and 18% of our total revenue for the same period, respectively. Our revenue from direct sales to Samsung HK was approximately RMB54.4 million, RMB31.8 million and RMB21.3 million for each of the three years ended 31 December 2011, respectively, which accounted for approximately 7%, 4% and 1% of our total revenue for the same period, respectively. After the FMS Guangzhou Acquisition, LG became one of our ultimate customers and we sold some of our products directly to LG Guangzhou.

We also sell our products to designated BLU manufacturers of Samsung and LG in the PRC who are responsible, amongst others, for assembling the BLUs. The designated BLU manufacturers placed separate orders directly with us and we deliver products directly to them or their requested delivery points. We separately issue invoices directly to each of the designated BLU manufacturers and payments are made directly from such BLU manufacturers to us. We only negotiate and enter into the transactions directly with the designated BLU manufacturers without Samsung's or LG's participation in our transactions. We understand that most of our finished products manufactured for these designated BLU manufacturers would form part of Samsung's and LG's products. We also understand that these BLU manufacturers are independent of Samsung and LG and they are designated by Samsung or LG to assemble BLUs for these brand owners.

Samsung remained as our major ultimate customer over the Track Record Period, whereby we sold our products by way of (i) direct sales to Samsung Korea through the Factory Transfer Arrangement (in this case, Samsung Korea placed orders with us and settled our invoices directly but our products are delivered to Samsung China for onward processing in the PRC under the tripartite arrangement among Samsung Korea, Samsung China and us), and; (ii) sales to designated BLU manufacturers of Samsung in the PRC through the Factory Transfer Arrangement, who assembled the components for Samsung China. During the Track Record Period, the contribution from (i) direct sales to Samsung (comprising Samsung Korea and Samsung HK) (ii) indirect sales to Samsung's designated BLU manufacturers, (iii) direct sales to LG and (iv) indirect sales to LG through LG's designated BLU manufacturers towards our revenue was as follows:

	For the year ended 31 December		
% of our revenue contributed by	**2009**	**2010**	**2011**
	(approx.)	*(approx.)*	*(approx.)*
Direct sales to Samsung	33.0	20.6	19.7
Indirect sales to Samsung through Samsung's designated BLU manufacturers	61.4	74.9	60.0
Total	**94.4**	**95.5**	**79.7**

% of our revenue contributed by	**For the year ended 31 December 2011**
	(approx.)
Direct Sales to LG	4.2
Indirect sales to LG through LG's designated BLU manufactures	10.6
Total	**14.8**

Please refer to "Risk Factors — We depend on Samsung and LG". The decrease in our revenue generated from direct sales to Samsung Korea since 2010 was mainly due to the change of manufacturing process of Samsung Korea from relying on Samsung's factories in China to assemble components of its products to engaging more designated BLU manufacturers in China to assemble the components for them. As a result, we sold more products to Samsung's designated BLU manufacturers in China and less to Samsung Korea in the past few years.

Our revenue generated from the sales to the designated BLU manufacturers increased during the Track Record Period. The revenue generated from Samsung's designated BLU manufacturers during the three years ended 31 December 2011 were approximately RMB459.8 million, RMB674.6 million and RMB902.7 million, respectively. Notwithstanding the decrease of sales to Samsung Korea directly, our Directors believe that Samsung will remain as one of our major ultimate customers, since leading consumer electronics products companies such as Samsung have stringent requirements on suppliers of the BLU manufacturers, and Samsung's designated BLU manufactures shall obtain supplies from approved supplier of Samsung.

With our view to further diversify our customer base, in August 2011, we acquired FMS Guangzhou. LG, as the major ultimate customer of FMS Guangzhou, became one of the major ultimate customers of our Group after the FMS Guangzhou Acquisition. The revenue from direct sales to LG Guangzhou was approximately RMB23.0 million and RMB146.8 million for each of the two years ended 31 December 2011, which accounted for approximately 30.3% and 29.3% of the total revenue of FMS Guangzhou of the same period, respectively. FMS Guangzhou also sold its products to LG's designated BLU manufacturers and the sales to LG's designated BLU manufacturers accounted for approximately 63.5% and 65.0% of the total revenue of FMS Guangzhou for each of the two years ended 31 December 2011, respectively. For illustrative purposes, since the FMS Guangzhou Acquisition was only completed in August 2011, assuming that the FMS Guangzhou Acquisition was completed on 1 Janaury 2011, sales to LG, together with LG's designated BLU manufacturers, would account for approximately 26.7% of the enlarged Group's (including FMS Guangzhou) total sales for the year ended 31 December 2011. FMS Guangzhou recorded sales revenue from LG Korea in the amount of approximately RMB91,000 during the year ended 31 December 2011. During the Track Record Period, the rest of FMS Guangzhou's revenue was derived from its sales of scrap materials created during the production process to a scrap collecting company. For each of the two years ended 31 December 2011, the revenue from the sales of scrap materials was approximately RMB4.7 million and RMB28.2 million, representing approximately 6.2% and 5.6% of the total revenue of FMS Guangzhou of the same period, respectively.

We also sold our products to other BLU manufacturers which assemble and manufacture products for brand owners other than Samsung and LG and also sold our products to other brand owners during the Track Record Period.

According to DisplaySearch, the shipment volume of the top 10 FPD TV makers accounted for approximately 79.5% of the world's total shipment volume in 2011, and the revenue of the top 10 FPD TV makers accounted for approximately 82.6% of the world's total revenue of FPD industry in 2010. Our sales and marketing team approaches the consumer electronics products makers and BLU manufacturers to promote our products and establish relationships with them. We commenced our business relationship with Samsung in 2004 pursuant to the existing relationship between Samsung and Fine DNC Korea. We have maintained our own relationship with Samsung independently for the last 7 years. In 2010, FMS Guangzhou commenced its relationship with LG pursuant to the existing relationship between LG and FMS Korea. FMS Guangzhou has maintained its own relationship with LG independently since then. Through the FMS Guangzhou Acquisition in August 2011, our Group was able to expand our customer base to include LG and its designated BLU manufacturers. As we are recognised as an established metallic components of display panel suppliers in the PRC, our Directors consider that we are capable of diversifying our customer base independently. Our ultimate customers, Samsung and LG, have not imposed any restrictions on us to supply metallic components of display panels to BLU manufacturers of other brand owners.

As a result of the increase in our production capacity after the operation of our Second Wuxi Production Base, we have been able to take up more orders from our existing and new customers. As a strategy to further diversify our customer base, in May 2010, we formed a sales team comprising 5 team members from our original sales team with the aim of identifying new target customers and establishing relationships with them. Our sales team has since then contacted and established relationships with a number of potential new customers. For instance, our Group had received orders and commenced mass production since December 2010 for 瑞儀光電(蘇州)有限公司 (Radiant Opto-Electronics (Suzhou) Co., Ltd.*), a Samsung's designated BLU manufacturer and also a BLU manufacturer of another major electronic product manufacturer, for the manufacturing of metallic components of display panels for use in products of such major electronic product manufacturer. In addition, our Group also has the technological expertise to produce metallic components of display panels for other BLU manufacturers which assemble and manufacture products for brand owners other than Samsung and LG. Further, as an approved supplier of Samsung and LG, our Group is required to pass certain certification with stringent requirements in terms of production scale, product quality and delivery time. Our Directors believe that since our Group is able to pass such stringent requirements of Samsung and LG, we would be able to pass any similar stringent requirements of other BLU manufacturers which assemble and manufacture products for brand owners other than Samsung and LG as well as for other brand owners directly. Our Directors believe that our Group will continue to attract more new customers and obtain more orders from new customers, thus, further diversifying the customer base of our Group. Please refer to the paragraph headed "Our customer base" below for further details of our ability to develop a broader customer base.

Our total number of customers (with a breakdown of our new customers and terminated customers) for each of the three years ended 31 December 2011 is set out below:

	Brand owners		**BLU manufacturers**		**Other brand owners, other BLU manufacturers and miscellaneous customers**	**Total**
	Samsung	*LG*	*Samsung's BLU manufacturers*	*LG's BLU manufacturers*		
As at 1 January 2009	2	0	21	0	6	29
New customers of our Group	0	0	7	1	4	12
Terminated customers of our Group	(0)	(0)	(7)	(0)	(1)	(8) *(Note 1)*
Increased/(decreased) number of customers for the year ended 31 December 2009	0	0	0	1	3	4
As at 1 January 2010	2	0	21	1	9	33
New customers of our Group	0	0	1	0	2	3 *(Note 2)*
Terminated customers of our Group	(0)	(0)	(3)	(1)	(2)	(6) *(Note 2)*
Increased/(decreased) number of customers for the year ended 31 December 2010	0	0	(2)	(1)	0	(3)
As at 1 January 2011	2	0	19	0	9	30
New customers of our Group	0	2	2	3	5	12 *(Note 2)*
Terminated customers of our Group	(0)	(0)	(8)	(0)	(5)	(13) *(Note 4)*
Increased/(decreased) number of customers for the year ended ended 31 December 2011	0	2	(6)	3	0	(1)
As at 31 December 2011	2	2	13	3	9 *(Note 4)*	29

Our average length of relationship with our customers for each of the three years ended 31 December 2011 is set out below:

	For the year ended 31 December		
	2009	**2010**	**2011**
	(years)	*(years)*	*(years)*
Average length of relationship with customers of our Group			
Brand owners			
Samsung	6.0	7.0	8.0
LG	0	0	1.0
BLU manufacturers			
Samsung's BLU manufacturers	3.4	4.1	5.4
LG's BLU manufacturers	0.3	0	1.0
Other brand-owners, other BLU manufacturers and miscellaneous customers	2.0	2.4	3.2
Overall	3.1	3.8	4.1

Note 1: Relationships with eight customers were terminated in 2009 since seven of these customers ceased manufacturing display panel components (of which our products were assembled onto) for Samsung.

Note 2: To the best knowledge of the Directors, most new customers and most terminated customers of our Group for the three years ended 31 December 2011 were BLU manufacturers of Samsung. Six new customers of our Group for the year ended 31 December 2011 were the customers of FMS Guangzhou and became the customers of our Group after the FMS Guangzhou Acquisition.

Note 3: To the best knowledge of the Directors, one of the customers of our Group supplied products containing the metallic components provided by our Group, to both Samsung and another brand owner during the Track Record Period. This customer has been counted in both rows headed "Samsung's BLU manufacturers" and "Other brand owners, other BLU manufacturers and miscellaneous customers".

Note 4: To the best knowledge of the Directors, these customers terminated their relationship with us in 2011 due to one or more of the following reasons: a decrease in orders received by them for their products, high transportation costs and/or insufficient capital.

Our customers (including our customers of metallic components of display panels for use in one of the most popular tablet PCs) do not have long-term purchase commitments with us and our sales are made as individual purchase orders. The price and delivery date of the products are set out in the individual purchase orders made by our customers through our computerized order network. Our customers provide an estimate of their yearly and quarterly orders in advance of each respective period. Such orders, however, are usually only be finalised and confirmed 1 to 2 days in advance of the delivery date. Our Directors are of the view that it is the normal practice of companies of the same industry as our Group to not entering into long-term sales contracts with customers. We are given to understand that, the designated BLU manufacturers of Samsung or LG in China have not entered into any long-term contracts with Samsung or LG. Our Directors are of the view that such norm is established in the industry due to the following reasons: (i) suppliers to Samsung or LG must pass certain certification with stringent requirements in terms of production scale, products quality and delivery time before being qualified as a designated supplier. The recognition as the designated supplier by these ultimate customers could, to a certain extent, guarantee a stable amount of orders will be received from these ultimate customers in the long-term; and (ii) the display panel industry is subject to rapid technological development, therefore, it is difficult for the ultimate customers to foresee the demand of their products as well as the components that we supply to them in the long-term. Given the long-term business relationships between our Group and our ultimate customers and that our Group is an approved supplier of Samsung and LG, our Directors are of the view that we will be able to secure stable orders through our ultimate customers in the long-term.

Our agreements with Samsung Korea provide for a warranty period of 3 years from the date of delivery of our products under which we agree, amongst others, to repair or replace our products or credit or refund the price of our products in the event that, amongst others, our products are defective or our products has infringed the intellectual property rights of third parties. We did not encounter any major product recalls or any infringement of third parties' intellectual property rights during the Track Record Period. We would also take remedial measures in the event that our products are defective including recalling and re-producing our products to our customers. We had not incurred any actual monetary costs with regard to the warranty given to our customers and no warranty provision had been made as a result during the Track Record Period. Our PRC Legal Advisers confirmed that our Group had not encountered any incident of infringement of intellectual property rights of third parties or product liability claim during the Track Record Period and up to the Latest Practicable Date.

Depending on our relationship with our customers, in general, we provide our customers credit period of 30 to 60 days. As our relationship with our customers are non-exclusive and largely dependent on goodwill, we do not restrict our customers to enter into business relationships, in similar or even more favourable terms than our Group, with other metallic components manufacturers.

We have a tripartite arrangement with Samsung Korea and Samsung China, pursuant to which Samsung Korea places purchase orders with Jiangsu Fine DNC through our computerized order network. We then deliver our finished products to Samsung China in the PRC for their further assembly at the request of Samsung Korea, and the assembled consumer electronics products are delivered to designated location by Samsung China. Payment is made by Samsung Korea to us. Jiangsu Fine DNC has not entered into any agreement with these parties in regard to this arrangement. This tripartite arrangement is reflected in the purchase orders with Samsung Korea. We are given to understand that, Samsung has similar tripartite arrangement when purchasing components from other manufacturers and this is how Samsung manages and centralizes their operation. Our PRC Legal Advisers confirmed that the Factory Transfer Arrangement and the tripartite arrangement with Samsung Korea and Samsung China are legal, valid and enforceable, follow the necessary procedures required for import and export, and comply with all the relevant rules and regulations in the PRC, including 中華人民共和國海關法 (Customs Law of the PRC) and the laws relating to foreign exchange. Our Korean Legal Advisers also confirmed that this tripartite arrangement with Samsung Korea and Samsung China complies with the laws in Korea. Our sales to Samsung HK follows a business model similar to that with Samsung Korea.

Our commitment to quality and reliability has been recognised by our ISO 9001 accreditation. Further, over the course of the years, we have received awards and other recognition from our customers which evidence our customers' satisfaction with our products and services. In December 2010, we were awarded 優秀協力社 (Best Co-operative Company Award*) by Samsung, resulting in an increase of orders from Samsung and its BLU manufacturers for our existing products. As we do not brand our own products, our primary focus is on satisfying customers' service level expectations in terms of quality, cost, delivery, flexibility and speed.

Our five largest customers accounted for approximately 69%, 72% and 69% of our revenue for each of the three years ended 31 December 2011, respectively. Our largest customer during the Track Record Period until the year ended 31 December 2011, being Samsung Korea, accounted for approximately 26%, 17% and 18% of our revenue for each of the three years ended 31 December 2011, respectively.

None of our Directors or their associates or any Shareholder who owns more than 5% of our issued share capital has any interest in any of our top five customers for each of the three years ended 31 December 2011. Our Group did not experience any delay or cancellation of orders which had materially impacted our financial performance during the Track Record Period. In general, our Group did not offer preferential term to Samsung Korea as compared to our other customers, including Samsung's designated BLU manufacturers, during the Track Record Period and as at the Latest Practicable Date.

Our customer relationship with Samsung

Over years of cooperation, we have established stable and long-term relationships with Samsung and have maintained approximately seven years of business relationship with Samsung. As evidence of our reliable services provided to Samsung, we were awarded 革新部門賞 (Innovative Company Award*) from Samsung in January 2011 and 2009年協力社發展革新競賽銀獎 (Silver Award in Cooperative Companies' Innovative Development Competition of 2009*).

According to the 2010 annual report of Samsung Korea, (i) Samsung Korea was established under the laws of Korea to manufacture and sell semiconductors, LCDs, telecommunication products, and digital media products; (ii) as of 31 December 2010, Samsung Korea's shares are listed on the Korea Exchange, and its global depository receipts are listed on the London and Luxembourg Stock Exchange; and (iii) Samsung Korea is a leading global integrated producer of semiconductors, LCDs, mobile phones and TVs. The table below sets out the financial results of Samsung Korea for the two years ended 31 December 2010 as extracted from the 2010 annual report of Samsung Korea and the financial results of Samsung Korea for the year ended 31 December 2011 as extracted from the 2011 audit report of Samsung Korea.

	For the year ended 31 December		
	2009	**2010**	**2011**
	(KRW)	*(KRW)*	*(KRW)*
	(approx.)	*(approx.)*	*(approx.)*
Net sales	136,324 billion (RMB730 billion)	154,630 billion (RMB905 billion)	165,002 billion (RMB962 billion)
Operating profit	10,925 billion (RMB58 billion)	17,297 billion (RMB101 billion)	16,250 billion (RMB95 billion)
Net earnings	9,761 billion (RMB52 billion)	16,147 billion (RMB95 billion)	13,734 billion (RMB80 billion)
Net assets	73,045 billion (RMB427 billion)	89,349 billion (RMB518 billion)	101,845 billion (RMB558 billion)
Total assets	112,180 billion (RMB656 billion)	134,289 billion (RMB778 billion)	155,631 billion (RMB853 billion)

The outlook of Samsung has been rated by Moody's Investors Service, Inc. as stable as at the Latest Practicable Date. Since shares of Samsung Korea are traded on the Korea Exchange, further details of its financial performance and background information can be accessed through the website of the Korea Exchange at *eng.krx.co.kr* and the company's website of Samsung Korea at *www.samsung.com*. Our Directors are of the view that there have been no scandal or incident which have brought adverse impact to Samsung which shall be brought to the investors' attention.

On 20 February 2012, Samsung Korea announced on its Company's website that the display market is undergoing rapid changes with OLED panels expected to fast replace LCD panels to become the mainstream and announced that it plans to restructure and spin off its LCD panel operations into a new company to be wholly owned by Samsung Korea. There were also articles reporting that Samsung will launch its large-screen OLED TVs in the second half of 2012. According to our Directors' knowledge, Samsung and LG began its sales of mobile phones using OLED panels since around 2009. However, this OLED technology had been commonly applied in smaller displays only, such as mobile phones (not FPD TVs) until recently that both Samsung and LG showcased their first large-screen OLED TV in early 2012. As at the Latest Practicable Date, we were not aware that Samsung or LG had officially launched large-screen OLED TVs in the global consumers market. Our Group did not supply metallic components for use in OLED panels to Samsung, LG or their BLU manufacturers during the Track Record Period. As at the Latest Practicable Date, our Directors were not aware that Samsung or LG purchased any metallic components for use in the OLED TV panels from our major competitors in the PRC. As at the Latest Practicable Date, our Group's orders from Samsung and its BLU manufacturers, LG Guangzhou and LG's BLU manufacturers remained normal and our Group had not experienced any reduction of orders from our customers as a result of the press release of Samsung Korea or the recent technological development in OLED. We, in general, rely on the annual and quarterly business plans of Samsung and LG and based on the industry experience of our Directors to forecast our future production volume. Based on Samsung's and LG's business plans currently available to us, we do not foresee any significant reduction of orders from Samsung or LG in 2012.

The consumer electronics industry has been subject to cyclical changes, rapid technological developments and short products cycles. We had successful experience in the past to adapt to market changes and capture new opportunities, for example, the shift of product mix from focusing on metallic components of display panels for use in monitors and mobile PCs to LCD TVs in the last couple of years, and the development of producing metallic components for use in LED TV panels since 2010. DisplaySearch forecasted that the worldwide OLED revenue for the seven years from 2012 to 2018 will be approximately 6.9%, 9.1%, 11.7%, 13.7%, 15.9%, 18.8% and 21.7% of the worldwide FPD revenue, respectively. Our Directors are of the view that, certain technology breakthrough, such as reduction of production cost and application of technology in the production of large-screen FPD TVs, needs to be achieved before OLED TVs can become the mainstream in the consumer electronics market. The application of OLED technology in the production of large-screen displays is still immature. Also, our Directors are of the view that the production cost of OLED TVs needs to be reduced significantly so that the selling price of OLED TVs can be more acceptable to consumers and more competitive as compared to other TV products before it could gain wide consumer acceptance. According to DisplaySearch, the average selling price of OLED TVs is expected to be multiple times more expensive than LCD (including LED) TVs in 2012. Even if OLED panels replaced LCD panels to become the mainstream in the consumer electronics products in the future, our Directors consider that our Group has the know-how and technology to produce metallic components of OLED panels for our customers. Based on the industry knowledge of our Directors, the composition of OLED panels still includes the metallic components that we manufacture, such as top chassis and bottom chassis, and we could allocate certain of our current production lines to produce metallic components for use in OLED panels if it is required. As such, our Directors consider that, as at the Latest Practicable Date, the latest industry development of OLED panels has not brought any significant adverse impact to the business financial position of our Group and will not bring any material adverse impact to the business and financial prospect of our Group in the near future. Nevertheless, the launch and development of new products involve considerable time and commitment and may increase our R&D cost and capital expenditure substantially. If we are not able to develop and introduce metallic components for use in OLED panels successfully in the event that OLED panels replaced LCD panels to become the mainstream, our business, financial condition and operating results could be adversely affected. Please refer to "Risk factors — We depend on Samsung and LG — Samsung Korea plans to restructure and spin off its LCD panel operations into a new company to be wholly owned by Samsung Korea and plans to develop OLED panels business".

Although our customers do not have long term purchase commitments with us, we have entered into a master purchase agreement with Samsung Korea dated 2 April 2010 to govern our relationships with them. The salient terms of the master purchase agreement are set out below:

- Supply of products — We and Samsung Korea shall discuss and agree on the quantity, unit price, specifications, place of delivery of products and these terms shall be set out in the purchase order. After the price of the products is determined by the parties, in the event that any drastic change in the economic conditions occurs, the parties shall discuss for the revision of the price of the products in good faith.

- Quality assurance — We shall perform a periodic reliability test on the production of the products according to Samsung Korea's pre-approved test plan by using qualified employees and testing equipments and shall submit the result to Samsung Korea for its review. We shall also perform an analysis on all failures that occurred during the manufacturing process for the products supplied to Samsung Korea and implement the necessary corrective action.

- Buyer's inspection — We shall carry out the inspection of the products in accordance with the requirements and procedures agreed upon by the parties. We shall pass to Samsung Korea the standard inspection report upon every delivery of products. Upon receipt of delivery, Samsung Korea shall inspect the quantity of the shipment of the products and notify us of any shortage in the quantity of the products within thirty working days after the date of arrival of the shipment.

We have a stable customer relationship with Samsung and its designated BLU manufacturers. During the Track Record Period and as at the Latest Practicable Date, we did not experience any major dispute with Samsung or its designated BLU manufacturers which led to a reduction or suspension of their orders placed with our Group.

Our customer base

During the Track Record Period, we derived a significant portion of our revenue directly and indirectly from a few major customers. Our revenue from direct sales to Samsung Korea accounted for approximately 26%, 17% and 18% of our total revenue for the three years ended 31 December 2011, respectively. Our revenue from direct sales to Samsung HK accounted for approximately 7%, 4% and 1% of our total revenue during the same period, respectively. The contribution from (i) direct sales to Samsung (comprising Samsung Korea and Samsung HK) (ii) indirect sales to Samsung's designated BLU manufacturers, (iii) direct sales to LG and (iv) indirect sales to LG through LG's designated BLU manufacturers towards our revenue during the Track Record Period was as follows:

	For the year ended 31 December		
% of our revenue contributed by	**2009**	**2010**	**2011**
	(approx.)	*(approx.)*	*(approx.)*
Direct sales to Samsung	33.0	20.6	19.7
Indirect sales to Samsung through Samsung's designated BLU manufacturers	61.4	74.9	60.0
Total	**94.4**	**95.5**	**79.7**

% of our revenue contributed by	**For the year ended 31 December 2011**
	(approx.)
Direct Sales to LG	4.2
Indirect sales to LG through LG's designated BLU manufactures	10.6
Total	**14.8**

Based on the factors and the measures undertaken by our Group as set out below, our Directors consider that our strong business ties with our major customers would not affect the business prospect of our Group:

(i) **Completion of FMS Guangzhou Acquisition:** We acquired FMS Guangzhou in August 2011 and the acquisition diluted the extent of our Group's reliance on Samsung by introducing customers of FMS Guangzhou, including LG Guangzhou and LG's designated BLU manufacturers, as the customers of our Group. For illustrative purposes, assuming that the FMS Guangzhou Acquisition was completed on 1 January 2011, sales to LG Guangzhou, together with LG's designated BLU manufacturers, would account for approximately 26.7% of the total sales of the enlarged Group (including FMS Guangzhou) for the year ended 31 December 2011. The sales to LG Guangzhou and LG's designated BLU manufacturers effectively lowered the percentage of our Group's sales to Samsung (consisting Samsung Korea and Samsung HK) and its designated BLU manufacturers, from approximately 79.7% of our Group's sales for the year ended 31 December 2011 to approximately 67.7% of the total sales of the enlarged Group (assuming that the FMS Guangzhou Acquisition was completed on 1 January 2011) for the same period.

(ii) **Market dominance of Samsung and LG in the world's FPD TV market:** As disclosed in the paragraph headed "Industry Overview — FPD TV Market — FPD TV Market by Brand" of this prospectus, Samsung had the largest share in the FPD TV market in terms of world's shipment volume of 17% or higher for each of the years commencing from 2009 to 2011, while LG ranked second with worldwide shipment volume of 15% or higher for the same period. Samsung and LG together accounted for approximately 32% or higher of the world's shipment volume for the same period, and each of the next top three major players in the FPD TV market, accounted for only single-digit market shares in the world's shipment volume for the same period. Due to the dominant position of Samsung and LG in the global market, our Directors believe that our strong business ties with these global leading electronics manufacturers would strengthen our market position instead of bringing any adverse business impact to our Group.

(iii) **Introduction of new customers:** As a strategy to further diversify our customer base, in May 2010, we formed a sales team comprising 5 team members from our original sales team with the aim of identifying new target customers and establishing relationships with them. Our sales team had since then contacted and established business relationships with a number of potential new customers. For instance, our Group had received orders and commenced mass production since December 2010 for 瑞儀光電(蘇州)有限公司 (Radiant Opto-Electronics (Suzhou) Co., Ltd.*), a Samsung's designated BLU manufacturer and also a BLU manufacturer of another major electronic product manufacturer, for the manufacturing of metallic components of display panels for use in products of such major electronic product manufacturer. Our Directors believe that our Group is able to continue to attract more new customers to diversify our customer base.

(iv) **Spare production capacity for business expansion:** The construction of our Second Wuxi Production Base was completed in September 2011 and it had commenced trial production in September 2011. This new production facility has a site area of approximately 65,138.3 sq.m. and could install 21 production lines for the production of mainly metallic components of display panels for use in LCD (including LED) TVs, which could have a total annual production capacity of approximately 40,649,000 units. The construction of our new production base would allow us to take on orders from other new customers.

(v) **Long term business relationships with BLU manufacturers:** We have maintained long term business relationships with the BLU manufacturers, some of whom manufacture products for Samsung and also other brand owners. Our Directors consider that taking into account the industry landscape and our market reach, in the event that our major customers terminate their relationships with us, we are still able to maintain our business model by continuing to sell to the BLU manufacturers and the other FPD manufacturers directly or indirectly through the BLU manufacturers who have ongoing business relationship with us. Our Directors consider that, leveraging our competitive strengths, details of which are set forth in "Our Business — Our competitive strengths" in this prospectus, our Group is able to obtain new orders from our other existing customers or potential new customers in the event that our major customers terminate their relationships with us.

(vi) **Reliance is mutual and complimentary:** We have maintained long term business relationships with Samsung and manufactured over 300 moulds tailor-made to Samsung's specifications, which require substantial know-how and advanced technology. For example, the laser welding technology, which has been patented and is possessed by Jiangsu Fine DNC, has been utilized by all the suppliers of Samsung China at the request of Samsung China. Such technology is able to substantially enhance the utilisation rate of raw materials for the production of top chassis from approximately 20% to, on average, about 65% and in some cases, up to 80%. Accordingly, the cost for production of top chassis has been reduced by on average, about 20%. This technology could also reduce our production time. Our Directors consider that it may be difficult for Samsung to find other suitable suppliers in a short period of time which have the production capacity, skills, know-how and technology like us and which are located close to Samsung's BLU manufacturers. More importantly, potential metallic components to supplier to Samsung has to pass Samsung's stringent certification process before being qualified as a qualified supplier of Samsung. This also demonstrates that Samsung does, to a certain extent, rely on us to supply the metallic components for its products and the Directors consider that the reliance between Samsung and us is mutual.

(vii) **We have the ability to develop a broader customer base:** We do not rely on the assistance of Samsung or LG on the technology and know-how for production of metallic components of their products. We have the ability to produce metallic components for other BLU manufacturers, which assemble and manufacture products for brand owners, other than Samsung or LG. We have the production lines that can be widely applied to produce the metallic components of display panels for other TVs, monitors and mobile PCs, and mobile phones manufacturers. We have established a moulds development department, which has approximately 162 personnel who are involved in the design, development and production of moulds, moulds performance analysis, products design and new technologies and production process development. This department enables us to produce tailor-made metallic components for customers other than Samsung or LG independently. Although FMS Guangzhou does not currently carry out mould design, development and production activities, our moulds development department of Jiangsu Fine DNC is able to provide mould design and production services if customers of FMS Guangzhou so requires. In addition, our Group has been maintaining long term relationships with BLU manufacturers, which produce products for other brand owners and has been approached by other brand owners for the production of metallic components, which evidence that we possess the necessary skill and technology to serve customers other than Samsung and LG. Therefore, our Directors consider that our Group is able to develop a broader customer base based on our existing technology, know-how and network.

(viii) **Positive market prospect in the FPD TV industry:** As disclosed in the section headed "Industry Overview" of this prospectus, although DisplaySearch forecasts that the world's revenues of FPD TV will begin to decline after 2011, the world's and China's shipment volume of FPD TV is still expected to be on the rise. DisplaySearch also forecasted that there will be approximately 4% to 8% increase in shipment volume of FPD TV in Asia Pacific and China's markets which, to the best of our Directors' knowledge, are the major FPD TV markets of our Group's customers, including both Samsung Korea and LG Guangzhou. Our Directors also expect that the profitability of our Group's metallic components of display panels in general will remain high in the upcoming years, since we had shifted our product mix to production of more metallic components of display panels for use in LED TVs (including large scale LED TVs of over 32 inches) which in general carry a higher profit margin since 2011.

Our common customers with Fine Group and FMS Korea

Samsung Korea is one of our major customers and also a customer of the Fine Group. Other than Samsung Korea, Taesan LCD Co.,Ltd, D.ID Corporation and DS LCD Co., Ltd, all being the designated BLU manufacturers of Samsung, are customers of both our Group and the Fine Group. We are given to understand that the aforementioned BLU manufacturers, such as Taesan LCD Co, Ltd, adopt tripartite arrangement similar to the tripartite arrangement among Samsung Korea, Samsung China and Jiangsu Fine DNC. Taesan LCD Co., Ltd purchases products from Jiangsu Fine DNC through its related company in China, Taesan LCD (Suzhou) Co. Ltd., which places purchase orders with us through our computerized order network. We then deliver our finished products to Taesan LCD

(Suzhou) Co. Ltd. in the PRC for their further assembly, and the assembled electronics products are delivered to the designated location by Taesan LCD (Suzhou) Co. Ltd. Payment is made by Taesan LCD Co., Ltd to us. The revenue attributable to our common customers who are also customers of the Fine Group and the percentage contribution to each of our Group and the Fine Group's total revenue for the two years ended 31 December 2011 are set out below:-

	Our Group				**Fine Group**(Note)			
	Year ended 31 December 2010		**Year ended 31 December 2011**		**Year ended 31 December 2010 (unaudited)**		**Year ended 31 December 2011 (unaudited)**	
	RMB'000 (approx.)	*% (approx.)*	*RMB'000 (approx.)*	*% (approx.)*	*RMB'000 (approx.)*	*% (approx.)*	*RMB'000 (approx.)*	*% (approx.)*
Samsung Korea	154,430	17.14	275,083	18.27	109,729	6.87	138,641	13.59
Taesan LCD Co.,Ltd	142,227	15.78	61,815	4.1	191,932	12.01	122,030	11.96
D.ID Corporation	82,396	9.14	100,244	6.7	2,957	0.19	956	0.09
DS LCD Co., Ltd	121,028	13.43	265,897	17.7	230,006	14.40	100,486	9.85
Total	**500,081**	**55.49**	**703,039**	**46.77**	**534,624**	**33.47**	**362,113**	**35.49**

Note: The financial information of the Fine Group includes the financial information of each of Fine DNC Korea, Fine Technix, Fine Slovakia, Fine Japan and SCLED.

During the year ended 31 December 2011, our Group recorded small amount of sales to LG Korea which was a customer of FMS Korea during this period. The revenue attributable to our common customer with FMS Korea and the percentage contribution to each of our Group's and FMS Korea's total revenue for each of the two years ended 31 December 2011 are set out below:-

	Our Group				**FMS Korea**			
	Year ended 31 December 2010		**Year ended 31 December 2011**		**Year ended 31 December 2010 (unaudited)**		**Year ended 31 December 2011 (unaudited)**	
	RMB'000 (approx.)	*% (approx.)*	*RMB'000 (approx.)*	*% (approx.)*	*RMB'000 (approx.)*	*% (approx.)*	*RMB'000 (approx.)*	*% (approx.)*
LG Korea	0	0	91	0.01	34,736	7.82	24,426	7.01

Pricing

In general, prices of our products are based on our cost of sales, which consist primarily of cost of raw materials and labour costs. The price is calculated on the basis of arm's length negotiations with our customers.

Our gross profit margins were approximately 27.5%, 19.3% and 16.1% for each of the three years ended 31 December 2011, respectively. In the event that there are increases in the cost of our products, we will first endeavour to maintain our cost through the use of more advanced technologies in our production, improving our moulds design, optimising our production process, increase automation to reduce labour cost.

Payment Terms

Currently, our sales are denominated in US dollars. The credit terms granted to our customers generally range from 30 to 60 days after the invoice date.

Marketing

We adopt a customer-centred approach to marketing. In order to strengthen our relationships with existing customers, we have dedicated to each major customer a customer focus team from our sales and marketing and quality control departments. Our senior management is also heavily involved in customer relations and devotes significant attention to marketing.

We direct our sales resources and activities at several management and staff levels within our customers. Regular visits are made to major customers to maintain close contact and to keep abreast of market trends and to explore further business opportunities. Such visits by various members of our sales team allows us to gather customers feedback and enhance our technological know-how. In providing manufacturing solutions to our customers, our sales team works closely with our production department in project management so as to ensure that our products meet our customers' specifications, quality requirements and delivery schedule.

AFTER-SALES SERVICES

We liaise with our customers for any alleged quality problems on a case-by-case basis. Our agreement with Samsung Korea provide for a warranty period of three years from the date of delivery of our products under which we agree, amongst others, to repair or replace our products or credit or refund the price of our products in the event that, amongst others, our products are defective or our products has infringed the intellectual property rights of third parties. In the event that we fail to repair or replace such products in a timely manner, our customers may do so on their own and we are required to reimburse our customers for the actual reasonable expenses incurred. Please refer to the sub-section headed "Quality control and assurance" in this section for our quality assurance procedures to ensure the quality of our products.

INTELLECTUAL PROPERTY

We recognise the importance of protecting and enforcing our intellectual property rights and rely on intellectual property laws and regulations and related registration procedures to protect our intellectual property rights.

As at the Latest Practicable Date, we had 7 registered patents and 7 patent applications in progress in the PRC. Please see the sub-section headed "Intellectual property rights" in Appendix VI to this prospectus.

The operation of our business involves mould design, development and production. Based on our past experience in mould design, development and production, we have possessed the required knowledge for mould making. During the research and development process, if we believe that we have invented a new technology or improved an existing technology in relation to the development of moulds and that such invention or improvement complies with the patent application requirements, then we will apply for the patent application with the relevant authority. It is, however, not a pre-requisite for us to obtain patents or rights to intellectual property in relation to the mould research, design and development for the purpose of operation and production.

Nevertheless, the total number of patents owned by a company is a key factor considered by relevant authorities for granting 高新技術企業認定證書 (High and New Technology Enterprise Certificate*). A company possessing the 高新技術企業認定證書 (High and New Technology Enterprise Certificate*) is entitled to tax benefits. Jiangsu Fine DNC has been granted 高新技術企業認定證書 (High and New Technology Enterprise Certificate*). Possessing such patents can also maintain our competitive advantages and lower our production costs.

We safeguard our intellectual property rights through the registration of our patents, and have included relevant protective provisions in some contracts with third parties. As at the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights and our Directors believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights to third parties.

OUR RAW MATERIALS AND CONSUMABLES

We procure raw materials and components for our products, such as electrolytic galvanized iron, galvalume, stainless steel and aluminum which are the main raw materials of our products. We mainly source these materials from Korea and China. To ensure a stable supply of raw materials, as at the Latest Practicable Date, we have around 47 suppliers. Currently, we have approximately 25, 9, 9 and 18 suppliers for the provision of electrolytic galvanized iron, galvalume, stainless steel and aluminium, respectively, some of which supply more than one type of raw material to us. Samsung and LG provide us with their requirements for raw materials and we select our suppliers on such basis. Our suppliers would supply raw materials to us according to the specifications we provided to them. We rely on a team of 50 individuals in Jiangsu Fine DNC and 13 individuals in FMS Guangzhou to obtain and manage our supply of raw materials and components for our products.

We generally do not enter into long-term agreements with our suppliers. We enjoy stable relationships with our major suppliers, most of them have had a business relationship with us for over three years or ever since the incorporation of our operating subsidiaries. We seek flexible but reliable suppliers who can meet changes in demand for materials whilst maintaining high standards of quality and specification conformity. During the Track Record Period, we did not experience any significant difficulties in sourcing our raw materials. Our five largest suppliers accounted for approximately 59.3%, 45.0% and 33.3% of our total purchases for each of the three years ended 31 December 2011, respectively. Our single largest supplier accounted for approximately 17.8%, 14.8% and 7.8% of our total purchases for each of those periods, respectively. None of our Directors or their associates or any Shareholder who owns more than 5% of our issued share capital has, to the best knowledge of our Directors, any interest in any of our top five suppliers for each of the three years ended 31 December 2011.

The table below shows a breakdown of the average unit cost of our main raw materials during the Track Record Period:

	For the year ended 31 December		
	2009	**2010**	**2011**
	Average unit cost per kg *(USD)* *(approx.)*	**Average unit cost per kg** *(USD)* *(approx.)*	**Average unit cost per kg** *(USD)* *(approx.)*
Electrolytic galvanized iron	0.88	1.02	1.10
Galvalume	0.80	1.02	1.15
Stainless steel	2.70	3.55	3.33
Aluminium	3.06	3.83	4.15

Most of our purchases of raw materials are denominated in USD. The main raw materials accounted for approximately 68.9%, 70.7% and 69.9% of our total cost of sales for the three years ended 31 December 2011, respectively. Our purchases from suppliers are generally made on credit. The credit terms of the purchases of our Group were generally 60 days or 90 days during the Track Record Period. The credit terms of the purchases of FMS Guangzhou generally ranged from 45 days to 60 days. The exact credit terms are dependent on the nature of raw materials or components purchased and the supplier concerned.

Due to stringent internal quality control requirements of our customers, we are required to obtain supplies from a list of suppliers approved by our ultimate customers. We currently maintain a multiple supplier policy for most of our supplies in an effort to avoid reliance on any single supplier and we typically have three suppliers for each type of major raw materials or components. We believe that the sources of supply of raw materials and components required for our production are abundant in Korea and in the PRC and in the event that any of our existing suppliers are no longer able or willing to supply to us at an attractive price, we will be able to identify suitable substitute suppliers in a timely manner.

Our procurement department reviews the procurement needs based on the sales forecast prepared by our sales and marketing department and the inventory level before placing order for raw materials. Although we normally maintain a level of stock based on anticipated production requirements which is sufficient to support us for four to eight days of production, we believe that we have been and are able to rely on the relationships with our suppliers to provide sufficient raw materials to meet our production needs. In order to enjoy more favourable purchase prices and ensure consistency in quality of supply, our Group constantly introduces new suppliers and closely monitors movements in the market price of our raw materials and adjust our stock level should we anticipate any significant fluctuation in price, or supply. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material production disruption due to shortages of supplies or price movement of raw materials.

Procurement from FMS Korea

In 2010, before the FMS Guangzhou Acquisition, FMS Guangzhou was still at the early stage of operation and the quantity of the raw materials needed was relatively small. Suppliers were generally unwilling to take up small amount of orders at a price, which FMS Guangzhou considered competitive. In that premises, FMS Korea centralized the procurement of the required raw materials for the orders from its customers and FMS Guangzhou's customers and sold raw materials to FMS Guangzhou. Since 2011, the production volume of FMS Guangzhou has been increasing. Accordingly, since February 2011, FMS Guangzhou has been sourcing raw materials through its internal procurement department. FMS Guangzhou, however, made an up-front payment of approximately USD3.5 million to FMS Korea for the procurement of raw materials before it started procuring raw material through its internal procurement department. Such amount covered the raw materials supplied by FMS Korea to FMS Guangzhou until December 2011. FMS Guangzhou did not make any payment to FMS Korea thereafter for procurement of raw materials. Our Directors believe that FMS Guangzhou is no longer required to procure raw materials from FMS Korea having regard to the existing procurement strategy of our Group, nor rely on the supply of raw materials from FMS Korea.

INVENTORY CONTROL

Our inventory mainly comprises raw materials, components, work in progress and finished goods. The inventory level of raw materials is closely monitored through our manufacturing execution system (MES) complemented with continuous consumption record and physical stock-take, thereby reducing the risk of excessive stock or under stock. We retrieve our inventory on a first-in-first-out principle and proper approvals are required for inventory retrievals. We also conduct stock takes once a week.

Owing to the above measures and close coordination between various departments, our inventory turnover is well managed. For each of the three years ended 31 December 2011, our inventories, comprising raw materials, components, work in progress and finished goods, amounted to approximately RMB40.5 million, RMB43.0 million and RMB92.7 million, respectively. During the Track Record Period, the average inventory turnover days of our Group were approximately 27, 21 and 19 days, respectively.

INFORMATION SYSTEMS

We consider that an efficient enterprise resource planning system is critical to the maintenance of an efficient operation. Our manufacturing execution system (MES) at our Wuxi Production Bases integrates the functions of sales and marketing, supply chain management, quality control, production, research and development and financial management. This system allows smooth and timely information flow between our different departments and our various locations to enhance management efficiency. The manufacturing execution system (MES) employed by us monitors, manages and controls the deployment of the factors of production in the relevant factory, such as labour, raw materials, machinery in order to improve the efficiency of the maunfaturing process, prevent errors in production and to resolve different problems in the production process in a timely fashion, resulting in the reduction of production costs and defective products.

STAFF

As at the Latest Practicable Date, we had approximately 2,572 full-time employees and personnel hired through employment agencies. The following table shows the breakdown of our full-time employees and personnel hired through agencies by function as at the Latest Practicable Date:

Function	Approximate number of our employees	Approximate number of personnel hired through agencies	Approximate total number of our employees and personnel hired through agencies	Approximate percentage of total number of employees and personnel hired through agencies
Production	185	1,576	1,761	68%
Quality control	134	66	200	8%
Moulds design and production	192	3	195	8%
Sales and marketing	64	87	151	6%
Management and human resources	77	1	78	3%
Logistics	40	75	115	4%
Production technologies	54	5	59	2%
Investment planning	13	—	13	1%
TOTAL	759	1,813	2,572	100%

As at the Latest Practicable Date, approximately 30% of our total number of employees and personnel hired through employment agencies engaged by us have signed direct employment contracts with us. The remaining 70% of our total number of employees and personnel hired through employment agencies engaged by us have entered into a separate employment agreement with the relevant agencies and we, in turn, have entered into separate back-to-back agreements with the employment agencies. Such personnel are hired through three employment agencies to avoid reliance on a single employment agencies. As our business has grown significantly, there has been an increasing demand for employees. Our Directors consider that we can minimize administrative costs in human resources by hiring personnel through employment agencies. The employment agencies can also ease our administrative burden by centralising payment of salaries, allowances and social insurance to personnel hired through employment agencies. According to the back-to-back agreements entered into between our Group and the employment agencies and the separate employment agreements entered into between the personnel hired through employment agencies engaged by us and the employment agencies, the employment agencies pay salaries to the employee directly and provide benefits and contributions to the relevant funds in accordance with the relevant laws and regulations in the PRC, whereas we do not pay salaries to such personnel directly. Our PRC Legal Advisers advised that the employment agencies engaged by us paid salaries to the personnel who are hired through such agencies and provided all benefits and full contributions to the relevant funds which are made in accordance with the relevant laws and regulations in the PRC.

Our PRC Legal Advisers confirmed that the entering into of the back-to-back agreements with employment agencies by Jiangsu Fine DNC and FMS Guangzhou do not contravene the relevant labour laws, rules and regulations of the PRC, including, without limitation, 中華人民共和國勞動法 (PRC Labour Law) and 中華人民共和國勞動合同法 (PRC Labour Contract Law). Since relevant labour laws, rules and regulations of the PRC do not specify the circumstances that could be deemed to constitute a circumvention of laws, our PRC Legal Advisers confirmed that such back-to-back agreements are legitimate and could not be deemed to constitute a circumvention of laws.

As advised by our PRC Legal Advisers, the personnel hired through employment agencies will not be able to sue us and we will not be held liable for any breach by the employment agencies for the employment agreements entered into by the employment agencies engaged by us with the personnel hired through such employment agencies. A claim may, however, be brought against us by the employment agencies under the terms of the back-to-back agreements entered into between the employment agencies and us. Our PRC Legal Advisers also confirmed that we have provided all benefits and made full contributions to the relevant funds in accordance with the relevant laws and regulations in the PRC for employees who are employed directly by us. There had been no major disputes between our Group and our employees directly employed by us or personnel hired by us through employment agencies during the Track Record Period.

All of our employees and personnel hired through employment agencies engaged by us are paid a fixed salary and a bonus depending on performance. Our employees may also be granted other allowances based on their positions. We regularly review compensation and benefits policies to ensure that our practices are in line with market norms and relevant labour regulations. For each operating unit, different and specific performance evaluation is used. Incentives and bonuses of employees and personnel hired through employment agencies engaged by us are calculated based on the evaluation results of their position, year of service as well as on individual performance.

Our PRC Legal Advisers confirmed that salaries paid to our employees and personnel hired through the employment agencies engaged by us comply with the local statutory minimum wage requirement.

There was an increase in the local statutory minimum wage of Wuxi of the PRC by 18.8% from RMB960 to RMB1,140 per month since February 2011. The financial impact of such increase on our Group for the year ended 31 December 2011 amounted to approximately RMB8.7 million.

The agency fee paid by our Group to employment agencies engaged by us during the Track Record Period was approximately RMB424,000, RMB645,000 and RMB1,079,000, respectively. The agency fee paid by FMS Guangzhou to employment agencies engaged by us for the two years ended 31 December 2011 was approximately RMB33,000 and RMB213,000, respectively.

We provide regular training to our employees and personnel hired through employment agencies engaged by us to keep them up-to-date with the latest developments in the metallic components of display panels manufacturing industry which relate to our products and production process as well as the products we sell or promote. We also teach our sales teams techniques to generate increased demand for our products.

In accordance with applicable PRC regulations on social insurance, we participate in a pension contribution plan, a medical insurance plan, an unemployment insurance plan and a housing fund for our employees and personnel hired through employment agencies engaged by us as required by the local government. We have complied with all statutory social insurance and housing fund obligations applicable to us under PRC laws in all material aspects.

We maintained good working relationships with our employees and personnel hired through employment agencies engaged by us during the Track Record Period. We believe that our management policies, working environment, staff development opportunities and benefits have contributed to building good employee relations and retention of our employees and personnel hired through employment agencies engaged by us. As at the Latest Practicable Date, we had not experienced any labour shortage, strikes or any labour disputes with our employees which have had a material effect on our business.

OCCUPATIONAL HEALTH AND SAFETY

We are subject to 中華人民共和國安全生產法 (Production Safety Law of the PRC), 中華人民共和國勞動法 (PRC Labour Law) and other relevant laws, administrative regulations, national standards and industrial standards which stipulate requirements to maintain safe production conditions and to protect the occupational health of employees. Pursuant to these requirements, any entity that is not sufficiently facilitated or equipped to ensure safe production may not engage in production and business operation activities. Entities operating in the PRC must provide production safety education and training programmes, as well as a safe working environment to employees. The design, manufacture, installation, use, checking and maintenance of production facilities and equipments are required to conform to applicable national or industrial standards.

We have implemented safety measures at our production facilities to ensure compliance with applicable regulatory requirements and to minimize the risk of injury of employees. We conduct periodic inspections of operating facilities to ensure that our production operations are in compliance with existing laws and regulations. We also require safety performance reports to be submitted on a regular basis and conduct regular training sessions for employees at our production facilities on accident prevention and management. Furthermore, we require new employees to receive tertiary work safety training and personnel operating specialised equipment must possess necessary certifications required by the relevant laws and regulations. We have installed safety devices such as safety interlocks and distributed personal protective equipment to our employees such as protective gloves. We have also established strict rules and guidelines for work safety and occupational health safety and a sound safety management system to ensure clear-cut responsibility and distinct function for our daily operation including training, supervision, examination, assessment and accidents management.

On 18 June 2011, an industrial accident occurred at our First Wuxi Production Base where an employee of Jiangsu Fine DNC died after being caught in a machine when he was fixing the malfunctioned machinery which started to operate suddenly. An administrative fine of RMB110,000 was levied on Jiangsu Fine DNC by 無錫市安全生產監督管理局 (Wuxi Administration of Work Safety*) and RMB20,000 was levied on Mr. Park Ilmo, the principal responsible officer of Jiangsu Fine DNC. 無錫市安全生產監督管理局 (Wuxi Administration of Work Safety*) issued a confirmation dated 10 November 2011 confirming that all the aforesaid administrative fines have been fully paid and that it would not levy any other administrative penalty or further punishment in respect of this accident and that the case relating to this accident has been closed. As advised by our PRC Legal Advisers, 無錫安全生產監督管理局 (Wuxi Administration of Work Safety*) is the competent body which has the authority to penalize Jiangsu Fine DNC or its directors or senior management in relation to this accident. Jiangsu Fine DNC has also reached a settlement of compensation with the victim's family after the accident. We have taken steps to prevent future accidents from occurring, such as re-designing our training system to provide comprehensive and ongoing work safety and machinery operation training to our staff and enhancing employee protection by installing more sensors on the protection doors of our machinery which would automatically stop the machine from operation when intrusion into the working area of the machine is detected. As advised by our PRC Legal Advisers, as at the Latest Practicable Date, there is no outstanding administrative proceeding against Jiangsu Fine DNC or its directors or its legal representative or senior management in relation to this accident.

The administrative fine of RMB20,000 levied on Mr. Park Ilmo does not affect the suitability of Mr. Park Ilmo being a director of our Company as (i) the industrial accident is an isolated accident, which did not involve fradualent act; (ii) the industrial accident does not raise serious concern on the integrity of Mr. Park Ilmo; (iii) Jiangsu Fine DNC has taken appropriate measures to avoid recurrence; and (iv) Mr. Park Ilmo has been particpating in the day-to-day management of Jiangsu Fine DNC since 2005 and it will be in the interest of Shareholders to have a person with such experience to be the Director.

During the Track Record Period and as at the Latest Practicable Date, save for the accident disclosed above, we have not experienced any material or prolonged stoppages of production due to equipment failure and we have not experienced any major accidents during our production process. As at the Latest Practicable Date, our production facilities complied with all applicable laws, regulations and standards.

ENVIRONMENTAL MATTERS

The main pollutants of our production sites are solid waste produced during our production process. We sell the scrap materials produced during our production process to scrap collecting companies which could also reduce our costs in solid waste treatment. We have passed regular environmental inspection by PRC government officials. Since 2004, Jiangsu Fine DNC has implemented environemental protection guidelines under ISO 14001 which specify requirements for establishing an environmental policy, determining environmental aspects and impact of products and services, planning environmental objectives and measureable targets, implementation and operation of programmes to meet objectives and targets, provision of checking and corrective action, and management review.

Our Group has complied with all PRC environmental regulations during the Track Record Period and as at the Latest Practicable Date.

For each of the three years ended 31 December 2011, our expenditure in respect of compliance with applicable environmental protection requirements amounted to approximately RMB20,000, RMB51,000 and RMB53,000, respectively. Our expenditure spent on environmental protection has been lowered by our successful implementation of sale of scrap materials created during our production process to Independent Third Parties.

INSURANCE

We maintain insurance policies which cover losses or damages in respect of our buildings, machinery, equipment and inventories. We do not maintain any product liability insurance as it is neither required by PRC laws nor our Group's customers and our Directors consider this is in line with the general industry practice. Our Directors believe that our Group can effectively manage our product liability risks through stringent quality control systems. During the Track Record Period and as at the Latest Practicable Date, our Group had not received any material claims from third parties or material business interruption in relation to the use of our products. Our Directors consider that our Group has sufficient insurance coverage for our assets.

COMPETITION

We are a manufacturer of metallic components of display panels for use in consumer electronics products. In recent years, the metallic components of display panels industry has experienced significant growth due to the continuing trend of consumer electronics products manufacturers to outsource their manufacturing requirements to electronics components manufacturers in the PRC.

Although the industry has high entry barriers such as capital requirements and, individually invented production technology protected by patent and market recognition, the competition among existing market players is keen in terms of quality, pricing, product performance, reliability and timeliness of delivery, product development capability, customer service and overall management. Due to the aforementioned high entry barriers, there are only a few market players engaged in the production of metallic components for display panels in the PRC. To the best knowledge of our Directors, and as at the Latest Practicable Date, there were about 5 metallic components manufacturers in the PRC designated by Samsung, providing metallic components of display panels similar to our Group to Samsung.

Our Directors consider that the metallic components of display panels industry is competitive and is characterised by price erosion, technological change and product obsolescence. Our Group is a domestic manufacturer supplying metallic components to Samsung (including Samsung Korea and Samsung HK), LG and the BLU manufacturers of Samsung and LG in the PRC. To the best knowledge of our Directors and as at the Latest Practicable Date, there were about 13 and 3 BLU manufacturers in the PRC, designated by Samsung and LG, respectively. As a domestic manufacturer, our Group faces direct competition from other local players. We understand that as at the Latest Practicable Date, there were about 4 and 6 metallic components manufacturers in the PRC designated by each of Samsung and LG, providing metallic components of display panels similar to our Group to Samsung and LG in the PRC, respectively. Each of Samsung and LG has several metallic components manufacturers in the PRC to reduce the risk of any business disruption and they select their respective metallic components manufacturers based on the criteria set out in the paragraph headed "Customer certification" of this section. Such other metallic components manufacturers in the PRC designated by each of Samsung and LG providing metallic components of display panels similar to our Group obtain direct orders from Samsung and LG and their respective BLU manufacturers and are in direct competition with us. We believe that we compete with these other metallic components manufacturers for orders from Samsung and LG and their respective BLU manufacturers predominantly based on the level of our technology, our production capacity and the quality of our products.

Our strong competitiveness in the PRC market can be demonstrated by the various awards we received from Samsung and LG, including 2009年協力社發展革新競賽銀獎 (Silver Award in Cooperative Companies' Innovatove Development Competition of 2009*) and the 優秀協力社 (Best Co-operative Company Award*) granted by Samsung China in December 2010. However, our competitiveness had been hindered during the Track Record Period due to our lack of excess production capacity to take up additional orders from our customers, especially for producing metallic components of display panels for use in LCD (including LED) TVs which leads to lack of flexibility to respond proactively to our customers' changing demands. Our Second Wuxi Production Base, which commenced trial production in September 2011 and could install 21 production lines mainly for the production of metallic components of display panels for use in LCD (including LED) TVs, could strengthen our competitiveness among other market players. We believe that we are well-positioned to compete in the PRC and that our strengths distinguish us from our competitors. Please refer to the sub-section headed "Competitive Strengths" of this section for further discussion of our competitive strengths.

COMPLIANCE WITH APPLICABLE LAWS

As at the Latest Practicable Date, each member of our Group has obtained the requisite governmental licenses, permits and certification which are necessary for its business, and complies in all material aspects with all applicable laws and regulations in the jurisdiction where it operates.

Customs duties declaration errors

During the period from 21 March 2008 to 30 December 2008, Jiangsu Fine DNC sold scrap materials, which was worth approximately RMB 4,051,351, to two non-processing and trading companies in the PRC. Such scrap materials were the leftover materials from the production of metallic components by using galvanized steel plates and aluminum coated steel plates (the "**Plates**"). The Plates are regarded as bonded goods (保稅產品), which are goods imported from overseas and no customs duty is required to be paid on such goods so long as they are re-exported after going through the production or assembly process in the PRC. The Plates are not permitted to be sold to companies in the PRC, which are not processing and trading enterprises, unless filing has been made with, and customs duty has been paid to, the customs authority in the PRC. As production activities of Jiangsu Fine DNC commenced immediately upon receipt of such raw materials, scrap materials were produced. Due to the large volume of the scrap materials, limited warehousing space and that time was needed to file and pay the applicable customs tax for the import of such scrap materials, Jiangsu Fine DNC only filed and paid the required customs tax approximately once every three months and some scrap materials were sold before proper filing and payment with the customs authority were completed. As declaration with customs authority are procedural responsibilities that are undertaken by staff at the operational level, our Directors were only first made aware of the errors upon the inspection by the customs authority in Wuxi.

A fine of RMB250,000 was imposed on Jiangsu Fine DNC by the customs authority in Wuxi in July 2011. The fine has been fully paid and our PRC Legal Advisers are of the view that Jiangsu Fine

DNC will not be subject to any further penalty by the Wuxi customs department in respect of this matter. Further, we confirm that, up to the Latest Practicable Date, Jiangsu Fine DNC was not subject to any outstanding investigation regarding any breach of customs rules or regulations on the administration of imports and exports.

Jiangsu Fine DNC implemented the following internal control measures to address the customs duties payment errors so as to ensure completion of the proper filing and payment procedures with the customs authorities before the sale of scrap materials: (a) increased the number of employees responsible for making the relevant filings and payment of the applicable customs tax from 5 persons to 13 persons; (b) requiring the volume of each batch of scrap materials to be confirmed by both the production and warehousing departments; (c) requiring the records of scrap materials to be updated on a daily basis; (d) purchased a compressor to compress the larger scrap materials and re-allocated extra warehousing space to address the limited warehousing space issue; (e) making relevant filings with the customs authorities based on the records provided by the warehouse departments; and (f) only sell scrap materials in accordance with the records filed with the customs authorities. It normally takes a week from making the filing application with the customs authorities until the relevant customs tax is paid. Jiangsu Fine DNC has been making the filing application with customs authority on a monthly basis.

The PRC Legal Advisers advised that Jiangsu Fine DNC had not been downgraded to Class B under the Customs Classified Management although it had received a determination letter for administrative penalty (行政處罰決定書) issued by the customs authority in Wuxi dated 5 July 2011. The PRC Legal Advisers further advised that pursuant to the common practice of the customs authority, if a company is to be downgraded, the customs authority shall issue a determination letter relating to the change of the enterprise classification category (企業類別調整決定書). As at the Latest Practicable Date, Jiangsu Fine DNC has not received such a determination letter. Nevertheless, we cannot ascertain whether Jiangsu Fine DNC would be downgraded in the future. Since only one type of imported raw material of Jiangsu Fine DNC falls within the restricted category, our Directors are of the view that even if Jiangsu Fine DNC is downgraded to Class B, which would require Jiangsu Fine DNC to pay 50% of the customs duties and value added tax as deposit for importing the restricted material, which is expected to be approximately RMB3.92 million per year, that there will not be any material adverse impact on the financial position of our Group.

Our Directors confirm that, save for the aforesaid, Jiangsu Fine DNC has not committed any other breach or error in relation to customs duties payment during the Track Record Period.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, there have been no legal or arbitration proceedings, pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

DIRECTORS

The Board currently consists of six Directors, comprising three executive Directors, three independent non-executive Directors. The following table below shows certain information in respect of the members of the Board.

Name	Age	Position in our Group	Date of appointment
Hong Sung Chun (洪性天)	52	executive Director and Chairman	2 June 2011
Park Ilmo (朴日模)	52	executive Director	4 February 2012
Kang Hosuk (姜澔錫)	42	executive Director	2 June 2011
Yum Kyu Ok (廉圭玉)	40	independent non-executive Director	4 February 2012
Zhao Zengyao (趙增耀)	49	independent non-executive Director	4 February 2012
Lu Faming (陸發明)	39	independent non-executive Director	4 February 2012

Executive Directors

Hong Sung Chun (洪性天), aged 52, is an executive Director and Chairman of the Company. He is the founder of our Group and joined our Group in 2002. He is also the legal representative of each of Jiangsu Fine DNC and FMS Guangzhou. As at the Latest Practicable Date, Mr. Hong and his associates were interested in 34.04% in Fine Technix and 21.73% in Fine DNC Korea, which in turn is interested in 51% and 49% of the issued share capital of our Controlling Shareholder, Infinity, respectively. He was appointed to the Board on 2 June 2011. He has over 19 years of experience in business management, operation and strategic planning and is primarily responsible for reviewing and implementing our Group's overall development strategy. Prior to joining our Group, Mr. Hong has been the chief executive officer and a director of Fine DNC Korea, which is listed on the Korea Exchange, since 1992. He was also the research engineer of Pyeongtaek Factory of LG Electronics Inc. (currently a listed company on the Korea Exchange with Kospi stock code 066570) from 1984 to 1988. Mr. Hong graduated from the Graduate School of Business Administration of Yonsei University (延世大學) with a master's degree in business administration in 2004 and SungKyunKwan University (成均館大學) with a bachelor's degree in mechanical engineering in 1984. Save as disclosed, Mr. Hong does not hold any directorships in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years preceding the date of this prospectus.

Park Ilmo (朴日模), aged 52, is an executive Director of the Company and the general manager of Jiangsu Fine DNC. He joined our Group in 2005 and was appointed to the Board on 4 February 2012. Mr. Park has over 19 years of experience in mechanical design, and manufacture engineering. Prior to joining our Group, he was a senior manager of LG Electronics Inc. (a listed company on the Korea Exchange with Kospi stock code 066570) from 1979 to 2005 and worked in the Department of AV Production Support as a Senior Manager. He was appointed as a Chairman of China Wuxi Korea Chamber (在中無錫韓國商工會(韓人會)) in 2011 and a Chairman of the standing committee of Wuxi South Korea Schools Foundation (無錫韓國學校財團理事會) in 2010. Mr. Park graduated from FuDan

University (復旦大學) with an advanced course of business management in 2009 and Chung-Ang University (韓國中央大學) with a bachelor's degree in engineering in 1987. Mr. Park does not hold any directorships in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years preceding the date of this prospectus.

Kang Hosuk (姜澔錫), aged 42, is an executive Director, chief financial officer and one of our joint company secretaries of the Company. He was appointed as a Director to the Board on 2 June 2011 and as one of the joint company secretaries of our Company on 4 February 2012. Mr. Kang has over 15 years of experience in accounting, financial analysis, management planning and re-structuring. Prior to joining our Group, he was a general manager of planning department of Fine DNC Korea from 2005 to 2008 and is one of the general managers of planning department of Fine Technix since 2009. Mr. Kang was an assistant of Information OBU Management Support Team of LG Electronics Inc. (a listed company on the Korea Exchange with Kospi stock code 066570) from 1997 to 1999 responsible for managerial accounting, financial analysis and planning. From 1995 to 1997, Mr. Kang was an associate of LPG Business Supporting Team in LPG Business Planning Group of SK Innovation Co., Ltd. (a listed company on the Korea Exchange with Kospi stock code 096770). Mr. Kang graduated from Yonsei University (延世大學) with a bachelor's degree in arts majoring in economics in 1995. He is a certified financial manager and certified management accountant of the Institute of Certified Management Accountants of the United States. Mr. Kang does not hold any directorships in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years preceding the date of this prospectus.

Independent non-executive Directors

Yum Kyu Ok (廉圭玉), aged 40, was appointed as an independent non-executive Director on 4 February 2012. Mr. Yum has over 14 years of experience in auditing and accounting. Mr. Yum has been a partner in DoOne Accounting Corporation in Korea since 2000 participated in IFRS auditing and the provision of valuation services, IFRS system and deal advisory services. From 1995 to 1999, he served as a senior CPA in KPMG SamJong Accounting Corporation in Korea and participated in IFRS and US-GAAP Audit and deal advisory service. Mr. Yum obtained a bachelor's degree in business administration from Korea University in 1996. He further obtained a master's degree and a doctorate degree in business administration (Accounting) from the Graduate School of Korea University in 2002 and 2007 respectively. Mr. Yum does not hold any directorships in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years preceding the date of this prospectus.

Zhao Zengyao (趙增耀), aged 49, was appointed as an independent non-executive Director on 4 February 2012. Mr. Zhao has over 8 years of experience in economics. Mr. Zhao studied at Northwest University (西北大學), PRC from 1981 to 1985 and graduated with a bachelor's degree in economics. He also studied at Northwest University (西北大學), PRC from 1987 to 1990 and graduated with a master's degree in economics in 1990. He was employed by Northwest University (西北大學), PRC for the period from 1990 to 1995 as a lecturer and later an associate professor. Mr. Zhao was admitted to the doctoral degree program as an exchange student at the Faculty of Economics of Doshisha University Graduate School, Japan in 1996 and was under the supervision of a professor at the same university in the academic years of 1996, 1997 and 1998 and later graduated from Northwest

University (西北大學), PRC with a doctoral degree in economics in 1999. During the period from 2000 to 2003, Mr. Zhao conducted post doctorate research relating to management science and engineering at Xi'an Jiaotong University (西安交通大學). He obtained the qualification of professor from Northwest University (西北大學), PRC in 2000 and was appointed as a supervisor for doctoral candidate in 2002. He has been a professor at Soochow University (蘇州大學), PRC since June 2003. Since 2010, he has been a director of Suzhou Gold Mantis Construction Decoration Co., Ltd. (蘇州金螳螂建築裝飾股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 2081). He was awarded with the Science and Technology Prize of Shaanxi Province from the local government of Shaanxi Province in 2008 and the level three award of the 11th Philosophy and Social Science excellent performance award by the local government of Jiangsu Province in 2001. Save as disclosed, Mr. Zhao does not hold any directorships in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years preceding the date of this prospectus.

Lu Faming (陸發明), aged 39, was appointed as an independent non-executive Director on 4 February 2012. Mr. Lu has over 8 years of experience in law. He has been a practising lawyer of Jiangsu Shangtao Law Firm (江蘇尚韜律師事務所) since 2007. He was a practising lawyer of Jiangsu Zhuhui Law Firm (江蘇竹輝律師事務所) from 2003 to 2007. From 1997 to 2000, he was a teacher in Changzhou Institute of Technology (常州工學院). Mr. Lu graduated from Soochow University (蘇州大學), PRC with a master's degree in laws in 2003, and Jilin University (吉林大學) with a bachelor's degree in philosophy in 1997. He obtained the qualification of lawyers in the PRC in 1999. Mr. Lu does not hold any directorships in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years preceding the date of this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of the Directors having made all reasonable enquires, there was no other information relating to our Directors which needs to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date and there are no matters which need to be brought to the attention of the Shareholders in connection with their appointments.

SENIOR MANAGEMENT

Koh Jae Choon (高在春), aged 53, is the Director of Jiangsu Fine DNC and joined Jiangsu Fine DNC in August 2008. He is responsible for management. Mr. Koh has over 19 years of experience in research and development and management. Prior to joining our Group, Mr. Koh served as a manager of R&D Team II of inkel Corporation from January 1988 to January 1994 and was responsible for management and research. Mr. Koh also served as a research engineer at the center research lab and a senior research engineer at the image media department from May 1979 to November 1986 and from December 1993 to July 1995 in LG Electronics Inc. respectively and was responsible for research. He obtained a bachelor's degree in engineering, majoring in mechanical engineering from Inha University (仁荷大學校) in 1987.

Shen Sujun (沈素君), aged 46, is the financial manager of Jiangsu Fine DNC and joined Jiangsu Fine DNC in March 2003. She is responsible for financial management. Ms. Shen joined our Group in 2003 and has over 7 years of experience in financial management. She acquired the qualification as a medium level accountant from the Ministry of Finance of the PRC in 2005. She obtained a diploma in auditing from Jiangsu Radio and TV University (江蘇廣播電視大學) in 1990.

Son Suk Man (孫石萬), aged 53, is the president of FMS Guangzhou and joined FMS Guangzhou in May 2011. He is responsible for management. Mr. Son has over 24 years of experience in management. Prior to joining our Group, Mr. Son was the head of department of process innovation team in Starrion Co., Ltd. responsible for general management from December 1986 to May 2011. Mr. Son obtained an associate degree in industry from the Department of Electricity of Busan College of Information Technology (釜山情報大學) in 1980.

Jung Won Mo (鄭元模), aged 39, is the general manager of FMS Guangzhou and joined FMS Guangzhou in October 2009. He is responsible for management. Mr. Jung has over 4 years of experience in finance and management. Prior to joining our Group, Mr. Jung was a general manager of FMS Korea from August 2009 to June 2010. He served as a manager of Sungwon Furniture Co., Ltd. responsible for management from 2006 to 2009. From 2002 to 2006, Mr. Jung was employed by LIG Insurance Company (LIG損害保險株式會社).

JOINT COMPANY SECRETARIES

Mr. Kang Hosuk is one of our joint company secretaries. Please refer to his biographical details in the sub-section headed "Executive Directors" above.

Ms. Mok Ming Wai, aged 41, was appointed as one of our joint company secretaries on 4 February 2012. She has over 15 years of professional and in-house experience in the company's secretarial field. Ms. Mok is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Mok worked in the Corporate Services Division of KPMG Hong Kong from August 1994 to April 2002. She subsequently worked for various commercial and professional organizations during the period from April 2002 to March 2008. Ms. Mok acted as the company secretary for a group from March 2008 to December 2010 which has two listed companies, namely HKC (Holdings) Limited (stock code: 00190) and Hong Kong Energy (Holdings) Limited (now known as China Renewable Energy Investment Limited) (stock code: 00987). Ms. Mok is currently an Associate Director of KCS Hong Kong Limited which provides corporate secretarial services to listed and private clients in Hong Kong. She currently acts as the joint company secretary of Shanghai Pharmaceuticals Holding Co., Ltd. (stock code: 02607), Huaneng Renewables Corporation Limited (stock code: 00958), China Hanking Holdings Limited (stock code: 03788), New China Life Insurance Company Ltd (stock code: 1336), Haitong Securities Co., Ltd. (stock code: 06837) and Huadian Fuxin Energy Corporation Limited (stock code: 00816), and also acts as the sole company secretary of C.banner International Holdings Limited (formerly known as Hongguo International Holdings Limited) (stock code: 01028), Tenfu (Cayman) Holdings Company Limited (stock code: 06868), SPT Energy Group Inc. (stock code: 01251) and Kai Shi China Holdings Company Limited (stock code: 01281).

CORPORATE GOVERNANCE

We will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

(a) our independent non-executive Directors will review on an annual basis the compliance with the non-competition undertaking by the covenantors under the deed of non-competition;

(b) our independent non-executive Directors undertake to review the first right of refusal given by the covenantors over any new activities or business opportunity which may, directly or indirectly, compete with the Restricted Business and decide whether to exercise such right;

(c) if any such new activities or business opportunity under the first right of refusal is accepted or rejected, our Company will disclose the background of such business opportunity and basis of our acceptance or rejection in our interim report and annual report, and by way of public announcement;

(d) the covenantors undertake to provide to us all information necessary for the annual review by our independent non-executive Directors and the enforcement of the deed of non-competition including the first right of refusal;

(e) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the non-competition undertaking of the covenantors under the deed of non-competition in our annual report; and

(f) the covenantors will make an annual statement on compliance with their undertaking under the deed of non-competition in our annual report.

AUDIT COMMITTEE

An audit committee was established by the Company on 4 February 2012 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and approve our Group's financial reporting process and internal control system. The members of the audit committee are Yum Kyu Ok, Zhao Zengyao and Lu Faming, all being independent non-executive Directors. Yum Kyu Ok is the chairman of the audit committee.

REMUNERATION COMMITTEE

A remuneration committee was established by the Company on 4 February 2012 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of our Group. The members of the remuneration committee are Mr. Hong, Yum Kyu Ok and Zhao Zengyao. Yum Kyu Ok is the chairman of the remuneration committee.

NOMINATION COMMITTEE

A nomination committee was established by the Company on 4 February 2012 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and the management of the Board succession. The members of the nomination committee are Mr. Hong, Yum Kyu Ok and Lu Faming. Mr. Hong is the chairman of the nomination committee.

DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

The remuneration received by Directors (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind) for the three years ended 31 December 2011 was approximately RMB1.5 million, RMB1.5 million and RMB1.7 million, respectively.

The aggregate amount of fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind paid to the five highest paid individuals of our Group, excluding two Directors who constitute two of the five highest paid individuals of our Company, for the three years ended 31 December 2011 were approximately RMB1.4 million, RMB1.7 million and RMB2.0 million, respectively.

Our Group has not paid any remuneration to the Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the three years ended 31 December 2011. Further, none of the Directors had waived any remuneration during the same period.

Except as disclosed above, no other payments have been paid or are payable, in respect of the three years ended 31 December 2011, by our Group to the Directors.

EMPLOYEES

As at the Latest Practicable Date, our Group had 2,572 employees. The table below set forth the number of our Group's employees by their functions.

Function	Approximate number of employees	Approximate percentage of total
Production	1,761	68%
Quality control	200	8%
Moulds design and production	195	8%
Sales and marketing	151	6%
Management and human resources	78	3%
Logistics	115	4%
Production technologies	59	2%
Investment planning	13	1%
TOTAL	2,572	100%

The Directors are of the view that our Group has maintained a good relationship with its staff. Our Group has not, in the past, experienced any disruption of its operations due to labour disputes.

EMPLOYEES' BENEFITS PROVIDED BY OUR GROUP

Our Group complies in all material aspects with all statutory requirements on retirement contribution in the jurisdictions where our Group operates.

Our Group has established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by our Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government.

SHARE OPTION SCHEME

Our Company has conditionally adopted a Share Option Scheme pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to our Group and any entity in which any member of our Group holds any equity interest. Our Directors believe that the implementation of the Share Option Scheme will enable our Group to recruit and retain high calibre executives and employees. The principal terms of the Share Option Scheme are summarised under the section headed "Share Option Scheme" in Appendix VI to this prospectus.

COMPLIANCE ADVISER

The Company intends to appoint China Everbright Capital as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) if our Company proposes to use the proceeds of the New Issue in a manner different from that detailed in this prospectus or if the Company's business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(iv) if the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules regarding unusual movements in the price or trading volume of the Shares.

In addition, the compliance adviser will also provide, inter alia, the following services to us:

(i) if required by the Stock Exchange, deal with the Stock Exchange in respect of any or all matters listed in paragraphs (i) to (iv) above;

(ii) in relation to an application by us for a waiver from any of the requirements in Chapter 14A of the Listing Rules, advise us on the Company's obligations and in particular the requirement to appoint an independent financial adviser; and

(iii) assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a director of our Company, and, to the extent the compliance adviser forms an opinion that the new appointees' understanding is inadequate, discuss the inadequacies with the Board and make recommendations to the Board regarding appropriate remedial steps, such as training.

The term of the appointment shall commence on the Listing Date and end on the date on which the Company distributes its annual report in respect of its financial results for the Company's first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

In addition, after the Listing Date, the Company will retain legal advisers to advise on ongoing compliance and Listing Rules issues and other applicable laws and regulations in Hong Kong.

CONTROLLING SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the following are our Controlling Shareholders:-

Name	Capacity	Number of Shares held immediately after the Global Offering and the Capitalisation Issue	Approximate percentage of shareholding immediately after the Global Offering and the Capitalisation Issue
Infinity *(Note 1)*	Beneficial owner	600,202,500	60.02%
Fine DNC Korea *(Note 1)*	Interest of a controlled corporation	600,202,500	60.02%
Fine Technix *(Note 1)*	Interest of a controlled corporation	600,202,500	60.02%
Mr. Hong *(Notes 1 and 2)*	Interest of a controlled corporation	631,005,000	63.10%

Note:

1. Infinity is a company incorporated in Hong Kong and is owned as to 49% by Fine DNC Korea and 51% by Fine Technix. As at the Latest Practicable Date, Mr. Hong was interested in approximately 21.71% in Fine DNC Korea and approximately 34.02% in Fine Technix. Mr. Hong's brother, Mr. Hong Sung So, is interested in approximately 0.02% and 0.02% of the issued share capital of Fine DNC Korea and Fine Technix, respectively. Mr. Hong is the sole director of Infinity.

2. As at the Latest Practicable Date, Mr. Hong, Mr. Hong's wife, Cho Myeung Sook and Mr. Hong's Son, Hong Joo Kee were interested in 50%, 25% and 25% of the issued share capital of Winward Investments Limited, respectively, which in turn, was interested in 100% of the issued share capital of China Bay.

NON-DISPOSAL UNDERTAKINGS GIVEN BY OUR CONTROLLING SHAREHOLDERS

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has, irrevocably and unconditionally, undertaken with our Company and the Stock Exchange that each of them shall not and shall procure that the relevant registered holder(s) controlled by our Controlling Shareholders shall not:

(a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of, any of our Shares in respect of which it/he is shown by this prospectus to be the beneficial owner(s); and

(b) in the period of six months commencing on the date on which the First Six-Month Period expires, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances (save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of, any of our Shares in respect of which it/he is shown by this prospectus to be the beneficial owner(s) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be the Controlling Shareholders of our Company, i.e. they cease to control 30% or more of the voting power at general meetings of our Company.

Further, each of our Controlling Shareholders has, irrevocably and unconditionally, undertaken with our Company and the Stock Exchange that within a period commencing from the Listing Date and ending on the date on which is the first anniversary of the Listing Date, he or it shall:

(a) when any of our Controlling Shareholders pledges or charges any securities of our Company beneficially owned by him or it in favour of an authorised institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and

(b) when any of our Controlling Shareholders receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities of our Company shall be disposed of, immediately inform our Company in writing of such indications.

OUR SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), except for our Controlling Shareholders, our Company has no other Substantial Shareholders.

Further information on the interests of our Substantial Shareholders is set forth in the section headed "Disclosure of Interests" in Appendix VI to this prospectus.

OVERVIEW

Immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account of the Shares to be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), our Controlling Shareholders will be entitled to exercise or control the exercise of approximately 60.02% of the issued share capital of the Company.

We are principally engaged in (i) the manufacture of metallic components of display panels for use in consumer electronics products, including LCD (including LED) TVs, monitors, mobile PCs and mobile phones in the PRC and (ii) the sales, supply, provision, distribution and delivery of such products in the PRC. Our Controlling Shareholders, in particular, Fine DNC Korea and Fine Technix, which are listed on the Korea Exchange, and being members of the Fine Group, together with FMS Korea, carried on business similar to our core business. The following details (i) the delineation of our Group's business and the business of the Fine Group and FMS Korea and (ii) the reasons for not including the business of the Fine Group and FMS Korea in our Group.

Delineation of our Group's business and the business of the Fine Group and FMS Korea

The end-products of the Fine Group, FMS Korea and our Group, being consumer electronics products including LCD (including LED) TVs, monitors and mobile PCs (the "End-Products"), are sold in the global markets. Neither our Group, the Fine Group nor FMS Korea has any control or influence as to where the End-Products will be sold and shipped to, which is entirely a decision to be made by the brand owners (such as Samsung and LG) based on their own development plans and strategies, in particular, upon consideration of costs and the models to be sold in a specific market.

In addition, each of the approved/designated BLU manufacturers of the brand owners that our Group sells products to is a separate legal entity, which is not, whether directly or indirectly, owned by, nor controlled by Samsung, LG or any other brand owners. Such approved/designated BLU manufacturers place orders separately with our Group and our Group delivers products directly to each of these approved/designated BLU manufacturers. Also, our Group separately issues invoices to, and receives payments directly from, each of the approved/designated BLU manufacturers. Our Group negotiates directly with each of the approved/designated BLU manufacturers. The brand owners including Samsung and LG do not participate in the transactions between our Group and the BLU manufacturers.

The transactions between the brand owners and the BLU manufacturers, and the transactions between our Group and our customers (i.e. the BLU manufacturers) are distinct and separate transactions. Our Group only delivers products to our customers (or as they direct). Our Group has no access to the information on the delivery arrangements of the transactions between the brand owners and the BLU manufacturers and is not involved in, nor is our Group informed of the subsequent delivery arrangements of the End-Products, of which the products produced by our Group form part.

In relation to the transaction whereby Samsung Korea and LG China directly placed orders with our Group for production of metallic components of display panels for use in the End-Products during the Track Record Period, we were directed to deliver such products to Samsung China (as directed by Samsung Korea) and LG China in the PRC. We are not informed of the subsequent delivery arrangements of the End-Products, of which the products of our Group form part, nor are we informed of the details of the transactions between Samsung Korea or LG China and other brand owners.

The Directors are of the view that the end-customers make purchasing decisions based on, among other things, the specifications, models, prices and origins of the End-Products, but not on whether the Fine Group, FMS Korea or our Group produces the metallic components. In addition, the metallic components manufactured by our Group, FMS Korea and the Fine Group only form a few of many components within the End-Products. It is not likely, if at all, the end-customers would take into consideration as to where the metallic components of display panels are produced or whether the metallic components of display panels within the End-Products are made by the Fine Group, FMS Korea or our Group when deciding which brand or model of the End-Products to purchase. Accordingly, the competition between our Group, FMS Korea and the Fine Group only exists when they are competing for orders from the same group of direct customers requiring the same quality of services in the same country. It would be too remote to take into account as to where the End-Products are sold and shipped to for the purpose of considering whether competition exists between our Group, FMS Korea and the Fine Group. Based on the aforesaid and after taking into account of the followings, the Directors are of the views that there is a clear delineation of business among the Fine Group, FMS Korea and our Group.

(1) ***The geographical requirements of the customers of the Fine Group and FMS Korea are different from that of the customers of our Group***

As mentioned in the paragraph headed "Factory Transfer Arrangement" in the "Our Business" section of this Prospectus, our Group is one of the processing and trading enterprises in the PRC. Our Group purchases raw materials from other processing and trading enterprises or import from overseas to produce the metallic components, which are transferred to Samsung China, LG China or BLU manufacturers in the PRC for further assembling. The production of the End-Products requires the chain of cooperation among the processing and trading enterprises. The metallic components of display panels produced by our Group are very delicate and are required to be handled with due care during the transportation process. In the premises, our Group's customers have a set of stringent requirements for selecting the suppliers of metallic components of display panels and, in particular, the supplier's ability to provide convenient and reliable service with low transportation cost and risk. It is not likely, if at all, and not economically feasible, that the Fine Group and FMS Korea, the factory and operation of which are located in Korea and Slovakia, as the case may be, can satisfy the aforesaid requirements considering the transportation cost and risk associated with the geographical distances between Korea and PRC, and between Slovakia and PRC. The geographical distance is also a barrier for the customers to conduct periodic quality assessment. Accordingly, the target customers of the Fine Group and FMS Korea are brand owners or BLU manufacturers, which have operations in Korea or Europe, whereas our Group's customers are brand owners or BLU manufacturers, which have operations in the PRC.

During the Track Record Period, save for the transactions with Fine DNC Korea, all the products made by our Group were required by our customers to be delivered to locations in the PRC. We also made sales to customers that were located outside the PRC including Samsung Korea and BLU manufacturers located in Korea. Nonetheless, they also required the products to be delivered to locations in the PRC (i.e. Samsung China and the BLU manufacturers in PRC). We did not experience any transaction that required our products to be delivered to locations, which are not in the PRC.

On the other hand, during the Track Record Period, the Fine Group and FMS Korea did not experience any transaction, including transactions with Samsung Korea or LG Korea, which required the products made by the Fine Group or FMS Korea to be delivered to the PRC.

Furthermore, the production costs (including raw materials, labour and overhead) of metallic components of display panels for use in the End-Products in Korea and Slovakia are generally 9%-15% and 20%-45% higher than that in the PRC respectively. In the event that the products produced in Korea are required to be delivered to the PRC, additional transportation cost, the amount of which is estimated to be 18%-25% of the production cost in Korea, is payable by the customer who requested such delivery. The transportation time between Korea and PRC is, on average, one week. In the event that the products produced in Slovakia are required to be delivered to the PRC, additional transportation cost, the amount of which is estimated to be 36%-43% of the production cost in Slovakia is payable by the customer who requested such delivery. The transportation time between Slovakia and the PRC is estimated to be two weeks. As such, it is not commercially and economically feasible for a customer to require the metallic components to be produced by the Fine Group or FMS Korea in Korea or Slovakia and to request such metallic components to be delivered to the PRC as the total costs payable by a customer would be much higher than that for making the orders directly with our Group in the PRC.

In the event that a customer places an order for the production of metallic components in the PRC, but requires the products to be delivered in Korea, although the production cost in the PRC is lower than that in Korea, additional transportation cost would be incurred. The Directors estimate that for the same quantity of metallic components to be produced and delivered in Korea, the total costs (including transportation and production costs) payable by a customer for placing the order with our Group would be 10%-13% higher than that for placing the order with the Fine Group or FMS Korea.

Likewise, if a customer places an order for the production of metallic components in the PRC, but requires the products to be delivered to locations in Europe, the Directors estimate that for the same quantity of metallic components to be produced and delivered to locations in Europe, the total costs (including transportation and production costs) payable by a customer for placing the order with our Group would be 13%-19% higher than that for placing the order with the Fine Group or FMS Korea.

In light of the above, even though the Fine Group, FMS Korea and our Group have common customers, the Directors are of the view that there is no competition between our Group, FMS Korea and the Fine Group as (i) the Fine Group or FMS Korea does not possess the geographical advantages to accept orders which require products to be delivered in the PRC, and (ii) the delivery points of the products of our Group, of FMS Korea and of the Fine Group are clearly distinguished.

The Directors confirm that, during the Track Record Period, (1) the Fine Group did not receive any orders from its customers (including Samsung Korea) for products, which were required to be delivered to the PRC; (2) Samsung China did not make any order with the Fine Group; (3) our Group did not make any order with the Fine Group for products to be delivered to the PRC; and (4) save for the transactions with Fine DNC Korea, our Group did not receive any orders from our customers, which require our products to be delivered to locations outside the PRC. In addition, since the inception of FMS Guangzhou, FMS Korea has not received any orders for products, which were required to be delivered to locations in the PRC.

(2) ***The locations of the End-Products that our Group's customers sold and shipped to are different from that of the Fine Group's and FMS Korea's customers***

Since both our Group, FMS Korea and the Fine Group do not participate in (i) the transactions between the BLU manufacturers and the brand owners; and (ii) the transactions between Samsung Korea or LG Korea and other brand owners, our Group does not have access to the actual information relating to the locations that the End-Products of our Group's customers, FMS Korea's customers and the Fine Group's customers are sold and shipped to respectively. To the best of the knowledge of the Directors and based on the information obtained from our Group's customers, FMS Korea's customers and the Fine Group's customers, the End-Products of our Group's customers, are mainly shipped to and sold in Hong Kong, Taiwan and South East Asia and the End-Products of FMS Korea's customers and the Fine Group's customers are mainly shipped to and sold in Japan, Korea and Europe.

As the End-Products of our Group, FMS Korea and the Fine Group can be sold globally, the Directors are of the view that they cannot rule out the possibility that the End-Products of our Group, FMS Korea and the Fine Group may be sold in the same consumer market. However, as stated above, the end-customers make independent purchasing decisions based on, among other things, the specifications, models, prices and origin of the End-Products, but not on whether the Fine Group, FMS Korea or our Group produces the metallic components of display panels. The so-happen that the End-Products of our Group, FMS Korea and/or the Fine Group are sold in the same consumer markets does not pose any competition between our Group, FMS Korea and/or the Fine Group.

In the premises, given that our Group's customers, when selecting their suppliers, require (i) the metallic components to be delivered in the PRC; (ii) low transportation cost; (iii) reliable and timely supply; and (iv) continuous regular quality inspection, the Fine Group and FMS Korea, which do not have any operations or production facilities in the PRC, do not have the geographical advantage to fulfill the aforesaid requirements and are not able to compete with our Group for the same quality of services and for delivery of products in the PRC.

To strengthen the delineation between our core business and the business of the Fine Group and FMS Korea, our Company, each of our Controlling Shareholders, and FMS Korea entered into the deed of non-competition.

Reasons for not including the Business of the Fine Group and FMS Korea in our Group

Upon the Listing, our Group intends to strategically concentrate on the development and expansion of (i) the manufacture of metallic components of display panels for use in consumer electronics products, including LCD (including LED) TVs, monitors and mobile PCs in the PRC and (ii) the sales, supply, provision, distribution and delivery of such products in the PRC.

Having considered the foregoing as well as the following reasons, the Directors consider that it is not in the best interest of our Group to include the business of the Fine Group and FMS Korea into our Group for the purpose of the Listing:

1. The business of our Group is delineated from the business of the Fine Group and FMS Korea as more particularly disclosed in the paragraph headed "Delineation of our Group's business and the business of the Fine Group and FMS Korea" above.

2. The target customers of the Fine Group and FMS Korea are brand owners or BLU manufacturers, which have operations in Korea or Europe, whereas our Group's customers are brand owners or BLU manufacturers, which have operations in the PRC. The geographical requirements between the customers of our Group and that of the Fine Group and FMS Korea are different as more particularly disclosed in the paragraph headed "The geographical requirements of the customers of the Fine Group and FMS Korea are different from that of the customers of our Group" above. The geographical distance makes it not economically feasible for the Fine Group or FMS Korea to deliver its products in the PRC, as it will also significantly affect our Group's business which is focused in the PRC.

3. Given that none of our Group, FMS Korea or the Fine Group has control over where the End-Products are being sold or shipped to, it all comes down to the location of the operations or production facilities when fulfilling the customers' requirements. The inclusion of the business of the Fine Group and FMS Korea into our Group would require us to divert our resources to fund the operations in Korea and in Europe, which is inconsistent with our Group's current business strategy and focus.

4. In addition to the production of metallic components of display panels for use in consumer electronics products, the Fine Group and FMS Korea also engage in the manufacture of LED lighting, audio and video systems for automobiles and distribution of LED lighting in Korea and Japan. Furthermore, members of the Fine Group will continue to diversify their business activities. Considering that the development strategy of our Group is focused in the PRC, as evidenced by the acquisition of FMS Guangzhou, the inclusion of the business of the Fine Group into our Group would not conform with the strategy of our Group.

THE FINE GROUP

Fine DNC Korea

Fine DNC Korea is a company with its shares trading on the Korea Exchange and is owned as to approximately 21.73% by Mr. Hong and his associates as at the Latest Practicable Date. The remaining shareholders of Fine DNC Korea include financial institution in Korea, international financial institutions, corporate and individual public shareholders. The Directors confirm that, to the best of their knowledge, information and belief, the remaining shareholders of Fine DNC Korea are Independent Third Parties. Fine DNC Korea is principally engaged in the manufacture of metallic components of display panel for use in LCD (including LED) TVs. The products of Fine DNC Korea are manufactured in Korea and mainly sold to its customers that require the delivery of products to locations in Korea. Fine DNC Korea does not have any operation in the PRC. The customers and suppliers of Fine DNC Korea are all located in Korea. During the Track Record Period, all products produced by Fine DNC Korea were delivered to locations in Korea. It has approximately 320 employees and 12 production lines in total. Save for Mr. Hong, who is a director of Fine DNC Korea and our Company, there is no common director and senior management between Fine DNC Korea and our Company. For the year ended 31 December 2011, the sales revenue and the net loss of Fine DNC Korea were approximately KRW116.90 billion (approximately RMB635.37 million) and KRW2.62 billion (approximately RMB14.22 million), the total assets and total liabilities were KRW101.98 billion (approximately RMB554.28 million) and KRW47.90 billion (approximately RMB260.37 million) respectively, and the net current liabilities were KRW9.55 billion (approximately RMB51.92 million). The Korean Legal Advisers advised that, as at the Latest Practicable Date, there is no public record showing that Fine DNC Korea has been sanctioned by the Korea Exchange.

Since the incorporation of Jiangsu Fine DNC in late 2002, Fine DNC Korea provided technical assistance to our Group for the design and development of moulds for the production of metallic components of display panels for use in LCD (including LED) TVs. Through years of development, our Group possess the necessary expertise and technology to design and develop moulds based on customers' specifications, and since 2008 we operated our business independently from Fine DNC Korea.

The metallic components that Fine DNC Korea manufactures include top chassis of LCD (including LED) TVs and BLU components for LCD (including LED) TVs comprising bottom chassis and shield case, which are large in size. The production plant of Fine DNC Korea for production of metallic components is located in Korea. Since the cost of transporting such metallic components to overseas is high, the target customers of Fine DNC Korea are display panel manufacturers in Korea such as Samsung Korea, and BLU manufacturers in Korea. During the Track Record Period, our major customers include Samsung Korea and LG Guangzhou. In view of the high transportation costs for delivering products overseas, products we produce for Samsung Korea and LG Guangzhou are principally not delivered to them in Korea. Instead, Samsung Korea and LG Guangzhou, have requested in their purchase orders with us, to deliver the products to Samsung China and LG Guangzhou respectively in the PRC for further processing. Our production bases are located in Jiangsu and Guangzhou, which are adjacent to the locations of Samsung China and LG Guangzhou, and this has allowed us to deliver our products to the associates of our customers at minimal costs.

During the Track Record Period, 5, 19 and 9 common models of metallic components of display panels for use in certain LCD (including LED) TVs models were produced by both Fine DNC Korea and Jiangsu Fine DNC respectively, but such common models were not produced by Fine DNC Korea and Jiangsu Fine DNC simultaneously. The reason for the production of the common models by both Fine DNC Korea and Jiangsu Fine DNC is because the mould for the production of each of such common models was initially with Fine DNC Korea only and was transferred entirely from Fine DNC Korea to Jiangsu Fine DNC at the request of the customers to Jiangsu Fine DNC for producing the metallic components with such specific models. Such decision was made by our customers with regard to the higher production capacities of Jiangsu Fine DNC and lower production costs in the PRC. To the best knowledge of the Directors, when a new model of LCD (including LED) TV has been introduced to the Korea/Japan market for some time, the selling price will be gradually eroded. If such a new model continues to be produced in Korea (with higher production costs than those in the PRC) and sold in Korea/Japan (with a decreasing selling price), then the profit margin will be decreased correspondingly. Our customers, after taking into account the decrease in profit margin, would then shift the production of such model from Korea to the PRC so as to reduce the production costs and such models will then be targeted to be sold in Hong Kong or areas nearby such as the South East Asian countries. After the transfer of the moulds, Jiangsu Fine DNC has been solely responsible for the production of such common models. During the Track Record Period, there were no transfer of moulds for production of metallic components from Jiangsu Fine DNC to Fine DNC Korea. The metallic components of display panels produced by Fine DNC Korea are mainly for use in new models of LCD (including LED) TVs to be introduced and sold to the Korea/ Japan market, which our Group does not produce and whether the metallic components of display panels for use in a new model are to be produced by Fine DNC Korea or Jiangsu Fine DNC depends entirely on the decision of the customers with regard to their strategy in particular, where the new model of LCD (including LED) TV will be sold. Our Group and Jiangsu Fine DNC did not produce common models simultaneously and will remain the case after Listing.

During the Track Record Period, our Group generated revenue of approximately RMB1.5 million, RMB0.3 million and RMB12.9 million from direct sales to Fine DNC Korea. Such direct sales, which required our products to be delivered to Korea, were made under certain specific circumstances since the moulds, for production of metallic components of display panels for use in certain LCD (including LED) TV models, have been transferred entirely from Fine DNC Korea to Jiangsu Fine DNC. After the transfer, the inventory of Fine DNC Korea for such metallic components could not meet the demands of its customers. Since the production moulds have already been transferred from Fine DNC Korea to Jiangsu Fine DNC, Fine DNC Korea could not produce the metallic components for those specific models and the customers of Fine DNC Korea requested Fine DNC Korea to source the metallic components of display panels from Jiangsu Fine DNC instead to make up the differences. The customers of Fine DNC Korea were required to bear the additional transportation costs for the delivery of products manufactured by our Group from PRC to Korea. Save for our supply to Fine DNC Korea under the specific circumstances, our Group did not serve customers that require our products to be delivered to locations outside the PRC.

The Directors are of the view that the transactions between Jiangsu Fine DNC and Fine DNC Korea did not affect the delineation of competition between our Group and the Fine Group and do not indicate that Fine DNC Korea and Jiangsu Fine DNC are each other's substitute since (i) the aforesaid transactions only happened for specific circumstances since the entire production line had been transferred from Fine DNC Korea to Jiangsu Fine DNC; (ii) our Group and the Fine Group did not produce common models for metallic components simultaneously and will remain the case upon Listing; (iii) Fine DNC Korea's mass production capacity has been reducing in recent years, in particular, Fine DNC Korea did not produce the metallic components of display panels for use in mobile PCs and monitors during the Track Record Period, which have all been taken up by Jiangsu Fine DNC since the moulds for production of metallic components of display panels for use in mobile PCs and monitors have all been transferred to Jiangsu Fine DNC in 2008; and (iv) during the Track Record Period, there is no transaction between Fine DNC Korea and Jiangsu Fine DNC that requires the products to be delivered from Korea to the PRC and it is not likely that the products produced by Fine DNC Korea will end up in the PRC considering that (a) the production costs in Korea is on average 13%-15% higher than that in the PRC; (b) the customers were required to pay the additional transportation cost, which represents 18% to 25% of the production cost in Korea; and (c) the additional time for transporting products from Korea to PRC, which, on average, requires one week.

Save for the above, no other members of the Fine Group placed any order in the PRC during the Track Record Period. Upon Listing, the Directors confirm that the direct sales from Jiangsu Fine DNC to Fine DNC Korea will not continue as Fine DNC Korea will reserve a higher safety level of inventory to meet the demand of its customers in Korea for any future transfer of production line from Korea to the PRC.

Fine Technix

Fine Technix is a company with its shares trading on the Korea Exchange and was owned as to 34.04% by Mr. Hong and his associates and 4.59% by Fine DNC Korea as at the Latest Practicable Date. The remaining shareholders of Fine Technix include financial institution in Korea, international financial institutions, corporate and individual shareholders. The Directors confirm that, to the best of their knowledge, information and belief, the remaining shareholders of Fine Technix are Independent Third Parties. Fine Technix is principally engaged in the manufacture of LED lighting and the metallic components of display panels for use in mobile phones with its production plant located in Korea only. Given our Group is not engaged in the manufacture of LED lighting, Fine Technix does not compete with our core business in this relation. Although Fine Technix also manufactures metallic components of display panels for use in mobile phones, the target customers of our Group and Fine Technix are different. The target customers of Fine Technix are consumers of LED lighting in Japan, Europe and the United States, and component manufacturers of mobile phones in Korea while our target customers of metallic components of display panels for use in mobile phones are primarily mobile division of Samsung in China and BLU manufacturers for mobile phones located in the PRC. Our production cost is lower than that of Fine Technix and the price of our products offered to our customers are competitive. Based on the above, the Directors consider that Fine Technix does not compete with our Group. Fine Technix does not have any operation in the PRC. The customers and suppliers of Fine Technix are all located in Korea and all products manufactured by Fine Technix during the Track Record Period were delivered to locations in Korea and Japan. During the Track Record Period, there were no common models produced by Fine Technix and our Group. It has approximately 254 employees in total. Save for Mr. Kang Hosuk, who is one of the general managers of the management planning department of Fine Technix, there is no common director and senior management between Fine Technix and our Company. For the year ended 31 December 2011, the sales revenue and the net loss of Fine Technix were approximately KRW71.83 billion (approximately RMB390.42 million) and KRW1.39 billion (approximately RMB7.53 million), the total assets and total liabilities were KRW85.78 billion (approximately RMB466.19 million) and KRW44.61 billion (approximately RMB242.45 million) respectively, and the net current liabilities were KRW1.38 billion (approximately RMB7.52 million). For the same period, in relation to Fine Technix and its subsidiaries, the consolidated revenue and the consolidated net income were approximately KRW324.63 billion (approximately RMB1.76 billion) and KRW20.96 billion (approximately RMB113.93 million) respectively. The total assets and total liabilities were approximately KRW332.55 billion (approximately RMB1.81 billion) and KRW228.82 billion (approximately RMB1.24 billion) respectively and the net current liabilities were approximately KRW26.22 billion (approximately RMB142.52 million). The Korean Legal Advisers advised that, as at the Latest Practicable Date, there is no public record showing that Fine Technix has been sanctioned by the Korea Exchange.

Fine Slovakia

Fine Slovakia is an indirect wholly owned subsidiary of Fine DNC Korea and is principally engaged in the manufacture of metallic components of display panels for use in LCD (including LED) TVs including top and bottom chassis with the production plant for metallic components located only in Slovakia. The target customers of Fine Slovakia are the LCD division of Samsung in Slovakia and the BLU manufacturer primarily located and operated in Slovakia, which are not our target customers. The customers of Fine Slovakia require the products produced by Fine Slovakia to be delivered to Europe. During the Track Record Period, all the products produced by Fine Slovakia were delivered to locations in Europe only. During the Track Record Period, there were no common models produced by Fine Slovakia and our Group. As such, the Directors consider that Fine Slovakia does not compete with our Group. Fine Slovakia does not have any operation in the PRC. Fine DNC is one of the suppliers of Fine Slovakia. All other suppliers are located in Europe. It has approximately 260 employees and 9 production lines. There is no common director and senior management between Fine Slovakia and our Company. For the year ended 31 December 2011, the sales revenue and the net income of Fine Slovakia were approximately Euro 53.43 million (approximately RMB435.80 million) and Euro 0.43 million (approximately RMB3.48 million), the total assets and total liabilities were approximately Euro 19.77 million (approximately RMB161.22 million) and Euro 26.04 million (approximately RMB212.40 million) respectively, and the net current liabilities were approximately Euro 11.19 million (approximately RMB91.26 million).

Fine Japan

Fine Japan is owned as to 90% by Fine Technix and is principally engaged in the distribution in Japan of LED lighting manufactured by Fine Technix, which our Group does not engage in and thus does not compete with our core business. Fine Japan has operations in Japan only. Our Directors are of the view that it would not be in the interest of the Company to acquire the assets or interests of Fine Japan as its business does not conform to the development strategy of our Group. Fine Japan does not have any operation in the PRC. The customers of Fine Japan are all located in Japan and its sole supplier is Fine Technix. Save for Mr. Hong, who is a director of Fine Japan and our Company, there is no common director between our Company and Fine Japan. Its has 3 employees in total. For the year ended 31 December 2011, the sales revenue and the net loss of Fine Japan were approximately JPY8.29 million (approximately RMB0.68 million) and JPY23.11 mllion (approximately RMB1.89 million), and the total assets and total liabilities were approximately JPY3.41 million (approximately RMB0.28 million) and JPY6.53 million (approximately RMB0.53 million) respectively, and the net current liabilities were approximately JPY4.21 million (approximately RMB0.34 million).

SCLED

SCLED is the wholly owned subsidiary of Fine Technix and is principally engaged in the manufacture of LED lighting for local government offices or buildings in Korea, which our Group does not engage in and thus does not compete with our core business. Our Directors are of the view that it would not be in the interest of the Company to acquire the assets or interests of SCLED as its business does not conform to the development strategy of our Group. SCLED does not have any operation in the PRC. The customers of SCLED are located in Korea and its sole supplier is Fine Technix. There is no common director between SCLED and our Company. It has approximately 13 employees in total. For the year ended 31 December 2011, the sales revenue and the net loss of SCLED were approximately KRW351.76 million (approximately RMB1.91 million) and KRW149.18 million (approximately RMB0.81 million), the total assets and total liabilities were approximately KRW980.42 million (approximately RMB5.33 million) and KRW793.94 million (approximately RMB4.32 million), and the net current assets were approximately KRW8.05 million (approximately RMB0.04 million).

OTHER BUSINESS IN WHICH MR. HONG IS INTERESTED

Other than the Fine Group, the following businesses and interests will continue to be retained or held by Mr. Hong after the Reorganisation.

Codes

Codes is wholly owned by Mr. Hong and his associates. It principally engaged in the sourcing of steel for Fine DNC Korea and trading of LED lighting in Japan manufactured by Fine Technix, which our Group does not engage in and thus does not compete with our core business. Our sales and production of products do not rely on Codes. Our Directors are of the view that it would not be in the interest of the Company to acquire the assets or interests of Codes as its business does not conform to the development strategy of our Group.

FMS Korea

FMS Korea is owned as to 70.27% by Codes, 13.37% by Mr. Hong and his associates and the remaining shareholders of FMS Korea including director of FMS Korea, director of Codes, former auditor of Fine DNC Korea, a company Codes is interested in and corporate and individual shareholders. The Directors confirm that, to the best of their knowledge, information and belief, the corporate and individual shareholders of FMS Korea are Independent Third Parties. There is no common director and senior management with our Company. FMS Korea principally engages in (1) the manufacture and sale of metallic components of display panels for use in LCD TVs, monitors and mobile PCs and (2) manufacture of audio and video systems for automobiles with the production plant located only in Korea. The customers of FMS Korea for LCD components include LG Korea. The metallic components our Group and FMS Korea manufacture are large in size and bulky for transportation. The metallic components manufactured by FMS Korea are manufactured in Korea and are required by its customers to be delivered in Korea. The transportation cost of delivering the metallic components of display panels to overseas markets is high. As our production bases are adjacently located to our customers, delivery cost of our products to customers is minimized and thus the price of our products are more competitive than that of FMS Korea. Furthermore, our Group does not engage in the manufacture of audio and video systems for automobiles. As such, our Directors are of the view that FMS Korea does not compete with our core business. To the best knowledge of the Directors, FMS Korea will continue to focus on the market of Korea and Japan and will not integrate with the strategy of our Group which focuses in the manufacture of LCD (including LED) TVs in the PRC. For the year ended 31 December 2011, the sales revenue for metallic components and audio and video systems for automobiles were approximately KRW47.15 billion (approximately RMB256.24 million) and KRW12.64 billion (approximately RMB68.69 million) respectively. The net income of FMS Korea was approximately KRW4.80 billion (approximately RMB26.07 million), the total assets and total liabilities were approximately KRW57.33 billion (approximately RMB311.58 million) and KRW37.40 billion (approximately RMB203.25 million) respectively, and the net current liabilities were approximately KRW13.23 billion (approximately RMB71.89 million).

For the years ended 31 December 2010 and 31 December 2011, 1 and 2 models of metallic components were produced by both FMS Guangzhou and FMS Korea respectively, but such common models were not produced by FMS Guangzhou and FMS Korea simultaneously. The reason for the production of the common models by both FMS Guangzhou and FMS Korea is because the mould for production of each of such common models was initially with FMS Korea only and was transferred entirely from FMS Korea to FMS Guangzhou. After the transfer of the moulds, FMS Guangzhou has been solely responsible for the production of such common models. Since the inception of FMS Guangzhou, there were no transfer of moulds from FMS Guangzhou to FMS Korea. To the best knowledge of the Directors, the metallic components of display panels produced by FMS Korea are mainly for use in new models of LCD (including LED) TVs to be introduced and sold to the Korea/Japan market, which our Group does not produce, and whether the metallic components of display panels for use in a new model are to be produced by FMS Korea or FMS Guangzhou depends entirely on the decision of the customer according to their strategy in particular, where the new model of LCD (including LED) TV will be sold. Our Group and FMS Korea did not produce common models of metallic components of display panels simultaneously and will remain the case upon Listing.

Other than stated in the above, our Controlling Shareholders and Directors do not directly or indirectly have any interest in other business which will or is likely to compete with our core business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, our Directors believe that we can carry on our business independent of and without financial reliance on our Controlling Shareholders (including the associates of our Controlling Shareholders) following the Listing, and that we satisfy the relevant requirements under the Listing Rules.

Management Independence

Our Board is comprised of three executive Directors and three independent non-executive Directors. The senior management of our Group consists of four members. All members of our senior management are full-time employees of the subsidiaries of our Company. More than one third of the Board is made up of independent non-executive Directors. Mr. Hong is our executive Director and Chairman. He also is the chief executive officer and director of Fine DNC Korea, and a director of Codes, Fine Japan and Infinity. Mr. Kang Hosuk is our executive Director and he is also one of the general managers of the management planning department of Fine Technix. Other than Mr. Hong and Mr. Kang, our Directors do not hold any directorship or management position in the Fine Group. To avoid any potential conflict of interests, if there are any matters considered by the Board which involve transactions between our Company and the Fine Group, Codes and their respective associates (excluding our Group), they will be considered and voted upon by our Directors excluding Mr. Hong and/or Mr. Kang (as appropriate). Mr. Hong and/or Mr. Kang (as appropriate) will not be counted in the quorum and will abstain from voting on such matters.

The daily operational decisions of our Company are made by our executive Directors and senior management, led by Mr. Hong, an executive Director and Chairman of our Company. Mr. Hong established the predecessor of Fine DNC Korea in 1999 and renamed it to Fine DNC Korea in 2000. Mr. Hong has been the chief executive officer of Fine DNC Korea since 1992. Throughout the years, Mr. Hong contributed to the Fine Group's overall corporate direction and development. Mr. Hong's extensive experience in the management of Fine Group's business is an important asset to our Company. In view of Mr. Hong's extensive experience and expertise, our Board believes that Mr. Hong's appointment to our Board as Chairman and an executive Director would be in the best interests of our Company. After the completion of the Global Offering, Mr. Hong will be involved in the overall corporate direction, strategic development, and major acquisition and investment decisions in our Company, and Fine DNC Korea. The day-to-day operations of our Group will be managed by Park Ilmo, and Kang Hosuk, executive Directors of our Company, and their team of senior executives who are currently managing the day-to-day operations of the major subsidiaries forming our Group.

Mr. Park Ilmo is independent of the Fine Group, and he will have overall responsibility for the daily operations of our Group. Substantially all of the key operating functions of our Group, including design, marketing, sales and distribution, are based in the PRC, where Mr. Park's office is located. Mr. Park is supported by our Group's team of senior managerial staff who are all independent of the Fine Group. They include Mr. Son Suk Man (head of administration of FMS Guangzhou) and Mr. Koh Jae Choon (head of research and development and production of Jiangsu Fine DNC), who are all based in the PRC.

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

In addition, members of our senior management are also independent from our Controlling Shareholders and their respective associates. Based on the above, our Directors are of the view that our management is effectively independent of our Controlling Shareholders.

Operational independence

At the early stage of our establishment, Fine DNC Korea had provided technical assistance to Jiangsu Fine DNC for the design and development of moulds for the production of metallic components of display panels for use in LCD (including LED) TVs. Over the years, we have possessed the necessary expertise and technology. Since 2008, we operated independently from Fine DNC Korea. We no longer rely on Fine DNC Korea on the design and development of moulds for our operation. In 2010, FMS Guangzhou was still at the early stage of production and the quantity of raw materials required for the production was relatively small. In order to purchase the raw materials at a competitive price, FMS Guangzhou purchased raw materials from FMS Korea, which centralized the procurement of the required raw materials for the orders placed by its customers with FMS Guangzhou. Since 2011, FMS Guangzhou has established a procurement department and has been sourcing raw materials through its internal procurement department. Nevertheless, since an upfront payment of approximately USD3.5 million was made to FMS Korea prior to FMS Guangzhou sourcing raw materials from its internal procurement department, FMS Korea had been supplying raw materials to FMS Guangzhou until August 2011, when the upfront payment had been completely utilized. Since then, FMS Guangzhou did not make any payment to FMS Korea for procurement of raw materials, and the Directors believe that it is not necessary for FMS Guangzhou to procure raw materials from FMS Guangzhou nor to rely on the supply of raw materials from FMS Korea having regard to the existing procurement strategy of our Group. For the years ended 31 December 2010 and 31 December 2011, the total amount of purchase of raw materials made by FMS Guangzhou from FMS Korea were approximately RMB61 million and RMB33 million respectively, represented approximately 79% and 9.27% of the total purchase of raw materials made by FMS Guangzhou for the same period. In addition, FMS Guangzhou entered into an agreement relating to royalty payment (the "**Royalty Agreement**") with FMS Korea in 2010, pursuant to which FMS Korea would transfer their know-how and technology in relation to the production of TFT-LCD and arrange for deployment of their technical staff to FMS Guangzhou at the request of FMS Guangzhou, and in return FMS Guangzhou would pay the royalty expenses and technical support fees. Since 2011, FMS Guangzhou had ceased to pay any royalty expenses or technical support fees to FMS Korea and a termination agreement dated 30 January 2012 was entered into between FMS Guangzhou and FMS Korea to terminate the Royalty Agreement.

Save as disclosed above, the operations of FMS Guangzhou have been independent of and not connected with any of our Controlling Shareholders and the operations of Jiangsu Fine DNC have been independent of and not connected with any of our Controlling Shareholders during the Track Record Period. Our Company holds all relevant licences necessary to carry on businesses and has sufficient capital, equipment and employees to operate its businesses independently.

On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders after the Listing:

- our Company is not reliant on the expertise and technology, research and development or manufacturing capabilities of our Controlling Shareholders and their respective associates;

- our Company is not reliant on the sales network of our Controlling Shareholders;

- our Company has its own administrative and corporate governance infrastructure (including its own accounting, administration and human resources departments); and

- other than Mr. Hong and Mr. Kang, our management team is also independent from our Controlling Shareholders.

Financial independence

We have an independent financial system and make financial decisions according to our own business needs. Prior to the acquisition of FMS Guangzhou by our Group, FMS Korea, the then shareholder of FMS Guangzhou and Codes, in which Mr. Hong and his associates control over 50% of the voting power at its general meeting, provided guarantee in the amount of US$9 million relating to bank credit facilities granted to FMS Guangzhou. Such bank credit facilities has been repaid and the guarantee has been released accordingly. Our Directors consider that the provision of such guarantee by FMS Korea does not affect the independence of our Group since such guarantee was provided at the time prior to FMS Guangzhou becoming a member of our Group. In view of the current financial situation and the operation of our Group, our Directors consider that our Group is capable of obtaining external financing without reliance on our Controlling Shareholders. Our Directors confirm that as at the Latest Practicable Date, our Controlling Shareholders have not provided any guarantee or loan to us, nor any other party has provided any guarantee in favour of our Group. Our Directors confirm that any amount due to/ from our Controlling Shareholders will be settled prior to the Listing. On this basis, our Directors believe that we are financially independent from our Controlling Shareholders.

DEED OF NON-COMPETITION

Although our Controlling Shareholders and FMS Korea do not produce and sell any products in the PRC, to better safeguard our Group from any potential competition, Mr. Hong, Fine DNC Korea, Fine Technix, Infinity and FMS Korea (collectively, the "**Covenantors**") have entered into the deed of non-competition with our Company to the effect that each of them jointly and severally, irrevocably and unconditionally, undertakes with our Company (on behalf of itself and each of the members of our Group) that with effect from the Listing Date and for as long as our Shares remain listed on the Stock

Exchange and the Covenantors individually or collectively with their associates are, directly or indirectly, interested in not less than 30% of our Shares in issue, or are otherwise regarded as Controlling Shareholders, or remain as a Director, each of the relevant Covenantors shall, and shall procure that their respective associates shall:

(a) not directly or indirectly whether through the Fine Group, FMS Korea or others engage in the Restricted Business, or participate, invest in or provide other support, financial or otherwise, to hold any right or interest in or render any services to or otherwise be involved in any business, which directly or indirectly is in competition with or likely to be in competition with the Restricted Business save for the holding of not more than 5% shareholding interests (individually or any of the Covenantors with their associates collectively) in any company with its shares listed on the Stock Exchange or any other stock exchange;

(b) not take any direct or indirect action whether through the Fine Group, FMS Korea or others which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, production, distribution, delivery and sale of metallic components of display panels for use in consumer electronics products, including LCD (including LED) TVs, monitors, mobile PCs and mobile phones in the PRC in the Restricted Territory, solicitation of customers, suppliers and personnel of any member of our Group; and

(c) keep our Directors (including our independent non-executive Directors) informed of any matter of potential conflicts of interests between the Covenantors (including their associates) and our Group, in particular, a transaction between any of the Covenantors (and their associates) and our Group.

In addition, each of the Covenantors jointly and severally, irrevocably and unconditionally, undertakes with our Company (on behalf of itself and for the benefit of each of the member of our Group) that

(a) if any of the Covenantors (or its associates) plans to participate or engage in any new activities or new business which may, directly or indirectly, compete with the Restricted Business, the Covenantor shall give us a first right of refusal to participate or engage in the business opportunity and will not participate or engage in these activities unless the prior written consent of our Company has been obtained (based on an affirmative vote of a majority of the members of the independent board committee comprising all the independent non-executive Directors from time to time who do not have, and are not deemed to have, a material interest in the relevant matter); and

(b) if any new activities or business opportunity which may directly or indirectly compete with the Restricted Business is made available to any of the Covenantors or their respective associates or if any of the Covenantors is aware of a business opportunity whereby the metallic components to be produced by such Covenantor will form part of the end-products of the customers of the Covenantor that will be sold and shipped to any location other than Korea, Japan and Europe (the "**Business Opportunity**"), each of the Covenantors shall direct or procure the relevant associate to direct to our Group any such Business Opportunity with such required information to enable our Group to evaluate the merits of the Business Opportunity; and the relevant Convenantor shall provide or procure the relevant associate to provide all such reasonable assistance to enable our Group to secure the Business Opportunity at no less favourable terms than those offered to it, any of its associates or any third party.

None of the Covenantors and their respective associates (other than members of our Group) will pursue the Business Opportunity until we decide not to pursue the Business Opportunity because of commercial reasons and provides such decision in writing to the Covenantors. Any decision of our Company will have to be approved by the independent board committee comprising all the independent non-executive Directors from time to time taking into consideration our prevailing business and financial resources, the financial resources required for the Business Opportunity and any expert opinion on the commercial viability of the Business Opportunity.

None of the Covenantors is interested in any business, apart from the business operated by members of our Group which competes or is likely to compete, directly or indirectly, with our Group's business under Rule 8.10 of the Listing Rules.

Each of the Covenantors further jointly and severally, irrevocably and unconditionally, undertakes that it or he will (i) provide to us all information necessary for the enforcement of the undertakings contained in the deed of non-competition including the first right of refusal; and (ii) confirm to our Company on an annual basis as to whether it or he has complied with such undertakings.

The deed of non-competition will cease to have any effect on the earliest of the date on which:

(a) our Company becomes wholly-owned by the Covenantors and/or their associates;

(b) the aggregate beneficial shareholding (whether direct or indirect) of the Covenantors and/or their associates in our Shares falls below 30% of the number of Shares in issue or the relevant Covenantor shall cease to be a controlling shareholder (as defined in the Listing Rules) of our Company;

(c) in the case of any executive Director who is not a Controlling Shareholder, ninety (90) days from the date of resignation or termination of his or her service contract with our Company as a result of his or her breach of the relevant service contract, provided that if the relevant service contract is terminated by our Company without any breach on the part of the relevant executive Director, the date of termination of the relevant service contract;

(d) our Shares cease to be listed on the Stock Exchange; or

(e) our Group ceases to carry on the Restricted Business or the Restricted Business ceases to be a major business of our Group.

SHARE CAPITAL

On the basis that the Global Offering becomes unconditional and on certain assumptions the paragraph headed "Assumptions" below, the following is a description of the authorised and issued share capital of the Company (a) in issue and (b) to be issued as fully paid or credited as fully paid immediately before and after completion of the Global Offering and the Capitalisation Issue without taking into account any Shares which may be issued upon exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme:

		HK$
Authorised share capital:		
3,000,000,000	Shares	300,000,000
Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and the Capitalisation Issue:		
100,000	Shares in issue as of the date of this prospectus	10,000
749,900,000	Shares to be issued under the Capitalisation Issue	74,990,000
250,000,000	Shares to be issued under the New Issue	25,000,000
1,000,000,000	Shares	100,000,000

If the Over-allotment Option is exercised in full, the Company's issued share capital immediately following the Global Offering and the Capitalisation Issue will be as follows:

		HK$
Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and the Capitalisation Issue:		
100,000	Shares in issue as of the date of this prospectus	10,000
749,900,000	Shares to be issued under the Capitalisation Issue	74,990,000
250,000,000	Shares to be issued under the New Issue	25,000,000
45,000,000	Shares to be issued upon exercise of the over-allotment option in full	4,500,000
1,045,000,000	Shares	104,500,000

Assumptions

The above tables assume that the Global Offering become unconditional. It takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate and the Repurchase Mandate.

Ranking

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

ISSUING MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal amount not exceeding the sum of (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares that may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme) and (ii) the total amount of share capital of our Company repurchased by our Company (if any) pursuant to the Repurchase Mandate.

Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in the Shares pursuant to a rights issue scrip dividend schemes an issue of Shares upon the exercise of subscription rights under the Share Option Scheme, an issue of Shares upon the exercise of the Over-allotment Option or other similar arrangement for the time being adopted.

This mandate will expire:

— at the conclusion of the next annual general meeting of our Company; or

— upon the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or

— when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details on the Issuing Mandate, please refer to the section headed "Written resolutions passed by all the Shareholders on 24 June 2012" in Appendix VI to this prospectus.

REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, and/or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. Please refer to the relevant requirements of the Listing Rules on the Repurchase Mandate is set forth in the section headed "Repurchases by our Company of our own securities" in Appendix VI to this prospectus.

This mandate will expire:

— at the conclusion of the next annual general meeting of our Company; or

— upon the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or

— when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further information about the Repurchase Mandate, please refer to the section headed "Written resolutions passed by all the Shareholders on 24 June 2012" in Appendix VI to this prospectus.

You should read the following discussion and analysis of our financial position and results of operations together with (i) our combined financial information as at and for each of the years ended 31 December 2009, 2010 and 2011 and the accompanying notes included in the accountant's report set out in Appendix I to this prospectus. The accountant's report has been prepared in accordance with Hong Kong Financial Reporting Standards. Potential investors should read the whole of the accountant's report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" in this prospectus.

OVERVIEW

We are an established manufacturer of metallic components of display panels for use in consumer electronics products, including LCD (including LED) TVs, monitors, mobile PCs and mobile phones in China. We use our expertise to design and develop moulds for the production of our products based on our customers' specifications and employ high-precision technologies to produce high quality products. In the PRC, we are one of the suppliers of metallic components of display panels to Samsung, a leading electronics company producing TVs, monitors, mobile PCs and mobile phones in the world. In August 2011, we acquired FMS Guangzhou which enabled us to further diversify our customer base to include LG, another world leading electronics manufacturer, and its designated BLU manufacturers. The FMS Guangzhou Acquisition expanded our Group's production capacity and allowed us to be more flexible to take on new orders from customers with short notice. We believe that the FMS Guangzhou Acquisition brought us a synergy of the competitive strengths of each of Jiangsu Fine DNC and FMS Guangzhou. After the FMS Guangzhou Acquisition, the moulds development department of Jiangsu Fine DNC could provide mould design, development and production services to FMS Guangzhou if it is required by the customers of FMS Guangzhou. Furthermore, Jiangsu Fine DNC and FMS Guangzhou could share the know-how, expertise and technology each of them developed, and our Directors believe that our Group's reputation in the industry could be further enhanced through the business relationships of Jiangsu Fine DNC and FMS Guangzhou with the two world leading electronics manufacturers, Samsung and LG, respectively. During the Track Record Period and as at the Latest Practicable Date, Samsung remained as our major ultimate customer. In the first quarter of 2011, we started to manufacture metallic components of display panels for use in one of the most popular tablet PCs, which contributed to approximately 2.0% of our Group's total revenue for the year ended 31 December 2011. Going forward we will place more focus on the production of metallic components of display panels for use in LCD (including LED) TVs and tablets (especially one of the most popular tablet PCs).

Since we are an approved supplier of Samsung and LG, we also supply our products to BLU manufacturers designated by Samsung and LG directly. When dealing with the designated BLU manufacturers, we only negotiate and enter into the transactions directly with the designated BLU manufacturers without participation of Samsung and LG in the transactions. We understand that most of our products sold to these designated BLU manufacturers form part of Samsung's and LG's products. During the Track Record Period, the contribution from (i) direct sales to Samsung (comprising Samsung Korea and Samsung HK) (ii) indirect sales to Samsung through Samsung's designated BLU manufacturers, (iii) direct sales to LG and (iv) indirect sales to LG through LG's designated BLU manufacturers towards our revenue was as follows:

% of our revenue contributed by	**For the year ended 31 December**		
	2009	**2010**	**2011**
	(approx.)	*(approx.)*	*(approx.)*
Direct sales to Samsung	33.0	20.6	19.7
Indirect sales to Samsung through Samsung's designated BLU manufacturers	61.4	74.9	60.0
Total	**94.4**	**95.5**	**79.7**

% of our revenue contributed by	**For the year ended 31 December 2011**
	(approx.)
Direct Sales to LG	4.2
Indirect sales to LG through LG's designated BLU manufactures	10.6
Total	**14.8**

For illustrative purposes, since the acquisition of FMS Guangzhou by our Group was only completed in August 2011, assuming that the FMS Guangzhou Acquisition was completed on 1 January 2011, sales to LG, together with LG's designated BLU manufacturers, would account for approximately 26.7% of the enlarged Group's (including FMS Guangzhou) total revenue for the year ended 31 December 2011.

Jiangsu Fine DNC was established in 2002 in Wuxi of Jiangsu Province in China with the support of Fine DNC Korea, one of our Controlling Shareholders which is listed on the Korea Exchange, and since then we have grown our relationships with our customers and our expertise and expanded our production capacity substantially. Having established strong customer relationships with market-leading Korean-based companies, we have the advantage of exposure to advanced technology and market trends which also facilitate our technological innovation. As at the Latest Practicable Date, we had a total of 29 customers.

Our production bases are in Wuxi of Jiangsu Province in China and, since we acquired FMS Guangzhou in August 2011, we also have a production base in Guangzhou of Guangdong Province in China. As at the Latest Practicable Date, we had a total of 76 production lines. In September 2011, construction of our new and largest production base in Wuxi was completed and it commenced trial production in September 2011. This new production base in Wuxi occupies a site area of approximately 65,138.3 sq.m. and could install with 21 production lines mainly for the production of metallic components of display panels for use in LCD (including LED) TVs.

We have the technical know-how and advanced technology to design, develop and produce moulds for producing high-precision metallic components of display panels for leading consumer electronics companies. We have also developed our own technologies to apply in our manufacturing processes which we believe improve the quality of our products and enhance our efficiency and production time. Leading consumer electronics companies such as Samsung and LG have stringent requirements of sophisticated product specifications, high quality and precision of products and reliable supply of products on time. We were awarded 革新部門賞 (Innovative Company Award*) and 優秀協力社 (Best Co-operative Company Award*) by Samsung in January 2011 and December 2010 respectively, and a number of other awards from our customers and the PRC local government, such as 高新技術企業證書 (High and New Technology Enterprise Certificate*) awarded in December 2009, which recognize our long-term commitment to achieve the high expectations of our customers.

Our business has grown significantly over the Track Record Period. Our revenue increased from approximately RMB748.5 million for the year ended 31 December 2009, to approximately RMB901.2 million for the year ended 31 December 2010, to approximately RMB1,505.3 million for the year ended 31 December 2011, representing a CAGR of approximately 41.8%.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition and results of operations over the Track Record Period have been and will continue to be affected by a number of factors, including but not limited to those set forth in the section headed "Risk Factors" in this prospectus and as set forth below:

Product mix

The profitability of our business is affected by our product mix. Our gross profit margins are partially affected by the proportionally higher sales of our products with higher gross profit margins compared to sales of our products with lower gross profit margins. The gross profit margin of metallic components of display panels is affected by the market demand and the size of the metallic components of display panels sold. In general, there is a positive relationship between the gross profit margin and the size of the metallic components of display panels sold. Our technical expertise enables us to switch production from one product to another in a short period of time. We are therefore able to adjust to and take advantage of the change of market conditions to produce products which are in high demand. Although we derived the majority of our revenue during the Track Record Period from the sales of metallic components for monitors and mobile PCs, going forward our product mix may change to place more focus on the sales of metallic components for LCD (including LED) TVs and tablet PCs, especially one of the most popular tablet PCs. During the Track Record Period, the proportion of our total revenue derived from sales of metallic components of display panels for use in monitors and mobile PCs in relation to our total revenue from sales decreased gradually, from 73.4% for the year ended 31 December 2009, 52.7% for the year ended 31 December 2010 to approximately 31.4% for the year ended 31 December 2011. In contrast, the proportion of our total revenue derived from sales of metallic components of display panels for use in LCD TVs (including LED TVs since 2010) increased consistently, from approximately 17.7% for the year ended 31 December 2009, 36.3% for the year ended 31 December 2010 to approximately 61.3% for the year ended 31 December 2011. Also, we have captured the high profit margin of the metallic components for use in LCD (including LED) TVs in recent years by shifting our product mix from focusing on the metallic components for use in monitors and mobile PCs to metallic components of display panels for use in LCD (including LED) TVs. The gross profit margins of the metallic components for use in LCD (including LED) TVs were approximately 27.9% and 19.7% for the year ended 31 December 2010 and for the year ended 31 December 2011, respectively, while the gross profit margins of the metallic components for monitors and mobile PCs were approximately 18.0% and 12.0% for the year ended 31 December 2010 and for the year ended 31 December 2011, respectively.

Increase in production capacity

In order to expand our production lines, we have been expanding the scale of our operations, especially through the expansion of our production facilities in Wuxi, Jiangsu Province, the PRC. We leased two properties in Wuxi since November 2009 and July 2010 respectively for our production and warehouse use. Construction of our own Second Wuxi Production Base was completed in September 2011 and it had commenced trial production in September 2011. Consistent with our shift of product mix from focusing on the metallic components for use in monitors and mobile PCs to the metallic components of display panels for use in LCD (including LED) TVs, the annual production capacity at our Wuxi Production Bases for the metallic components for use in LCD (including LED) TVs increased gradually, from 9.2 million units as at 31 December 2009, 13.8 million units as at 31 December 2010 to approximately 22.3 million units as at 31 December 2011. Going forward, we expect that the increase of capital expenditure for the expansion of our production capacity should have a positive impact on our results of operations.

Costs of raw materials

Costs of raw materials represent a significant portion of our cost of sales. During the Track Record Period, such costs represented approximately 68.9%, 70.7% and 69.9% of the cost of sales of our Group for each of the three years ended 31 December 2011, respectively. As such, any significant fluctuation in the price of raw materials may have a significant impact on our profitability.

Our major raw materials include electrolytic galvanized iron, galvalume, aluminium and stainless steel. As we have not entered into any long term supply agreement with our suppliers for these major raw materials, any material increase in or fluctuation of the market price of these major raw materials, regardless of whether it is caused by an increase in market demand may materially affect our results. Aluminium represented approximately 8.7%, 13.5% and 32.5% respectively of the cost of raw materials of our Group during each of the three years ended 31 December 2011. Electrolytic galvanized iron represented approximately 33.8%, 20.8% and 30.9% respectively of the cost of raw materials of our Group during each of the three years ended 31 December 2011.

If the monthly weighted average purchase price of electrolytic galvanized iron increased by 10% for each of the three years ended 31 December 2011, our combined profit attributable to equity holders of our Group would be approximately RMB99.8 million, RMB60.7 million and RMB87.4 million for each of the three years ended 31 December 2011, respectively, and the percentage decrease in combined profit attributable to equity holders of our Group would be approximately 10%, 13% and 20% for each of the three years ended 31 December 2011, respectively.

If the monthly weighted average purchase price of aluminum increased by 10% for each of the three years ended 31 December 2011, our combined profit attributable to equity holders of our Group would be approximately RMB107.8 million, RMB63.8 million and RMB86.3 million for each of the three years ended 31 December 2011, respectively, and the percentage decrease in combined profit attributable to equity holders of our Group would be approximately 3%, 8% and 21% for each of the three years ended 31 December 2011, respectively.

If the monthly weighted average purchase price of galvalume increased by 10% for each of the three years ended 31 December 2011, our combined profit attributable to equity holders of our Group would be approximately RMB105.7 million, RMB60.3 million and RMB100.5 million for each of the three years ended 31 December 2011, respectively and the percentage decrease in combined profit attributable to equity holders of our Group would be approximately 4%, 14% and 8% for each of the three years ended 31 December 2011, respectively.

If the monthly weighted average purchase price of stainless steel increased by 10% for each of the three years ended 31 December 2011, our combined profit attributable to equity holders of our Group would be approximately RMB104.1 million, RMB62.0 million and RMB105.9 million for each of the three years ended 31 December 2011, respectively and the percentage decrease in combined profit attributable to equity holders of our Group would be approximately 6%, 11% and 4% for each of the three years ended 31 December 2011, respectively.

Market competition

We have made substantial investment in production equipment as well as our manufacturing techniques and processes to maintain our competitiveness in terms of costs, time and product quality in the industry. Our results would be materially and adversely affected should we fail to maintain our competitiveness against our competitors.

Our customers include Samsung and LG, the leading electronic companies in the world, which were the largest ultimate customers of our Group during the Track Record Period and FMS Guangzhou after the establishment of FMS Guangzhou, respectively. Our Directors believe that our relationship with Samsung and LG, along with our strengths in technology and quality, gives us a competitive advantage over our competitiors in the metallic components of display panels industry.

FINANCIAL INFORMATION OF OUR GROUP *(as set out in Appendix I)*

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Basis of preparation

The Financial Information set out in Appendix I to this prospectus has been prepared in accordance with HKFRSs. The Financial Information set out in Appendix I to this prospectus has been prepared under the historical cost convention.

The principal accounting policies applied in the preparation of the Financial Information set out in Appendix I to this prospectus are set out as below. These policies have been consistently applied throughout the years ended 31 December 2009, 2010 and 2011, unless otherwise stated.

The preparation of the Financial Information set out in Appendix I to this prospectus in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5 to the Accountant's Report in Appendix I.

Going concern basis

As at 31 December 2011, our Group's current liabilities exceeded its current assets by RMB133,042,000.

As at 31 December 2011, our Group had undrawn banking facilities totalling RMB269,608,000 for working capital purposes. On 5 January 2012 and 19 January 2012, our Group entered into loan agreements with banks to raise additional long-term bank loans of USD4,996,600 (equivalent to RMB31,483,000) and USD9,000,000 (equivalent to RMB56,708,000), respectively. On 5 June 2012, our Group entered into a supplemental agreement with a bank to extend the date of repayment of a bank loan of USD15,000,000 (equivalent to RMB94,513,000) from 27 March 2013 to 27 July 2013. On 14 June 2012, the Group entered into a supplemental agreement with a bank to extend the date of repayment of a bank loan of USD4 million from 19 April 2013 to 19 July 2013. Our Directors have reviewed our Group's bank loans and banking facilities available to our Group as at 31 December 2011 and are of the view that certain of these bank loans and banking facilities will be extended and/or renewed when their current terms expire. Our Directors have evaluated all the relevant facts available to them and are of the opinion that good track record or relationship with the relevant banks which enhance our Group's ability to renew the current bank loans upon expiry or to secure adequate banking facilities to enable our Group to meet its financial obligations as and when they fall due in the foreseeable future.

Based on the working capital forecast for the next twelve months from the date of this prospectus, taking into account the on-going support from the banks as mentioned in the preceding paragraph and the reasonably possible changes in trading performance, our Directors have a reasonable expectation that our Group will be able to generate sufficient funds from its business to enable the Group to meet its financial obligations as and when they fall due, and to continue its operations for the foreseeable future. Accordingly, our Directors have prepared the combined financial statements set out in Appendix I to this prospectus on a going concern basis.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial position and results of operations as included in this prospectus is based on the Financial Information prepared using the significant accounting policies set forth in Note 3 to the Accountant's Report set out in Appendix I to this prospectus, which conform with the HKFRS. The critical accounting estimates and judgements that we use in applying our accounting policies are set out in Note 5 to the Accountant's Report set out in Appendix I to this prospectus. Such estimates and judgement are made based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ under different assumptions or conditions.

Below is a summary of certain significant accounting policies that we believe are important to the presentation of our financial results and positions. We also have other accounting policies that we consider to be significant, the details of which are set forth in Note 3 to the Accountant's Report set out in Appendix I to this prospectus.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of our Group's activities. Revenue is shown net of value-added tax and after eliminating sales within our Group. Our Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of our Group's activities as described below.

(i) Sales of goods are recognised when the significant risks and rewards of ownership have been transferred to the buyers and the goods are accepted by the customers and collectability of the related receivables is reasonably assured.

(ii) Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable. Dividend income is recognised when the shareholders' right to receive payment has been established.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless our Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged in the combined income statement during the financial period in which they are incurred.

Consolidation

Subsidiaries

Subsidiaries are all entities which our Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether our Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to our Group. They are de-consolidated from the date that control ceases.

Except for the reorganisation as described in Note 2 to the Accountant's Report in Appendix I, our Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by our Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, our Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investment in a subsidiary is accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined income statement.

Inter-company transactions and balances between group companies are eliminated.

RESULTS OF OPERATIONS

The following table presents selected financial data from our Group's combined income statements for each of the three years ended 31 December 2011, which are derived from, and should be read in conjunction with, the combined financial information set forth in the Accountant's Report included in Appendix I to this prospectus. As more fully described in the Accountant's Report included in Appendix I to this prospectus, the financial information was prepared in accordance with HKFRS.

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	748,539	901,215	1,505,280
Cost of sales	(542,764)	(727,208)	(1,263,583)
Gross profit	205,775	174,007	241,697
Other income	—	—	25,293
Other losses	(207)	(6,759)	(5,116)
Selling and distribution costs	(19,857)	(27,635)	(32,448)
Administrative expenses	(27,042)	(31,138)	(54,273)
Research and development expenses	(26,269)	(30,143)	(40,567)
Operating profit	132,400	78,332	134,586
Finance (costs)/income — net	(2,308)	4,868	(997)
Profit before income tax	130,092	83,200	133,589
Income tax expense	(19,512)	(13,537)	(24,292)
Profit for the year attributable to equity holders of the Company	110,580	69,663	109,297

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

We derive our revenue principally from (a) the manufacture and sale of metallic components of display panels for use in (i) LCD TVs (including LED TVs since 2010), (ii) monitors and mobile PCs, (iii) mobile phones and (b) others. Our total revenue increased from approximately RMB748.5 million for the year ended 31 December 2009 to approximately RMB1,505.3 million for the year ended 31 December 2011 representing a CAGR of approximately 41.8% over the three years.

The following table sets out the breakdown of our revenue and the percentage of total revenue for the three years ended 31 December 2011:

Revenue from sales	Year ended 31 December					
	2009		2010		2011	
	RMB'000 (approx.)	*% (approx.)*	*RMB'000 (approx.)*	*% (approx.)*	*RMB'000 (approx.)*	*% (approx.)*
Metallic components of display panels for use in						
LCD TVs (including LED TVs since 2010)	132,227	17.7%	326,727	36.3%	923,327	61.3%
Monitors and mobile PCs *(Note)*	549,919	73.4%	475,186	52.7%	473,127	31.4%
Mobile phones	17,165	2.3%	13,843	1.5%	4,358	0.3%
Others						
Moulds	27,365	3.7%	50,279	5.6%	57,159	3.8%
Scrap materials	21,863	2.9%	35,180	3.9%	47,309	3.2%
Total	748,539	100.0%	901,215	100.0%	1,505,280	100.0%

Note: *For the year ended 31 December 2011, it included the revenue from sales of metallic components of display panels for use in one of the most popular tablet PCs, which had contributed to approximately 2.0% of our Group's total revenue during that period.*

The FMS Guangzhou Acquisition, which was completed on 16 August 2011 and as an one-off event, contributed to an increase in revenue from the year ended 31 December 2010 to the year ended 31 December 2011.

The revenue from sales of metallic components of display panels for use in LCD (including LED) TVs increased drastically by a CAGR of approximately 164.3% for the three years commencing from 2009 to 2011 from approximately RMB132.2 million for the year ended 31 December 2009 to approximately RMB923.3 million for the year ended 31 December 2011.

During the Track Record Period, there was an increasing continuous demand by the market for the metallic components of display panels for use in LCD (including LED) TVs. We recorded a continuously drastic increase in sales volume which was consistent with the increasing worldwide demand of LCD TVs. The sales volume of the metallic components of display panels for use in LCD TVs increased by approximately 87.4% from the year ended 31 December 2009 to the year ended 31 December 2010 and further rose by approximately 104.7% in the year ended 31 December 2011. We believe that such a strong increase in sales volume was in line with the trend of increasing revenue of Samsung, our major customer. The average selling price of metallic components of display panels for use in LCD TVs was relatively low in 2009 and rose in 2010. In 2009, there was a higher proportion of sales of smaller sizes of metallic components of display panels for use in LCD TVs as compared to other periods of the Track Record Period. In 2010, more larger sizes of metallic components of display panels for use in LCD (including LED) TVs were sold. In 2011, our sales of

LED TVs, of which the average unit selling price is higher than that of CCFL TVs, started to increase. For detailed analysis of the fluctuations in sales volume and average selling price of our metallic components display panels for use in LCD TVs during the Track Record Period, please refer to the sub-sections headed "Period to period comparison of results of operations — Year ended 31 December 2011 compared to year ended 31 December 2010 — Revenue", "Period to period comparison of results of operations — Year ended 31 December 2010 compared to Year ended 31 December 2009 — Revenue" below in this section.

The gross profit margin of our sales of metallic components of display panels for use in LCD (including LED) TVs remained stable at approximately 25.0% and 27.9% for each of the years ended 31 December 2009 and 2010, respectively. The gross profit margin of our sales of metallic components of display panels for use in LCD (including LED) TVs dropped to approximately 19.7% for the year ended 31 December 2011 due to the increase in direct labour costs, depreciation of machinery and the cost of raw materials and the relatively lower gross profit margin of FMS Guangzhou, our new PRC subsidiary since the FMS Guangzhou Acquisition on 16 August 2011. For detailed analysis of our profit margin during the Track Record Period, please refer to the sub-section headed "Principal income statement components — Gross profit and gross profit margin" of this section. We considered the fluctuation of the average unit selling price for metallic components of display panels for use in LCD TVs during the Track Record Period was in line with the industry norm. As the technology of a product becomes increasingly mature and more commonly applied, the relevant product tends to experience a gradual decrease in price as a result of lower production costs across the industry. We responded actively to the change in technology to keep up in the market as may be demonstrated by an increase of approximately 54.4% in our research and development costs from the year ended 31 December 2009 to the year ended 31 December 2011. Furthermore, there was an increasing demand for our metallic components of display panels for use in LCD TVs successively from the years ended 31 December 2009 to the year ended 31 December 2011. As such, we do not consider the fluctuation in selling price to pose a risk to our Group's business or financial position.

The revenue contribution from sales of metallic components of display panels for use in LCD (including LED) TVs increased during the Track Record Period and metallic components of display panels for use in LCD (including LCD) TVs became our core products in 2011. Revenue from sales of metallic components of display panels for use in LCD (including LED) TVs contributed to approximately 17.7%, 36.3% and 61.3% of our revenue for the three years ended 31 December 2011, respectively. Since the year ended 31 December 2009, we have been gradually increasing our efforts in shifting our product mix to focus on the production of metallic components of display panels for use in LCD (including LED) TVs which command higher and stable profit margins. Our Group has endeavoured to cater to the prevailing market demand so as to maximise our revenue and profit.

Our focus on the production of metallic components of display panels for use in LCD (including LED) TVs led to a gradual decrease of revenue from sales of the metallic components of display panels for use in monitors and mobile PCs from approximately RMB549.9 million for the year ended 31 December 2009 to approximately RMB475.2 million for the year ended 31 December 2010 and further to approximately RMB473.1 million for the year ended 31 December 2011. Our Directors consider that such decrease was a result of our effort to strategically scale down the production of metallic components of display panels for use in monitors and mobile PCs, and was also due to the fact that a lower cost production technology matured in the second half of the year in 2009 and it became generally mastered by the industry and our competitors. We consider competition in our industry as normal and we will continue to focus on our niche to maximise our profits. In addition, our Group quickly reacted to changes in the industry by adjusting our product mix to include a higher proportion of production of metallic components of display panels for use in LCD (including LED) TVs.

Our revenue from the sales of metallic components of display panels for use in mobile phones amounted to approximately RMB17.2 million, RMB13.8 million, RMB4.4 million for each of the three years ended 31 December 2011, respectively. Such revenue only contributed to approximately 2.3%, 1.5% and 0.3% of the total revenue of our Group for each of the three years ended 31 December 2011, respectively. During 2009 to early 2010, the metallic components of display panels for use in mobile phones produced by us were mainly used in the manufacture of slide mobile phones. Due to the decrease in popularity of slide mobile phones leading to a decrease in average selling price of slide mobile phones, our Group discontinued the production of metallic components of display panels for use in slide mobile phones in May 2010.

The sale of moulds and scrap materials contributed approximately 6.6%, 9.5% and 7.0% of our aggregate revenue for each of the three years ended 31 December 2011, respectively.

For a detailed analysis of the fluctuations in revenue from sales of the metallic components of display panels in LCD TVs, monitors and mobile PCs and mobile phones, please refer to the sub-sections headed "Period to period comparison of results of operations — Year ended 31 December 2011 compared to Year ended 31 December 2010" and "Period to period comparison of results of operations — Year ended 31 December 2010 compared to Year ended 31 December 2009 — Revenue".

Cost of sales

Our cost of sales mainly consists of costs of raw materials, direct labour costs, depreciation and consumable parts. The following table sets out the breakdown of our costs of sales as a percentage of total costs of sales for the periods indicated.

	Year ended 31 December					
	2009		**2010**		**2011**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Cost of raw materials	373,934	68.9%	514,032	70.7%	882,622	69.9%
Direct labour costs	51,042	9.4%	63,305	8.7%	97,643	7.7%
Depreciation	24,358	4.5%	32,962	4.5%	46,641	3.7%
Consumable parts	37,470	6.9%	39,231	5.4%	108,274	8.6%
Utilities	10,286	1.9%	11,439	1.6%	20,194	1.6%
Others	45,674	8.4%	66,239	9.1%	108,209	8.5%
Total	542,764	100.0%	727,208	100.0%	1,263,583	100.0%

Gross profit and gross profit margin

The following table sets out a breakdown of our gross profit and gross profit margin of our products for each of the three years ended 31 December 2011:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Gross profit	205,775	174,007	241,697

	Year ended 31 December					
	2009		**2010**		**2011**	
	Gross Profit	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
	(approx.)	*(approx.)*	*(approx.)*	*(approx.)*	*(approx.)*	*(approx.)*
Metallic components of display panels for use in						
LCD TVs (including LED TVs since 2010)	33,100	25.0%	91,070	27.9%	181,736	19.7%
Monitors and mobile PCs	177,490	32.3%	85,460	18.0%	57,037	12.0%
Mobile phones	177	1.0%	(4,783)	N/A	(1,376)	N/A
Others						
Moulds	(11,877)	N/A	(7,475)	N/A	(7,902)	N/A
Scrap materials	6,885	31.5%	9,735	27.7%	12,202	25.8%
Overall	205,775	27.5%	174,007	19.3%	241,697	16.1%

Note 1: "Others" include the sale of moulds and the sale of scrap materials created during our production process to scrap collecting companies.

Our gross profit was approximately RMB205.8 million for the year ended 31 December 2009, dropped to approximately RMB174.0 million for the year ended 31 December 2010 and rebounded to approximately RMB241.7 million for the year ended 31 December 2011. The fluctuation of the gross profit was mainly driven by the increase of sales volume of the metallic components of display panels for use in LCD TVs. Such sales volume increased continuously and drastically during the Track Record Period. During the year ended 31 December 2010, the cost of raw materials and consumable parts rose under the strong inflationary environment which reduced our gross profit. We believe that the increase in cost of raw materials and thus an increase in cost of sales is an industry norm and that our competitors are also affected by such increase. In addition, the decrease in the average selling price of the metallic components of display panels for use in monitors and mobile PCs also led to a decrease in our overall gross profit.

According to DisplaySearch, the total revenues of FPD TVs in China peaked in 2010 and began to decline as markets move towards saturation, slowing unit growth, and continuing average selling price erosion. Technological advancement such as the appliance of LED will, however, help slowing price erosion. Price erosion starting in 2011 will take place at a slower rate because technologies like LED backlights and 3D will grow in mix (through manufacturer encouragement) and still carry a premium, albeit price erosion. The growth in average size of LCD TVs will also help offsetting price erosion.

Our Group is shifting our focus to obtaining more orders for the production of metallic components of display panels for use in FPD TVs of newer models and newer technologies, and our Group is continually improving our production efficiency, which will help our Group to keep our gross profit margins and profitability stable. Based on the above, our Directors are of the view that the expected decrease in revenues and average selling prices of FPD TVs will not bring any significant adverse impact on our Group.

During the Track Record Period, we recorded gross losses from the sale of moulds of approximately RMB11.9 million, RMB7.5 million and RMB7.9 million for each of the three years ended 31 December 2011, respectively, and gross profits from the sale of scrap materials of approximately RMB6.9 million, RMB9.7 million and RMB12.2 million for the three years ended 31 December 2011, respectively.

The sale price of the moulds is fixed by our customer, which usually has little room for negotiation by our Group. If a customer has selected us to manufacture moulds, such customer is very likely will place orders to manufacture metallic components of display panels with us. Therefore, our Group is aggressive in sourcing for orders to manufacture moulds in order to secure the potential sales orders for the manufacture of metallic components of display panels despite the possibility of a gross loss from the sale of moulds. The management of our Group considers that the costs of manufacturing moulds are inevitable but such costs are not significant as long as gross profits are generated from our major products.

Our overall gross profit margin decreased from approximately 27.5% for the year ended 31 December 2009 to approximately 19.3% for the year ended 31 December 2010 and further decreased to approximately 16.1% for the year ended 31 December 2011. We consider that the lower profit margin for the year ended 31 December 2010 was due to the increase in average cost of sales of our metallic components of display panels, and a decrease in the average selling price of the metallic components of display panels for use in monitors and mobile PCs. We consider that the decrease in gross profit margin for the year ended 31 December 2011 as compared to that for the year ended 31 December 2010 was due to (1) the increase in the cost of raw materials, (2) the increase in direct labour cost which was caused by the increase of the local statutory minimum wage of Wuxi, Jiangsu Province, the PRC by approximately 18.8% from RMB 960 to RMB 1,140 per month since February 2011; (3) an increase in depreciation of cost of sales which was caused by the increase in the number of machinery; and (4) the relatively lower gross profit margin of FMS Guangzhou, our new PRC subsidiary since the FMS Guangzhou Acquisition on 16 August 2011.

We do not consider the decrease in gross profit for the year ended 31 December 2010 to pose a risk to our Group's business or future financial position, since we have improved our production efficiency and have also taken various cost reduction initiatives to lower our production cost.

Other Income

We had other income of approximately RMB25.3 million for the year ended 31 December 2011. We did not have other income for the two years ended 31 December 2010. For the year ended 31 December 2011, our other income consisted mainly of a government assistance for investing in the PRC given to Jiangsu Fine DNC pursuant to the agreement between 無錫市人民政府新區管理委員會 (New Zone Management Committee of Wuxi Municipal Government) and Jiangsu Fine DNC. This government grant of approximately RMB25.2 million was recognised as other income and we had received this government grant in full during the year ended 31 December 2011. Also, for the year ended 31 December 2011, our Group recognised a bargain purchase gain of RMB83,000 arising from the FMS Guangzhou Acquisition as a result of the excess fair value of the net asset acquired over the purchase consideration. When calculating the negative goodwill, our Directors compared the consideration and the fair value of the identifiable assets and liabilities of FMS Guangzhou. Given that the payment terms of the consideration was deferred for less than a year, our Directors considered that the nominal value of the consideration approximated its fair value and did not adjust for the time/discounting factor in determining the fair value of the consideration.

Other losses

Other losses represented net exchange losses during the Track Record Period had net exchange loss of approximately RMB0.2 million, RMB6.8 million and RMB5.1 million for each of the three years ended 31 December 2011, respectively.

Selling and distribution costs

Our selling and distribution costs mainly consisted of product transportation costs and salary for marketing and sales staff during the Track Record Period.

For each of the three years ended 31 December 2011, our selling and distribution costs were approximately RMB19.9 million, RMB27.6 million and RMB32.4 million, respectively.

	Year ended 31 December					
	2009		**2010**		**2011**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	6,120	30.8%	8,455	30.6%	8,451	26.0%
Product transportation costs	11,694	58.9%	17,609	63.7%	22,737	70.1%
Sample	696	3.5%	659	2.4%	902	2.8%
Others	1,347	6.8%	912	3.3%	358	1.1%
Total	19,857	100.0%	27,635	100.0%	32,448	100.0%

Administrative expenses

Our administrative expenses mainly consisted of staff costs, office supplies, transportation costs, rental expenses and entertainment during the Track Record Period.

During each of the three years ended 31 December 2011, our administrative expenses were approximately RMB27.0 million, RMB31.1 million and RMB54.3 million, respectively.

	Year ended 31 December					
	2009		2010		2011	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	5,869	21.7%	8,192	26.3%	14,566	26.8%
Office supplies	4,645	17.2%	5,318	17.1%	4,814	8.9%
Transportation costs	4,199	15.5%	6,177	19.8%	8,491	15.6%
Entertainment	781	2.9%	1,442	4.6%	1,371	2.5%
Rental expenses	887	3.3%	1,341	4.3%	2,619	4.8%
Loss on disposal of fixed assets	2,156	8.0%	508	1.6%	1,181	2.2%
Donations	113	0.4%	102	0.3%	35	0.1%
Depreciation	1,682	6.2%	953	3.1%	2,008	3.7%
Security	627	2.3%	1,727	5.6%	2,629	4.8%
Bank charges	628	2.3%	744	2.4%	142	0.3%
Listing expenses	—	—	—	—	8,236	15.2%
Others	5,455	20.2%	4,634	14.9%	8,181	15.1%
Total	27,042	100.0%	31,138	100.0%	54,273	100.0%

During the Track Record Period, our Group made donations mainly to the charity agencies offering assistance to the disabled persons, schooling and natural disasters.

Research and development expenses

Our research and development expenses represented mainly the research and development expenses for manufacturing the moulds for production of metallic components of display panels for use in TVs, monitors and mobile PCs and mobile phones during the Track Record Period.

The slight increase of our research and development expenses from approximately RMB26.3 million for the year ended 31 December 2009 to approximately RMB30.1 million for the year ended 31 December 2010 was in line with the increase in revenue in 2010. For the year ended 31 December 2011, our research and development expenses were approximately RMB40.6 million.

Operating profit

For each of the three years ended 31 December 2011, our operating profit was approximately RMB132.4 million, RMB78.3 million and RMB134.6 million, respectively.

Finance income/(costs) — net

During the Track Record Period, our finance income consisted of interest income on bank deposits and the exchange gain due to the net exchange gain arising from USD denominated bank borrowings due to the appreciation of RMB against USD. Our finance costs consisted primarily of interest on bank loans and the exchange loss due to the net exchange loss arising from Euro denominated bank borrowings due to depreciation of RMB against the Euro.

For each of the three years ended 31 December 2011, our net finance income/(costs) were approximately RMB(2.3) million, RMB4.9 million and RMB(1.0) million, respectively.

Income tax expense

The PRC statutory income tax rates applicable to Jiangsu Fine DNC, our PRC subsidiary, for each of the three years ended 31 December 2011 were approximately 15%, 15% and 15%, respectively. The PRC statutory income tax applicable to FMS Guangzhou, our PRC subsidiary after the completion of the FMS Guangzhou Acquisition as at 16 August 2011, was 25%.

Our effective tax rates during the Track Record Period were approximately 15.0%, 16.3% and 18.2%, respectively. The relatively higher effective tax rate for the year ended 31 December 2011 was mainly due to higher statutory income tax rate, 25%, applicable to FMS Guangzhou, our PRC subsidiary after the completion of the FMS Guangzhou Acquisition as at 16 August 2011 and the listing expenses incurred by our Company which are not tax deductible. From 2009 and onwards, Jiangsu Fine DNC was certified as a high and new technology enterprise, so an advantageous tax rate of 15% was applied. The following are some of the criteria of being qualified as a high and new technology enterprise under 高新技術企業認定管理辦法 (High and New Technology Enterprise Identification Procedure): (i) the company shall be established in the PRC (excluding Hong Kong, Macau and Taiwan) and either through its independent R&D, donation, transfer, mergers and acquisition or exclusive license being granted for more than 5 years, having obtained the intellectual property rights of the core technology of its main products/services; (ii) the revenue generated from the high technology products/services shall be more than 60% of the enterprise's annual gross revenue; (iii) the technical personnel having a university degree or above shall account for more than 30% of the total number of workers and the R&D personnel shall account for more than 10% of the total number of workers; and (iv) for the past three financial years, the percentage of the total amount of R&D costs (not less than 60% of which must be incurred within the PRC) shall be as follows:-

(a) not less than 6% of the total sales revenue if the latest annual sales revenue is less than RMB50 million;

(b) not less than 4% of the total sales revenue if the latest annual sales revenue is between RMB50 million and RMB200 million; and

(c) not less than 3% of the total sales revenue if the latest annual sales revenue is more than RMB200 million.

Jiangsu Fine DNC's current certificate as a high and new technology enterprise is valid until 30 December 2012. The application for a new certificate is required to be made by the end of September 2012 and we will duly apply for the new certificate.

Profit for the year and net profit margin

Our profit was approximately RMB110.6 million, RMB69.7 million and RMB109.3 million for each of the three years ended 31 December 2011, respectively. Our net profit margin was approximately 14.8%, 7.7% and 7.3% for each of the three years ended 31 December 2011, respectively.

The FMS Guangzhou Acquisition, which was completed on 16 August 2011 and as an one-off event, contributed to an increase in profit for the period from the year ended 31 December 2010 to the year ended 31 December 2011.

For a detailed analysis of our profit and net profit margin during the Track Record Period, please refer to the sub-sections headed "Period to period comparison of results of operations — Year ended 31 December 2011 compared to year ended 31 December 2010 — Profit for the period and net profit margin" and "Period to period comparison of results of operations — Year ended 31 December 2010 compared to year ended 31 December 2009 — Profit for the period and net profit margin" below in this section.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended 31 December 2011 compared to Year Ended 31 December 2010

Revenue

Our revenue for the year ended 31 December 2011 increased by approximately RMB604.1 million, or approximately 67.0%, to approximately RMB1,505.3 million, compared with revenue of approximately RMB901.2 million derived in the year ended 31 December 2010, primarily due to the substantial increase of approximately RMB596.6 million in the revenue of metallic components of display panels for use in LCD TVs (including LED TVs). Such increase was netted off notwithstanding the decrease in revenue generated by the sales of metallic components of display panels for use in monitors and mobile PCs by approximately RMB2.1 million and the decrease in revenue from the sale of metallic components of display panels for use in mobile phones by approximately RMB9.5 million. This is consistent with our Company's strategy to focus on the productions of products carrying higher profit margin i.e. the metallic components of display panels for use in LCD TVs (including LED TVs). The FMS Guangzhou Acquisition, which was completed on 16 August 2011, also led to an increase in revenue from the year ended 31 December 2010 to the year ended 31 December 2011.

Revenue from the sales of metallic components of display panels for use in LCD TVs (including CCFL TVs and since 2010, LED TVs) increased by approximately RMB596.6 million or 182.6% from approximately RMB326.7 million for the year ended 31 December 2010 to approximately RMB923.3 million for the year ended 31 December 2011. For the year ended 31 December 2011, we recorded a significant increase of approximately 104.7% in our sales volume and an increase of approximately 38.0% in our average selling price from as compared to the year ended 31 December 2010. We started our production and sales of the metallic components of display panels for use in LED TVs in 2010 and its sales volume increased gradually. The significant increase in sales volume was driven by the significant increase in demand for the metallic components of display panels for use in LED TVs placed by our customers. Our sales volume of the metallic components of display panels for use in CCFL TVs recorded an increase of only approximately 7.6% while our sales volume of the metallic components of display panels for use in LED TVs recorded an increase of approximately 4,229.3% as compared to the year ended 31 December 2010. During the year ended 31 December 2011, we started to expand our sales of the metallic components of display panels for use in LED TVs, which had a higher average unit selling price as compared to CCFL TVs. Our average unit selling price of the metallic components of display panels for use in CCFL TVs recorded a decrease of only approximately 1.2% while our average unit selling price of the metallic components of display panels for use in LED TVs recorded a decrease of approximately 32.9%. The decrease in the average unit selling price of the metallic components of display panels for use in LED TVs was mainly due to the fact that in 2011, we commenced the sales of minor metallic components of display panels for use in LED TVs which had a lower average unit selling price than the major metallic components of display panels for use in LED TVs.

Revenue from the sales of metallic components of display panels for use in monitors and mobile PCs decreased slightly by approximately 0.4% from approximately RMB475.2 million for the year ended 31 December 2010 to approximately RMB473.1 million for the year ended 31 December 2011. The sales volume for the metallic components of display panels for use in monitors and mobile PCs decreased by approximately 7.8% and our average selling price increased by approximately 8.0%.

Revenue from the sales of metallic components of display panels for use in mobile phones decreased by approximately RMB9.5 million or 68.5% from approximately RMB13.8 million for the year ended 31 December 2010 to approximately RMB4.4 million for the year ended 31 December 2011. The decrease in revenue was mainly driven by the decrease in sales volume of metallic components of display panels for use in mobile phones by approximately 68.6% as a result of the decrease in demand for slide mobile phones and that our production of metallic components of display panels for use in mobile phones was mainly concentrated on the production of such components for use in slide mobile phones.

Revenue from sale of moulds and scrap materials increased by approximately RMB19.0 million or 22.2% from approximately RMB85.5 million for the year ended 31 December 2010 to approximately RMB104.5 million for the year ended 31 December 2011. Such increase was mainly contributed by the increase of sales revenue of moulds of approximately RMB6.9 million.

Costs of sales

Our cost of sales for the year ended 31 December 2011 was approximately RMB1,263.6 million, representing an increase of approximately RMB536.4 million or approximately 73.8%, from approximately RMB727.2 million for the year ended 31 December 2010. Such increase was primarily due to the increase in the total costs of raw materials, direct labour costs, depreciation and consumable parts related to the metallic components of display for use in LCD TVs (including LED TVs since 2011), which were in line with the increase in our sales volume. Our sales volume increased by approximately 104.7% during the year ended 31 December 2011.

The increase in overall cost of sales was proportionally more than the increase in our total revenue primarily due to (1) the increase in the cost of raw materials; (2) the increase in direct labour cost which was caused by the increase in the local statutory minimum wage of Wuxi, Jiangsu Province by approximately 18.8% from RMB 960 to RMB 1,140 per month since February 2011; (3) an increase in depreciation of cost of sales which was caused by an increase in the number of machinery; and (4) the relatively lower gross profit margin of FMS Guangzhou, our PRC subsidiary since the FMS Guangzhou Acquisition on 16 August 2011.

Gross profit

Our gross profit for the year ended 31 December 2011 was approximately RMB241.7 million, representing an increase of approximately RMB67.7 million, or approximately 38.9%, from approximately RMB174.0 million for the year ended 31 December 2010. Our gross profit margin for the year ended 31 December 2011 was approximately 16.1%, compared with approximately 19.3% for the year ended 31 December 2010. The decrease in gross profit margin was mainly due to (1) the increase in the cost of raw materials; (2) the increase in direct labour cost of the cost of sales which was caused by the increase in the local statutory minimum wage of Wuxi, Jiangsu Province by approximately 18.8% from RMB 960 to RMB 1,140 per month since February 2011; (3) the increase of depreciation of cost of sales which was caused by an increase in the number of machinery; and (4) the relatively lower gross profit margin of FMS Guangzhou, our PRC subsidiary since the FMS Guangzhou Acquisition on 16 August 2011.

Other income

We had other income of approximately RMB25.3 million for the year ended 31 December 2011. We did not record other income for the year ended 31 December 2010. Other income mainly consisted of a government assistance for investing in the PRC given to Jiangsu Fine DNC pursuant to the agreement between 無錫市人民政府新區管理委員會 (New Zone Management Committee of Wuxi Municipal Government*) and Jiangsu Fine DNC. We had received this government grant in full during the year ended 31 December 2011 and this government grant of approximately RMB25.2 million is unconditional and was recognised as other income. Also, for year ended 31 December 2011, our Group recognised a bargain purchase gain of RMB83,000 arising from the FMS Guangzhou Acquisition as a result of the excess fair value of the net asset acquired over the purchase consideration. When calculating the negative goodwill, our Directors compared the consideration and the fair value of the identifiable assets and liabilities of FMS Guangzhou. Given that the payment terms of the consideration was deferred for less than a year, our Directors considered that the nominal value of the consideration approximated its fair value and did not adjust for the time/discounting factor in determining the fair value of the consideration.

Other losses

Other losses for the year ended 31 December 2011 was approximately RMB5.1 million, as compared to approximately RMB6.8 million for the year ended 31 December 2010. The decrease in losses was mainly due to net exchange loss arising from the revaluation of USD denominated trade related balances as a result of the appreciation of RMB against USD.

Selling and distribution costs

Selling and distribution costs for the year ended 31 December 2011 was approximately RMB32.4 million, representing an increase of approximately RMB4.8 million, or approximately 17.4%, from approximately RMB27.6 million for the year ended 31 December 2010. Such increase was primarily due to the increase of product transportation costs which was in line with the increase of sales volume of the metallic components of display panels for use in LCD (including LED) TVs.

Administrative expenses

Administrative expenses for the year ended 31 December 2011 was approximately RMB54.3 million, representing an increase of approximately RMB23.1 million, or approximately 74.3%, from approximately RMB31.1 million for the year ended 31 December 2010. Such increase was primarily due to the increase in administrative staff cost which was in line with an increase in the sales of metallic components for LCD (including LED) TVs and the expenses incurred in connection with the Listing.

Research and development expenses

Research and development expenses for the year ended 31 December 2011 was approximately RMB40.6 million, representing an increase of approximately RMB10.4 million or approximately 34.6% from approximately RMB30.1 million for the year ended 31 December 2010. The increase was in line with the increase in research and development cost incurred in designing new moulds.

Finance costs/income-net

Our net finance costs for the year ended 31 December 2011 were approximately RMB1.0 million, a compared to a net finance income of approximately RMB4.9 million for the year ended 31 December 2010. This was due to an increase of interest expense on bank borrowings wholly repayable within five years in the amount of RMB8.4 million, which was partly offset by an increase in interest income on short-term bank deposits of approximately RMB0.4 million and an increase in net exchange gains on bank borrowings by approximately RMB2.1 million.

Profit before income tax

As a result of the aforementioned factors, profit before income tax for the year ended 31 December 2011 was approximately RMB133.6 million, representing an increase of approximately RMB50.4 million, or approximately 60.6%, from approximately RMB83.2 million for the year ended 31 December 2010.

Income tax expense

Income tax expense for the year ended 31 December 2011 was approximately RMB24.3 million, representing an increase of approximately RMB10.8 million, or approximately 79.4%, from approximately RMB13.5 million for the year ended 31 December 2010. Our effective tax rate was approximately 18.2% for the year ended 31 December 2011 as compared to approximately 16.3% for the year ended 31 December 2010. The increase in effective tax rate was mainly due to higher statutory income tax rate of 25% applicable to FMS Guangzhou, our PRC subsidiary after the completion of the FMS Guangzhou Acquisition as at 16 August 2011 and the listing expenses incurred by our Company which were not tax-deductible.

Profit for the year and net profit margin

Our profit was approximately RMB109.3 million for the year ended 31 December 2011, representing an increase of approximately RMB39.6 million, or approximately 56.9%, from approximately RMB69.7 million for the year ended 31 December 2010. The increase was contributed by the FMS Guangzhou Acquisition, which was completed on 16 August 2011. Our net profit margin decreased slightly from approximately 7.7% for the year ended 31 December 2010 to approximately 7.3% for the year ended 31 December 2011. The decrease in net profit margin was mainly due to the increase in cost of sales and the increase of administrative expenses which were proportionately more than the increase in revenue.

Year ended 31 December 2010 compared to Year ended 31 December 2009

Revenue

Our revenue for the year ended 31 December 2010 was approximately RMB901.2 million, representing an increase of approximately RMB152.7 million, or approximately 20.4%, from our revenue of RMB748.5 million for the year ended 31 December 2009.

Revenue from sales of metallic components of display panels for use in LCD TVs (including LED TVs since 2010) increased to approximately RMB326.7 million for the year ended 31 December 2010 from approximately RMB132.2 million for the year ended 31 December 2009, representing a growth of approximately RMB194.5 million or approximately 147.1%. This was due to an increase in sales volume by approximately 87.4% and an increase in our average selling price of approximately 31.8%.

Revenue derived from the sales of metallic components of display panels for use in monitors and mobile PCs decreased from approximately RMB549.9 million for the year ended 31 December 2009 to approximately RMB475.2 million for the year ended 31 December 2010, or by approximately 13.6%. In the second half of the year 2009, we faced greater competition from competitors when low cost production technology became more generally mastered by our competitors and their production facilities improved. Thus, our average selling price decreased. Since then, our Group decided to gradually decrease production of metallic components of display panels for use in monitors and mobile PCs. The sales volume of the metallic components of display panels for use in monitors and mobile PCs also decreased by approximately 12.1%.

Revenue derived from the sales of metallic components of display panels for use in mobile phones decreased from approximately RMB17.2 million for the year ended 31 December 2009 to approximately RMB13.8 million for the year ended 31 December 2010, or by approximately 19.4%. The metallic components of display panels for use in mobile phones produced by us were mainly used in the manufacture of slide mobile phones. Due to the declining popularity of slide mobile phones leading to a lower demand of our products, our Group decided to discontinue such production in May 2010 and focused on the production of products carrying higher profit margin, i.e., the metallic components of display panels for use in LCD TVs (including LED TVs since 2010). The sales volume of the metallic components of display panels for use in mobile phones for the year ended 31 December 2010 increased by approximately 11.5% from the year ended 31 December 2009 whereas the average selling price of metallic components of display panels for use in mobile phones decreased by approximately 27.4%.

Revenue from the sales of moulds and scrap materials increased to approximately RMB85.5 million for the year ended 31 December 2010 from approximately RMB49.2 million for the year ended 31 December 2009, representing an increase of approximately RMB36.2 million or approximately 73.6%. This was primarily due to the increasing demand for moulds used in production of metallic components of display panels for use in LCD TVs (including LED TVs since 2010).

Cost of sales

Cost of sales for the year ended 31 December 2010 was approximately RMB727.2 million, representing an increase of approximately RMB184.4 million, or approximately 34.0%, from approximately RMB542.8 million for the year ended 31 December 2009. The increase in cost of sales was proportionally more than the increase in our total revenue. The average unit cost of sales of the metallic components for use in LCD TVs (including LED TVs since 2010) and monitor and mobile PCs increased by approximately 26.8% and approximately 19.2%, respectively. Due to the strong inflationary environment in 2010, the price of raw materials increased substantially for the year ended 31 December 2010.

Gross profit

Our gross profit for the year ended 31 December 2010 was approximately RMB174.0 million, representing a decrease of approximately RMB31.8 million, or approximately 15.4%, from approximately RMB205.8 million for the year ended 31 December 2009. Our gross profit margin for the year ended 31 December 2010 was approximately 19.3%, compared with approximately 27.5% for the year ended 31 December 2009. The decrease in gross profit margin was due to the fact that the increase in average selling price of the metallic components of display panels for use in LCD TVs (including LED TVs since 2010) and monitors and mobile PCs were proportionally less than the increase average cost of sales especially those driven by the increase in the cost of raw materials.

Other losses

Other losses for the year ended 31 December 2010 was approximately RMB6.8 million, compared to a net loss of approximately RMB0.2 million for the year ended 31 December 2009, representing an increase of approximately RMB6.6 million or approximately 3,165.2%. The increase in losses was mainly due to net exchange loss arising from the revaluation of USD denominated trade related balance as a result of the appreciation of RMB against USD.

Selling and distribution costs

Selling and distribution costs for the year ended 31 December 2010 was approximately RMB27.6 million, representing an increase of approximately RMB7.8 million, or approximately 39.2%, as compared to RMB19.9 million for the year ended 31 December 2009. Such increase was principally due to the increase in product transportation costs as a result of the increase in the sales volume of metallic components for LCD TVs.

Administrative expenses

Administrative expenses for the year ended 31 December 2010 was approximately RMB31.1 million, representing an increase of RMB4.1 million, or approximately 15.1%, as compared to approximately RMB27.0 million for the year ended 31 December 2009. Such increase was due to the increase in staff cost by new employment and salary increase.

Research and development expenses

Research and development expenses for the year ended 31 December 2010 was approximately RMB30.1 million, representing an increase of approximately RMB3.9 million or approximately 14.7% as compared to approximately RMB26.3 million for the year ended 31 December 2009. Such increase was due to the increase in development costs incurred in designing moulds to cater for the increasing sales volume of metallic components of display panels.

Finance income/costs

Our net finance income for the year ended 31 December 2010 was approximately RMB4.9 million, as compared to the net finance costs of approximately RMB2.3 million for the year ended 31 December 2009. The net finance income was principally due to the net exchange gain arising from USD denominated bank borrowings as a result of the appreciation of RMB against USD.

Profit before income tax

As a result of the aforementioned factors, profit before income tax for the year ended 31 December 2010 was approximately RMB83.2 million, representing a decrease of approximately RMB46.9 million, or approximately 36.0%, from approximately RMB130.1 million for the year ended 31 December 2009.

Income tax expense

Income tax expense for the year ended 31 December 2010 was approximately RMB13.5 million, representing a decrease of approximately RMB6.0 million, or approximately 30.6%, from approximately RMB19.5 million for the year ended 31 December 2009. Our effective tax rate increased from approximately 15.0% for the year ended 31 December 2009 to approximately 16.3% for the year ended 31 December 2010.

Profit for the year and net profit margin

For the year ended 31 December 2010, our profit was approximately RMB69.7 million, representing a decrease of approximately RMB40.9 million, or approximately 37.0%, from approximately RMB110.6 million for the year ended 31 December 2009. Our net profit margin was approximately 7.7% for the year ended 31 December 2010 as compared to approximately 14.8% for the year ended 31 December 2009. Such decrease in our net profit margin was mainly due to an increases in cost of sales, selling and distribution expenses as well as a substantial increase in net exchange loss which were proportionately more than the increase in revenue. Such net exchange loss was caused by a revaluation of USD denominated trade related balances as a result of the appreciation of RMB against USD.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our liquidity requirements principally through a combination of cash flow from operations, internal resources and bank borrowings. Our principal uses of cash have been, and are expected to continue to be, operational costs and capital expenditures.

Cash flow

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	76,913	93,569	195,068
Net cash used in investing activities	(77,010)	(100,426)	(208,804)
Net cash generated from financing activities	91,143	44,487	31,791
Net increase in cash and cash equivalents	91,046	37,630	18,055
Cash and cash equivalents at beginning of the year	36,886	127,871	161,531
Effect of foreign exchange rate change	(61)	(3,970)	(6,770)
Cash and cash equivalents at end of the year	127,871	161,531	172,816

Net cash generated from/used in operating activities

Net cash generated from operating activities primarily consisted of profit before income tax adjusted for depreciation, amortisation, and the effect of changes in working capital.

We derive our cash inflow from operating activities principally from the receipt of payments from sales of our products. Our cash outflow from operations mainly includes purchases of raw materials and staff costs.

Net cash generated from operating activities for the year ended 31 December 2009 amounted to approximately RMB76.9 million, while our profit before income tax for the same year was approximately RMB130.1 million. The difference of approximately RMB53.2 million was primarily attributable to a depreciation expense of approximately RMB28.4 million, an increase in trade receivables of approximately RMB54.1 million, and income tax paid of approximately RMB25.7 million being paid.

Net cash generated from operating activities for the year ended 31 December 2010 amounted to approximately RMB93.6 million, while our profit before income tax for the same year was approximately RMB83.2 million. The difference of approximately RMB10.4 million was primarily attributable to a depreciation expense of approximately RMB36.3 million, and an increase in trade payables of approximately RMB25.6 million which were partially offset by an increase in trade receivables of approximately RMB29.1 million and an increase in prepayments and other receivables of RMB21.4 million.

Net cash generated from operating activities for the year ended 31 December 2011 amounted to approximately RMB195.1 million, and our profit before income tax for the same period was approximately RMB133.6 million. The difference of approximately RMB61.5 million was primarily attributable to a depreciation expense of approximately RMB51.4 million, and an increase of trade payables of approximately RMB201.4 million. The amount was partially offset by an increase in trade receivables of approximately RMB173.3 million, and a decrease in amounts due to related parties of approximately RMB19.5 million.

Net cash generated used in investing activities

Net cash used in investing activities for the year ended 31 December 2009 amounted to approximately RMB77.0 million, which was primarily attributable to the purchase of property, plant and equipment of approximately RMB59.6 million and the increase in pledged bank deposits of RMB17.5 million.

Net cash used in investing activities for the year ended 31 December 2010 amounted to approximately RMB100.4 million, which was primarily attributable to the purchase of property, plant and equipment of approximately RMB76.4 million and the increase in pledged bank deposits of approximately RMB16.7 million.

Net cash used in investing activities for the year ended 31 December 2011 amounted to approximately RMB208.9 million, which was primarily attributable to purchases of property, plant and equipment of approximately RMB232.3 million and to purchases of land use rights of approximately RMB33.1 million. The amount was partially offset by the net cash acquired from FMS Guangzhou of approximately RMB22.0 million as a result of the completion of the FMS Guangzhou Acquisition on 16 August 2011 and the decrease in pledge bank deposits of approximately RMB34.2 million.

Net cash used in/generated from financing activities

Net cash generated from financing activities for the year ended 31 December 2009 amounted to approximately RMB91.1 million. This amount was mainly attributable to the proceeds from bank borrowings of approximately RMB179.9 million, repayments of bank borrowings of approximately RMB74.8 million and dividends paid of approximately RMB11.5 million.

Net cash generated from financing activities for the year ended 31 December 2010 amounted to approximately RMB44.5 million. This amount was primarily attributable to a net increase in bank borrowings of approximately RMB75.4 million and dividends paid of approximately RMB19.9 million.

Net cash generated from financing activities for the year ended 31 December 2011 amounted to approximately RMB31.8 million. The amount was attributable to proceeds from bank borrowings of approximately RMB592.2 million, repayments of bank borrowings of approximately RMB548.2 million and interest paid of approximately RMB12.2 million.

MAJOR FINANCIAL RATIOS

	2009	**2010**	**2011**
Trade receivables turnover (days)[1]	56	62	65
Trade payables turnover (days) [2]	79	64	73
Inventory turnover (days)[3]	27	21	19
Gearing ratio[4]	N/A	N/A	30%
Debt to equity ratio[5]	30%	42%	74%
Current ratio[6]	1.3	1.2	0.8
Return on equity[7]	27%	15%	20%

Notes:

1. The trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables, net of provision on impairment, for the year/period divided by revenue during the year/period and multiplied by the number of days during the year/period. Factors have been considered to reflect the completion of the FMS Guangzhou Acquisition on 16 August 2011.

2. The trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables for the year/period divided by total cost of sales for the year/period, and multiplied by the number of days during the year/period. Factors have been considered to reflect the completion of the FMS Guangzhou Acquisition on 16 August 2011.

3. Inventory turnover days is calculated based on the average of the beginning and ending balance of inventories for the year/period divided by total cost of sales for the year/period, and multiplied by the number of days during the year/period. Factors have been considered to reflect the completion of the FMS Guangzhou Acquisition on 16 August 2011.

4. Gearing ratio is calculated by dividing net debt by total capital as at the end of the respective years/period multiplied by 100%. Net debt is calculated as total borrowings less cash and cash equivalents and pledged bank deposits. Total capital is calculated as total equity plus net debt. The gearing ratio did not apply as at 31 December 2009 and 2010 as our Group had cash surplus after allowing for the debt.

5. Debt to equity ratio is calculated by dividing total borrowings by total equity as at the end of the respective year/period multiplied by 100%

6. The current ratio is calculated by dividing total current assets by total current liabilities as at the end of the respective years/period.

7. Return on equity equals the profit for the year/period divided by shareholders' equity as at the end of the respective years/period.

Trade receivables turnover

Our trade receivables represented receivables for sales of our products to our customers.

During the Track Record Period our customers were granted a credit period of 30 to 60 days in general.

Trade receivables turnover increased slightly from 56 days for the year ended 31 December 2009 to 62 days for the year ended 31 December 2010, and to 65 days for the year ended 31 December 2011. The gradual increase in trade receivables turnover days was mainly due to the the decrease of our sales to one of our major customers which has been granted a relatively shorter credit period of 30 days and the increase of our sales to another two of our major customers which have been granted a credit period of 60 days.

The longer trade receivables turnover days as compared to the general credit period granted to our customers was principally to maintain better and longer customer relationships by giving reasonable grace periods to our customers. Our Directors confirmed that our Group did not experience any recoverability problems during the Track Record Period.

The following is an aging analysis of our trade receivables during the Track Record Period:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
1-60 days	104,862	149,173	345,257
60-120 days	35,436	16,276	66,526
121-180 days	981	216	74
181-240 days	—	—	2
Over 240 days	592	1,021	395
Total	141,871	166,686	412,254

As at 30 April 2012, approximately 99.8% of the trade receivables as at 31 December 2011 had been settled.

Trade payables turnover

Our trade payables were derived primarily from payables to our suppliers. The credit periods granted to us by our suppliers was determined on a case-by-case basis.

In general, our suppliers granted us a credit period of 60 days or 90 days during the Track Record Period, depending on the relationship between each of our suppliers and us.

Trade payables turnover days remained stable at 79 days and 73 days for each of the year ended 31 December 2009 and 2011, respectively. The relatively low trade payable turnover days of 64 days for the year ended 31 December 2010 was due mainly to the substantial increase in cost of sales throughout the whole year ended 31 December 2010. Further, there was a lower growth in the trade payables as at 31 December 2010 resulting from comparatively less purchases in the fourth quarter of 2010. Our Directors have confirmed that no late payment penalty was imposed by the suppliers.

As at 30 April 2012, approximately 98.6% of the trade payables as at 31 December 2011 had been settled.

An aging analysis of our trade payables as at each balance sheet date indicated, is set out as follows.

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
1 to 60 days	95,764	112,145	283,682
61 to 90 days	13,182	14,958	107,608
91 to 120 days	5,863	10,684	26,815
121 to 180 days	1,078	751	1,227
181 to 240 days	2	245	15
Over 240 days	6	25	92
Total	115,895	138,808	419,439

Inventory turnover

Our inventories comprised mainly of raw materials, work-in-progress and finished goods for temporary storage prior to delivery to customers.

The inventory turnover days decreased from 27 days for the year ended 31 December 2009 to 21 days for the year ended 31 December 2010. Our inventory turnover days was 19 days as of 31 December 2011.

Our Group's internal control policy aims to maintain reasonably low inventory levels for better liquidity and lowering the storage costs. During the Track Record Period, our inventory turnover remained stable and did not experience material fluctuations.

The following table sets out a breakdown of inventories for the Track Record Period.

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	18,706	20,965	39,981
Work in progress	10,175	4,102	10,960
Finished goods	11,592	17,968	41,722
Total	40,473	43,035	92,663

As at 30 April 2012, approximately 86.7% of the inventory as at 31 December 2011 had been utilised.

Gearing ratio

The gearing ratio did not apply as at 31 December 2009 and 2010 as our Group was in net cash position. Our gearing ratio as at 31 December 2011 was 30% which mainly represented the use of cash in the purchase of property, plant and equipment and land use rights.

Debt to equity ratio

Our debt to equity ratio as at 31 December 2009, 2010 and 2011 was approximately 30%, 42% and 74%, respectively. The increase in debt to equity ratio was mainly due to the increase in bank borrowings for our Group's expansion plan which incurred more capital expenditure.

Current ratio

Our current ratio as at 31 December 2009 and 2010 remained stable at 1.3 and 1.2 respectively. Our current ratio as at 31 December 2011 was 0.8. This was mainly due to the increase in short-term bank loans for the construction of and purchase of machinery for our Second Wuxi Production Base. In light of the relatively low current ratio, we entered into a supplemental agreement dated 5 June 2012 with a bank to extend the date of repayment of the bank loan in an amount of USD15 million from 27 March 2013 to 27 July 2013 and we entered into another supplemental agreement dated 14 June 2012 with a bank to extend the date of the repayment of the bank loan in the amount of USD4 million from 19 April 2013 to 19 July 2013. As at 30 April 2012, our utilised banking facilities amounted to approximately RMB395.9 million. For a detailed analysis of the net current liabilities position and the relevant financing plans of our Group, please refer to the sub-section headed "Net current assets/(liabilities) — our Group".

Return on equity

Return on equity was approximately 27% for the year ended 31 December 2009. The decrease in return on equity to 15% for the year ended 31 December 2010 was mainly due to a decrease in net profit during this period. For the year ended 31 December 2011, return on equity was 20%. The increase in return on equity was mainly attributable to an increase in net profit during the period.

Intangible assets

During the Track Record Period, our intangible assets mainly consisted of computer software and club debenture, amounting to approximately RMB3.1 million, RMB3.4 million, and RMB3.7 million as at 31 December 2009, 2010 and 2011, respectively.

The computer software is amortised over its estimated useful life, which does not exceed five years, on a straight-line basis.

The club debenture represents golf club membership and is capitalised on the basis of the costs incurred to acquire and is amortised over its estimated useful life, which is 10 years, on a straight-line basis.

Prepayments, deposits and other receivables

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Long-term deposits	—	7,970	—
	—	7,970	—
Current			
Prepayments	1,231	3,568	10,113
Value-added tax and other tax recoverable	6,203	17,645	48,766
Other receivables	43	7,614	14,548
	7,477	28,827	73,427
Total	7,477	36,797	73,427

The non-current long-term deposits of approximately RMB8.0 million as at 31 December 2010 represented the deposits made for the acquisition of land for the Second Wuxi Production Base. The acquisition was completed in January 2011.

Our prepayments for the purchase of raw materials and office supplies were approximately RMB1.2 million, RMB3.6 million, and RMB10.1 million as at 31 December 2009, 2010 and 2011, respectively. The increase in our prepayments of approximately RMB6.5 million in 2011 was due mainly to the listing expenses paid not yet incurred of approximately RMB7.0 million.

Our value-added tax and other tax recoverables mainly arising from the purchase of imported property, plant and equipment and raw materials were approximately RMB6.2 million, RMB17.6 million and approximately RMB48.8 million as at 31 December 2009 and 2010 and 2011, respectively. We recorded an increase of approximately RMB31.1 million in the value-added tax and other tax receivables from 31 December 2010 to 31 December 2011. RMB18.9 million of such increase was mainly attributable to the value-added tax recoverables arising from the increase in the purchase of property, plant and equipment by Jiangsu Fine DNC. RMB11.8 million of such increase represented the value-added tax recoverables brought forward from FMS Guangzhou during the FMS Guangzhou Acquisition.

Our other receivables were approximately RMB43,000, RMB7.6 million, and RMB14.5 million as at 31 December 2009, 2010 and 2011, respectively. The substantial increase in 2010 was mainly due to the deposit for customs, accounting for approximately RMB7.0 million. The increase of approximately RMB6.9 million in 2011 was mainly due to the amount of approximately RMB1.2 million due from government for the infrastructure construction fee paid by FMS Guangzhou, approximately RMB2.7 million for the increase in the deposit for customs and approximately RMB2.6 million for the deposit for the application for the tender, auction, listing-for-sale for the acquisition of the equity interests of Beijing Shouchuang in Jiangsu Fine DNC.

Balances with related parties

Details of the balances with related parties during the Track Record Period were as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Amount due from the immediate holding company — non-trade	191	—	—
Amount due to the ultimate holding company — trade	(239)	—	—
Amount due to the immediate holding company — non-trade	—	—	(14,994)
Amounts due from/(to) related parties —			
— trade	(896)	(869)	595
— non-trade	(586)	(234)	(53,075)

Amounts due from the immediate holding company — non-trade

As at 31 December 2009, our Group recorded amounts due from the immediate holding company — non-trade of approximately RMB0.2 million, which mainly represented company registration fee of Infinity. Such balances were of non-trading nature and were interest-free, unsecured and repayable on demand.

No amounts due from the immediate holding company — non trade were recorded as at 31 December 2010 and 2011.

Amount due to the ultimate holding company — trade

As at 31 December 2009, our Group recorded amounts due to the ultimate holding company — trade of approximately RMB0.2 million, which mainly represented the purchase of raw materials from Fine Technix.

No amounts due to the ultimate holding company-trade were recorded as at 31 December 2010 and 2011.

Amounts due to immediate holding company — non-trade

As at 31 December 2011, our Group recorded amounts due to immediate holding company — non-trade of approximately RMB15.0 million which mainly represented the listing expenses paid by immediate holding company, Infinity. The amount is expected to be settled 15 days after the Listing due to time required for the settlement using the portion of the proceeds of the New Issue.

No amounts due to immediate holding company — non-trade was recorded as at 31 December 2009 and 2010.

Amounts due from/(to) related parties — trade

As at 31 December 2009 and 2010, our Group recorded amounts due to related parties — trade of approximately RMB0.9 million and RMB0.9 million, respectively, which mainly represented the purchase of raw materials and consumable tools from Fine DNC Korea and Fine Technix. As at 31 December 2011, our Group recorded amounts due from related parties — trade of approximately RMB0.6 million, which mainly represented direct sales to Fine DNC Korea. The amount due from related parties — trade had been fully settled in February 2012.

Amounts due to related parties — non-trade

As at 31 December 2009 and 2010, our Group recorded amounts due to related parties — non-trade of approximately RMB0.6 million and RMB0.2 million, respectively, which was mainly related to related technical fees incurred. As at 31 December 2011, our Group recorded amounts due to related parties — non-trade of approximately RMB53.1 million which was contributed by the consideration for the FMS Guangzhou Acquisition payable to FMS Korea of approximately RMB47.2 million and the non-trade amounts due from FMS Guangzhou to FMS Korea for the purchases of plant and equipment of approximately RMB0.5 million and the non-trade amounts due from Jiangsu Fine DNC to Fine DNC Korea for plant and equipment of approximately RMB5.3 million. Such balances were of non-trading nature and were interest-free, unsecured and repayable on demand. The consideration for the FMS Guangzhou Acquisition payable to FMS Korea of approximately RMB14.1 million was settled in February 2012 and the remaining balance of approximately RMB 33.1 million will be settled on 31 July 2012 or 30 days after Listing, whichever is earlier. The amount due to FMS Korea for the purchases of plant and equipment of approximately RMB0.5 million had been settled in March 2012. The amount due to Fine DNC Korea for plant and equipment of approximately RMB5.3 million had been settled in January 2012.

Bank borrowings

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities			
Bank borrowings	—	—	128,990
Current liabilities			
Bank borrowings	123,061	191,769	284,152
Total borrowings	123,061	191,769	413,142

Bank borrowings at principal amount were repayable as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	123,061	191,769	284,152
Between 1 and 2 years	—	—	128,990
Between 2 and 5 years	—	—	—
Wholly repayable within 5 years	123,061	191,769	413,142

The Chinese government has taken measures, including increasing the banks' reserve requirement ratio and benchmark interest rate, to tighten the credit market since late 2010 amid concerns over inflation and the overheating of the Chinese economy. Notwithstanding these measures, we have been able to obtain sufficient credit facilities required for our business and operations.

We had total outstanding bank borrowings of approximately, RMB123.1 million, RMB191.8 million and RMB413.1 million as at 31 December 2009, 2010 and 2011, respectively.

The increase in the bank borrowings in 2010 and 2011 was mainly due to the Company's plan for capital expansion in 2010 and 2011.

Other payable and accruals

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Salary and wages payable	7,777	8,061	15,544
Advance receipts from customers	100	—	3,823
Other accruals and other payables	9,912	10,699	85,425
	17,789	18,760	104,792

Total other payables and accruals as at 31 December 2010 was approximately RMB18.8 million, representing a slight increase of approximately RMB1.0 million from approximately RMB17.8 million as at 31 December 2009.

Total other payables and accruals as at 31 December 2011 were approximately RMB104.8 million, representing a substantial increase of approximately RMB86.0 million from approximately RMB18.8 milliion as at 31 December 2010. The increase in total other payables and accruals was mainly attributable to the increase in the purchases of property, plant and equipment, consumable parts and transportation cost resulting from the increased headcount as we expanded our production lines. As at 31 December 2011, payables incurred for the purchase of property, plant and equipment, consumable parts and transportation cost amounted to approximately RMB85.4 million.

INDEBTEDNESS

Set out below is the indebtedness position of our Group as at 31 December 2009, 2010 and 2011 and 30 April 2012.

The following table sets forth our total borrowings as at the dates indicated:

	As at 31 December			As at 30 April
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Bank borrowings				
Current	123,061	191,769	284,152	340,289
Non-current	—	—	128,990	85,311
Total	123,061	191,769	413,142	425,600

Note: The total borrowings of our Group as shown above do not include the entrusted loan agreements between Jiangsu Fine DNC and FMS Guangzhou under which the principal amounts of entrusted loans have been made available by Jiangsu Fine DNC to FMS Guangzhou through banks. On 15 September 2011, 27 October 2011 and 24 November 2011, Jiangsu Fine DNC has entered into three non-current entrusted loan agreements, pursuant to which the principal amount of the entrusted loans, being US$5,000,000, US$4,000,000 and RMB31,500,000 (approximately US$5,000,000), respectively, have been made available by Jiangsu Fine DNC to FMS Guangzhou through banks.

Our short-term bank borrowings were incurred primarily for the purposes of financing our working capital and business acquisitions. Our short-term bank borrowings increased from approximately RMB191.8 million as at 31 December 2010 to approximately RMB284.2 million as at 31 December 2011.

We seek to lower our finance costs by managing the size of our total borrowings and centralizing our bank borrowing activities. We review our financial condition from time to time and adjust the outstanding amount of our short-term loans.

Most of our bank borrowings outstanding as at 31 December 2009, 2010 and 2011 and 30 April 2012 were denominated in United States dollars as the major settlement currency for the purchase of raw materials by our Group is in United States dollars. The weighted average interest rates of our bank borrowings as at 31 December 2009, 2010 and 2011 and 30 April 2012 were approximately 2.71%, 3.08%, 5.31% and 5.33% respectively.

The following table sets forth a breakdown of our secured and unsecured bank borrowings as at the dates indicated:

	As at 31 December			As at 30 April
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Secured	51,588	108,426	233,265	189,505
Unsecured	71,473	83,343	179,877	236,095
Total	123,061	191,769	413,142	425,600

As at 31 December 2009 and 2010, our bank borrowings which amounted to approximately RMB51.6 million and RMB108.4 million, respectively, were secured by land use rights, buildings and equipment and pledged deposits of our Group. As at 31 December 2011 and 30 April 2012, our bank borrowings amounted to RMB231.3 million and RMB189.5 million were secured by land use rights and buildings and equipment of our Group only.

As at 31 December 2011, our borrowings amounted to approximately USD2,000,000 equivalent to approximately RMB12,602,000, were guaranteed by FMS Korea. The bank borrowing has been fully settled and the respective guarantee has been released accordingly.

The table below sets forth the maturity profile of our borrowings as of the dates indicated below:

	As at 31 December			As at 30 April
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Within 1 year	123,061	191,769	284,152	340,289
Between 1 and 2 years	—	—	128,990	85,311
	123,061	191,769	413,142	425,600

Except as disclosed above, we did not have, as of the Latest Practicable Date, any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

The Directors have confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 December 2011.

Subsequent to 31 December 2011 and up to the date of this prospectus, our Group entered into two loan agreements with bank to raise two bank loans. On 5 January 2012, our Group entered into a loan agreement with bank to raise a bank loan of US$5,060,000, which bears an interest at 3-month LIBOR + 5.5%. US$31,700, US$31,700 and US$4,996,600 will mature on 5 July 2012, 5 January 2013 and 5 July 2013, respectively. On 19 January 2012, our Group entered into a loan agreement with bank to raise a bank loan of US$10,000,000, which bears an interest at 3-month LIBOR + 5.7%. US$500,000, US$500,000, US$4,500,000 and US$4,500,000 will mature on 19 July 2012, 19 January 2013, 19 April 2013 and 19 July 2013, respectively. On 5 June 2012, our Group entered into a supplemental agreement with a bank to extend the date of repayment of a bank loan of US$15,000,000 from 27 March 2013 to 27 July 2013.

NET CURRENT ASSETS/(LIABILITIES) — OUR GROUP

	As at 31 December			As at 30 April
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)
Current assets				
Inventories	40,473	43,035	92,663	88,379
Trade receivables	141,572	166,373	411,838	364,184
Prepayments and other receivables	7,477	28,827	73,427	85,785
Amount due from the immediate holding company	191	—	—	—
Tax recoverable	6,875	—	—	—
Pledged bank deposits	17,500	34,200	—	—
Cash and cash equivalents	127,871	161,531	172,816	186,191
Total current assets	341,959	433,966	750,744	724,539
Current liabilities				
Trade payables	115,895	138,808	419,439	327,471
Other payables and accruals	17,789	18,760	104,792	102,359
Amount due to the ultimate holding company	239	—	—	—
Amount due to the immediate holding company	—	—	14,994	15,529
Amounts due to related companies	1,482	1,103	52,480	47,869
Current income tax liabilities	—	4,187	7,929	11,869
Borrowings	123,061	191,769	284,152	340,289
Total current liabilities	258,466	354,627	883,786	845,386
Net current assets/(liabilities)	83,493	79,339	(133,042)	(120,847)

We recorded net current liabilities of approximately RMB133.0 million as at 31 December 2011. Our net current liability position during the Track Record Period mainly reflected the high levels of the current portion of our bank borrowings. These borrowings were primarily used to finance the repayment of trade payables for the purchases of raw materials and capital expenditure for setting up our Second Wuxi Production Base and for working capital purposes. Our net current liability position also reflected significant trade and other payables mainly related to the purchases of raw materials, property, plant and equipment and consumable parts.

We expect that we may record net current liabilities in the future in connection with the expansion of our business. Please also refer to the section headed "Risk Factors — Risks relating to Our Business — Our Group recorded net current liabilities as at 31 December 2011". We intend to finance our future capital expenditure requirements mainly with borrowings, proceeds from this New Issue, cash from operating activities and other existing cash resources.

We have not experienced any material obstacle in obtaining financing. We have unutilised banking facilities of approximately RMB395.9 million as at 30 April 2012. Among the unutilised banking facilities as at 30 April 2012, the unutilised banking facilities of approximately RMB156.9 million, RMB59.3 million, RMB29.9 million, RMB84.8 million, and RMB65.0 million will be available up to 15 August 2012, 13 September 2012, 14 December 2012, 5 January 2013 and 11 January 2013, respectively. There are restrictive covenants contained in the instruments governing such unutilised banking facilities, which include, in particular, the following:

1. in the event that the total sales revenue generated by Jiangsu Fine DNC for the period of 3 months immediately preceding the date of utilisation is below RMB375 million, then the total available banking facilities would be reduced by RMB30 million;

2. the borrower shall not provide guarantee in favour of any third party, declare dividends or make new investments unless the written consent of the lender(s) has been obtained;

3. no security interest shall be created in favour of any other party on the security that has been provided in favour of the lender(s), in particular, the land use right of a property with a site area of 40,981.8 sq.m and the production plant with a gross floor area of 31,368.2 sq.m both owned by Jiangsu Fine DNC; and/or

4. the borrower shall comply with the various ratios designated by the lender(s), including, in particular, the ratio of the loan amount borrowed from a lender to the total borrowings of the borrower; the ratio of the deposited amount with a lender to the total deposited amount of the borrower and the ratio of the sales proceeds deposited with a lender to the total sales proceeds received by the borrower.

During the Track Record Period and up to the Latest Practicable Date, our Group had not breached any of the above covenants. Jiangsu Fine DNC has already obtained consent from the relevant lender for its expansion/investment plans in Wuxi as disclosed under the section headed "Future Plans and Use of Proceeds" of this prospectus. Such consent was granted on the condition that the loan proceeds obtained from such lender would not be used for its expansion and investment plans in Wuxi.

We recorded net current liabilities of approximately RMB133.0 million as at 31 December 2011, and our amount of net current liabilities decreased to approximately RMB120.8 million as at 30 April 2012. We consider that it was mainly due to the positive operating cashflows of our Group recorded during the four months ended 30 April 2012 which enhanced our working capital position. During this period, we had new borrowings of approximately USD41.9 million and repaid our bank loans of approximately USD38.1 million and RMB10.1 million. Further, our Group had unutilised banking facilities totaling approximately RMB395.9 million as at 30 April 2012.

As of the Latest Practicable Date, the net current liabilities position has been further improved due to the supplemental agreement dated 5 June 2012 entered into between the Group and a bank to extend the date of the repayment of the bank loan in the amount of USD15 million from 27 March 2013 to 27 July 2013 and another supplemental agreement dated 14 June 2012 with a bank to extend the date of the repayment of the bank loan in the amount of USD4 million from 19 April 2013 to 19 July 2013.

Our Directors confirmed that there has not been any delay or default in the repayment of bank and other borrowings during the Track Record Period.

CASH FLOWS

We have financed our operations and growth mainly through a combination of cash from operations and external borrowings. We have used our cash mainly to finance our operations and capital expenditures and to repay our borrowings. As at 31 December 2011, our Directors are not aware of any material change to the sources of our cash and our use of cash.

Prior to the Listing, we funded our operations principally with revenue generated from our product sales and through bank borrowings. Our principal liquidity and capital requirements were mainly related to the following:

- capital expenditure for the purchase of equipment;
- costs and expenses related to the operation of our business and procurement of materials and raw materials; and
- payment of dividends to our Shareholders.

After the Listing, we expect to meet our liquidity needs from cash generated from our operations, and debt and equity financing, including the proceeds of the New Issue.

CAPITAL EXPENDITURE

Our capital expenditure was primarily related to the purchase of property, plant and equipment. We have funded our historical capital expenditure through cash from our operations and bank borrowings. The following table sets out our capital expenditure during the Track Record Period:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditures			
Construction in progress	56,016	68,137	224,590
Buildings	54	2,486	1,127
Furniture, fixtures and equipment	1,983	4,030	5,807
Motor vehicles	—	7	—
Machinery	2,437	1,469	27,799
Total	60,490	76,129	259,323

During the Track Record Period, we incurred capital expenditure mainly as a result of our purchase of property, plant and equipment. During the year ended 31 December 2011, our Group incurred approximately RMB259.3 million as capital expenditure in which approximately RMB111.0 million and approximately RMB128.4 million was incurred for construction of the factory and machinery, respectively, for our Second Wuxi Production Base.

We anticipate that the funds needed to finance our capital expenditure will be financed by cash generated from our operations, bank borrowings, as well as net proceeds from the New Issue. If necessary, we may raise additional funds on terms that are acceptable to us. We plan to continue enhancing and expanding our production capacities and customer portfolio. We expect that our future capital expenditures will be used primarily for purchases of plant and equipment, and the acquisition of FMS Guangzhou.

Our current plans with respect to future capital expenditures may be subject to change based on the implementation of our business plan, including potential acquisitions, market conditions and our outlook on future business conditions. As we continue to expand, we may incur additional capital expenditures.

Our ability to obtain additional funding in the future is subject to a variety of uncertainties, including our future results of operations, financial condition and cash flows, as well as economic, political and other conditions in the PRC, Hong Kong and other jurisdiction(s) in which we operate.

CAPITAL COMMITMENTS

We had the following future aggregate capital commitments for property, plant and equipment as at the dates presented in the table below:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment commitment contracted but not provided for	48	4,258	10,015
Other capital commitment contracted but not provided for	—	41,060	—
	48	45,318	10,015

OPERATING LEASE COMMITMENTS

During the Track Record Period we leased a factory premise and various quarters for staff under non-cancellable operating lease agreements.

As at the date presented, the future aggregate minimum lease payments of our Group under non-cancellable operating leases were as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
No later than 1 year	2,556	2,047	1,083
Later than 1 year and no later than 5 years	706	783	3
	3,262	2,830	1,086

PROPERTY INTERESTS

As at 30 April 2012, our property interests was revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix IV to this prospectus. The net revaluation surplus, representing the excess of market value of the said properties over their carrying values, has not been included in our combined financial information as at 31 December 2011 as our Group's property interests are stated at cost less accumulated depreciation and accumulated impairment losses.

The table below sets out the reconciliation of aggregate amounts of property interests from our financial information of our Group as of 31 December 2011 and 30 April 2012 to the valuation amount of the property interests of our Group as of 30 April 2012:

	RMB'000
Net book value of our property interests as of 31 December 2011[(1)]	297,007
Movements for the four months ended 30 April 2012	
— Depreciation and amortisation	(4,386)
Net book value of our property interests as of 30 April 2012	292,621
Valuation surplus as of 30 April 2012	28,089
Valuation as of 30 April 2012 per Appendix IV to this prospectus[(2)]	320,710

Notes:

(1) For the purpose of this reconciliation, buildings and the buildings portion of construction in progress (classified in property, plant and equipment) as well as land use rights are included.

(2) This balance included the aggregate capital value of property interests as at 30 April 2012 as stated on No. 1 to No. 10 of page IV-4 to page IV-6 of Appendix IV to this prospectus.

Material Property Analysis

According to the investigation of Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, three industrial properties in Guangzhou and Wuxi contribute a significant portion of revenue to our Group. Please refer to property nos. 1-3 in "Appendix IV Property Valuation" for further details. Jones Lang LaSalle Corporate Appraisal and Advisory Limited is of the view that except save for these three industrial properties located in Guangzhou and Wuxi, there are no other material properties held by our Group.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in our combined financial statements included in the Accountant's Report set out in Appendix I to this prospectus, we confirm that these transactions were conducted in the ordinary and usual course of our business and on normal commercial terms and/or such terms were no less favourable to us than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

For details of related party transactions, please refer to Note 36 to the Accountant's Report as set out in Appendix I to this prospectus.

DISTRIBUTABLE RESERVES

Our Company did not have any distributable reserves as at 31 December 2011 because our Company is newly incorporated, has not been involved in any significant transaction other than certain expenses and the Reorganisation was not completed.

OFF BALANCE SHEET TRANSACTIONS

Except for the commitments set forth above, we have not entered into any material off-balance sheet transactions or arrangements as at 31 December 2011.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our Group is exposed to various types of financial risks, namely, market risks (including cashflow and fair value interest rate risk), credit risks and liquidity risks, in the normal course of business. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance. Risk management is carried out by our senior management according to policies approved by the Board.

The senior management of our Group regularly manages its financial risks. Our Group closely monitors our risk exposure to fluctuations in foreign currency exchange rates and may consider entering into foreign forward exchange contracts from time to time so as to better manage risk exposure.

Market risk

Foreign exchange risk

Our Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Moreover, the conversion of RMB into foreign currencies is subject to the rules and regulations of exchange control promulgated by the PRC government.

Management has set up a policy to require members of our Group to manage their foreign exchange risk against their functional currency. Our Group takes advantage of any internal offsets of our Group's foreign currency revenues and expenses.

As at 31 December 2009, 2010 and 2011, if RMB had strengthened/ weakened by 5% against US dollar with all other variables held constant, the profit before income tax for the year/period would have been approximately RMB1,972,000 lower/higher, RMB2,373,000 lower/higher and RMB15,695,000 higher/lower respectively, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated trade receivables, trade and other payables, balances due from/(to) related parties, cash and cash equivalents and bank borrowings.

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Our Group's cash flow interest rate risk arises from bank balances and borrowings at floating interest rates and fair value interest rate risk fixed interest value from borrowings. Borrowings issued at variable rates expose our Group to cashflow interest rate risk which is partially offset by bank balances held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The interest rate profile of our Group's borrowings is disclosed in Note 26 to the Accountant's Report in Appendix I. The cash deposits placed with banks generate interest at the prevailing market interest rates.

As at 31 December 2009, 2010 and 2011, if interest rates had been 50 basis points higher/lower and all other variable were held constant, our Group's profit before income tax for the year/period would have been approximately RMB350,000 higher/lower, RMB88,000 higher/lower and RMB969,000 lower/higher, respectively. This was mainly attributable to our Group's exposure to interest rates on its variable rate bank balances and borrowings.

Credit risk

Our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the respective notes to the combined financial statements.

Credit risk is managed on a group basis. Trade receivables arise during the course of our Group's business operations and are trade in nature. The management of our Group limit credit risk by assessing the credit quality of the customer, perform ongoing credit evaluation taking into account its financial position, past trade experience and other factors. Our Group has policies in place to review the recoverability of trade receivables and amounts due from related parties on an ongoing basis and assess the adequacy of provision for impairment. The credit risk is managed by having high concentration of business with long term reputable customers. Our Group's five largest trade debtors accounted for 59%,78% and 68% of its total trade receivables as at 31 December 2009, 2010 and 2011, respectively. Our Group maintains frequent communications with the customers to ensure relevant transactions are running effectively and smoothly.

The maximum exposure to credit risk is therefore represented by the carrying amount of each financial asset as stated in the combined balance sheets.

The credit risk on liquid funds is limited because surplus cash of our Group is generally placed in reputable banks.

Liquidity risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash reserves and banking facilities deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows and match maturity profiles of financial assets and liabilities. Management performs and monitors the forecast of our Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its unutilised bank facilities at all times so that our Group will have sufficient working capital to meet its liabilities as and when they fall due, to enable our Group to continue trading for the foreseeable future or does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities, as disclosed in Note 2.1 to the Accountant's Report in Appendix I. Such forecasting takes into consideration our Group's debt financing plans, covenant compliance and, if applicable external regulatory or legal requirements — for example, currency restrictions.

As at 31 December 2009, 2010 and 2011, our Group has available unutilised bank facilities of approximately RMB118,050,000, RMB231,811,000 and RMB269,608,000, respectively.

FINANCIAL INFORMATION OF FMS GUANGZHOU

On 16 August 2011, we acquired FMS Guangzhou from FMS Korea. FMS Guangzhou is principally engaged in the manufacture and sales of metallic components of display panels for use in LED/LCD TVs and monitors. The consideration for the FMS Guangzhou Acquisition amounted US$7.5 million and was determined with reference to the valuation of FMS Guangzhou of RMB48.0 million by 北京國友大正資產評估有限公司 (China Faith Appraisers Co., Ltd.*). Our Directors and the Sponsor are of the view that the consideration for FMS Guangzhou Acquisition was fair and reasonable so far as the Company is concerned. The reason for acquiring FMS Guangzhou was to consolidate the same type of business from Mr. Hong following the Listing.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS — FMS GUANGZHOU

In preparing the Financial Information, management is required to exercise significant judgements in the selection and application of accounting principles, as well as in making estimates and assumptions. The following is a review of the significant accounting policies that are impacted by judgements and uncertainties and for which different amounts may be reported under a different set of conditions or using different assumptions.

Impairment of assets

At each balance sheet date, FMS Guangzhou reviews internal and external sources of information to identify indications that the following assets which are significant to FMS Guangzhou may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment; and

— intangible assets

If an indication of impairment is identified, such information is further subject to an exercise that requires FMS Guangzhou to estimate the recoverable amount, representing the greater of the asset's fair value less cost to sell or its value in use. Depending on FMS Guangzhou's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable amount, FMS Guangzhou may perform such assessment utilising internal resources or FMS Guangzhou may engage external advisers to counsel FMS Guangzhou in making this assessment. Regardless of the resources utilised, FMS Guangzhou is required to make many assumptions to make this assessment, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable amount of any asset.

Useful lives of property, plant and equipment

FMS Guangzhou's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment with similar nature and function. It could change significantly as a result of changes in FMS Guangzhou's operations including any future relocation or renovation of FMS Guangzhou's facilities. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down nonstrategic assets that have been abandoned or sold.

RESULTS OF OPERATIONS

The following table presents selected financial data from the income statement of FMS Guangzhou for the period from 4 November 2009 (date of incorporation) to the date of acquisition, which are derived from, and should be read in conjunction with, the financial information set forth in the Accountant's Report included in the section headed "III Additional Financial Information of FMS Guangzhou for the period from 4 November 2009 (date of incorporation) to 16 August 2011, the date of acquisition by the Group" of Appendix I to this prospectus. As more fully described in the Accountant's Report included as the section headed "III Additional Financial Information of FMS Guangzhou for the period from 4 November 2009 (date of incorporation) to the date of acquisition by the Group" of Appendix I to this prospectus, the financial information was prepared in accordance with HKFRS.

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010	Period from 1 January 2011 to 16 August 2011
	RMB'000	*RMB'000*	*RMB'000*
Revenue	—	75,642	265,045
Cost of sales	—	(89,236)	(252,506)
Gross (loss)/profit	—	(13,594)	12,539
Other gains — net	—	1,586	1,442
Selling and distribution costs	—	(947)	(2,775)
Administrative expenses	(168)	(11,040)	(5,794)
Operating (loss)/profit	(168)	(23,995)	5,412
Finance costs — net	(3)	(502)	(1,726)
(Loss)/profit before income tax	(171)	(24,497)	3,686
Income tax credit	—	—	2,803
(Loss)/profit for the period/year and attributable to equity holders of FMS Guangzhou	(171)	(24,497)	6,489

PRINCIPAL INCOME STATEMENT COMPONENTS — FMS GUANGZHOU

Revenue

FMS Guangzhou derived its revenue principally from the manufacture and sale of metallic components of display panels for use in LCD (including LED) TVs and monitors. FMS Guangzhou commenced commercial production in July 2010. As such, there was no revenue generated by FMS Guangzhou prior to July 2010. For the year ended 31 December 2010, the revenue of FMS Guangzhou was approximately RMB75.6 million. For the period from 1 January 2011 to 16 August 2011, the revenue of FMS Guangzhou was approximately RMB265.0 million. The average selling price and average monthly sales volume increased from the year ended 31 December 2010 to the period from 1 January 2011 to 16 August 2011.

The following table sets out the breakdown of revenue and the percentage of total revenue for the period from 4 November 2009 (date of incorporation of FMS Guangzhou) to 31 December 2009, the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011:

	Period from 4 November 2009 (date of incorporation) to 31 December 2009		**Year ended 31 December 2010**		**Period from 1 January 2011 to 16 August 2011**	
Revenue from Sales	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Metallic components of display panels for use in						
LCD TVs (including LED TVs since 2010)	—	—	51,578	68.2%	179,990	67.9%
Monitors	—	—	19,395	25.6%	69,478	26.2%
Others	—	—	4,669	6.2%	15,577	5.9%
Total	—	—	75,642	100.0%	265,045	100.0%

Consistent with the overall revenue, the sales of both metallic components of display panels for use in LCD (including LED) TVs and monitors generated higher revenue for the period from 1 January 2011 to 16 August 2011 as compared with that for the year ended 31 December 2010.

Sales of metallic components of display panels for use in LCD (including LED) TVs is our major source of revenue which contributed approximately 68.2% and 67.9% of the total sales revenue for the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011, respectively. Sales of metallic components of display panels for use in monitors represented approximately 25.6% and 26.2% for the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011, respectively.

For the year ended 31 December 2010, all the sales were derived from the PRC whereas during the period from 1 January to 16 August 2011, almost all of the sales were derived from the PRC and less than 0.1% of our sales was sourced from Korea.

The revenue from the sale of other items which consisted of scrap materials during the year ended 31 December 2010 was approximately RMB4.7 million. There is no comparative revenue for the period from 4 November 2009 (date of incorporation) to 31 December 2009 since FMS Guangzhou commenced commercial production in July 2010 and there was no revenue prior to July 2010. The revenue from the sale of other items during the period from 1 January 2011 to 16 August 2011 was approximately RMB15.6 million.

Cost of sales

Cost of sales of FMS Guangzhou mainly consisted of costs of raw materials, direct labour costs, depreciation, and consumable parts. FMS Guangzhou did not incur any cost of sales, prior to its commencement of commercial protection in July 2010. The cost of sales for the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011 were approximately RMB89.2 million and RMB252.5 million, respectively. The following table sets out the breakdown of cost of sales as a percentage of total cost of sales for the periods indicated.

	Period from 4 November 2009 (date of incorporation) to 31 December 2009		Year ended 31 December 2010		Period from 1 January 2011 to 16 August 2011	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Cost of raw materials	—	—	61,318	68.7%	179,130	69.5%
Direct labour costs	—	—	7,730	8.7%	19,712	7.6%
Depreciation	—	—	6,623	7.4%	11,010	4.3%
Consumable parts	—	—	7,072	7.9%	12,109	4.7%
Utilities	—	—	2,781	3.1%	4,651	1.8%
Others	—	—	3,712	4.2%	25,894	10.2%
Total	—	—	89,236	100.0%	252,506	100.0%

Gross (loss)/profit

The gross loss was approximately RMB13.6 million for the year ended 31 December 2010 and FMS Guangzhou recorded a gross profit of approximately RMB12.5 million for the period from 1 January 2011 to 16 August 2011.

We consider a gross loss incurred for the year ended 31 December 2010 as normal because FMS Guangzhou was in its initial stage of operations and had incurred a larger set-up cost especially for the purchases of consumables and raw materials and the relatively large amount of cost of raw material was absorbed. As FMS Guangzhou progressed towards its normal operation level, it reversed from a gross loss for the year ended 31 December 2010 to a gross profit for the period from 1 January 2011 to 16 August 2011. For the period from 1 January 2011 to 16 August 2011, the sales of metallic components of display panels for use in LCD (including LED) TVs generated a gross profit of approximately RMB19.9 million.

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	**Year ended 31 December 2010**	**Period from 1 January 2011 to 16 August 2011**
	RMB'000	*RMB'000*	*RMB'000*
Gross (loss)/profit	—	(13,594)	12,539

Other gains, net

Other gains represented net exchange gains arising from the revaluation of USD denominated trade related balances due to the appreciation of RMB against USD as the USD denominated purchases transactions were more than the USD denominated sales transactions. No other gains were incurred before the commencement of commercial production in July 2010. Net exchange gains of approximately RMB1.6 million and RMB1.4 million were recorded for the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011, respectively.

Selling and distribution costs

Selling and distribution costs mainly consisted of staff costs, product transportation costs and samples.

No selling and distribution costs were incurred prior to the commencement of the commercial production in July 2010. During the year ended 31 December 2010, the selling and distribution costs were approximately RMB0.9 million. During the period from 1 January 2011 to 16 August 2011, the selling and distribution costs were approximately RMB2.8 million.

	Period from 4 November 2009 (date of incorporation) to 31 December 2009		Year ended 31 December 2010		Period from 1 January 2011 to 16 August 2011	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Staff costs	—	—	205	21.6%	389	14.0%
Product transportation costs	—	—	672	71.0%	1,850	66.7%
Samples	—	—	—	0%	458	16.5%
Others	—	—	70	7.4%	78	2.8%
Total	—	—	947	100.0%	2,775	100.0%

Note: Others mainly represents office expenses and travelling expenses.

Administrative expenses

Administrative expenses mainly consisted of staff costs, royalty fee and technical support fees.

Administrative expenses were approximately RMB0.2 million and RMB11.0 million for the period from 4 November 2009 to 31 December 2009 and the year ended 31 December 2010, respectively. For the period from 1 January 2011 to 16 August 2011, administrative expenses were approximately RMB5.8 million.

	Period from 4 November 2009 (date of incorporation) to 31 December 2009		Year ended 31 December 2010		Period from 1 January 2011 to 16 August 2011	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Staff costs	12	7.1%	1,902	17.2%	2,608	45.0%
Royalty fee and technical support fees	—	—	5,304	48.1%	124	2.1%
Office expenses	18	10.7%	453	4.1%	498	8.7%
Depreciation and amortisation	—	—	665	6.0%	559	9.6%
Other tax expenses	—	—	1,030	9.3%	874	15.1%
Travelling expenses	5	3.0%	303	2.8%	174	3.0%
Others	133	79.2%	1,383	12.5%	957	16.5%
Total	168	100.0%	11,040	100.0%	5,794	100.0%

Operating (loss)/profit

For the period from 4 November 2009 to 31 December 2009 and the year ended 31 December 2010, operating loss was approximately RMB0.2 million and RMB24.0 million, respectively. For the period from 1 January 2011 to 16 August 2011, FMS Guangzhou recorded operating profit of approximately RMB5.4 million.

Finance costs - net

Finance income represented interest income on bank deposits. Finance costs consisted primarily of interest expenses on bank loans offset by the net exchange gain arising from USD denominated bank borrowings due to the appreciation of RMB against USD.

Net finance costs were approximately RMB3,000, RMB0.5 million and RMB1.7 million for the period from 4 November 2009 to 31 December 2009, the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011, respectively.

Income tax credit

The PRC statutory income tax rate applicable to FMS Guangzhou is 25%.

No income tax was incurred by FMS Guangzhou for the period from November 2009 to 31 December and the year ended 31 December 2010 as it had no estimated assessable profit during these periods.

FMS Guangzhou recorded income tax credit of approximately RMB2.8 million for the period from 1 January 2011 to 16 August 2011 relating to accumulated tax losses brought forward in prior years.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS — FMS GUANGZHOU

Period from 1 January 2011 to 16 August 2011 compared to year ended 31 December 2010

Revenue

FMS Guangzhou recorded revenue of approximately RMB265.0 million and approximately RMB75.6 million for the period from 1 January 2011 to 16 August 2011 and the year ended 31 December 2010 respectively. The sales of metallic components of display panels for use in LCD (including LED) TVs is FMS Guangzhou major source of revenue which contributed to approximately 68.2% and 67.9% of the total sales revenue for the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011, respectively. The sales of metallic components of display panels for use in monitors represented approximately 25.6% and 26.2% for the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011, respectively. The sales of metallic components of display panels for use in LCD (including LED) TVs which have a higher gross profit margin than FMS Guangzhou's other products will continue to be our major products.

Cost of sales

FMS Guangzhou cost of sales was approximately RMB252.5 million and RMB89.2 million for the period from 1 January 2011 to 16 August 2011 and for the year ended 31 December 2010, respectively. For the period from 1 January 2011 to 16 August 2011, the cost of sales mainly comprised of cost of raw materials of approximately RMB179.1 million, direct labour costs of approximately RMB19.8 million, depreciation of approximately RMB11.0 million and consumable parts of approximately RMB12.1 million. For the year ended 31 December 2010, the cost of sales mainly comprised of cost of raw materials of approximately RMB61.3 million, direct labour costs of approximately RMB7.7 million, depreciation of approximately RMB6.6 million and consumable parts of approximately RMB7.1 million.

Gross (loss)/profit

For the year ended 31 December 2010, FMS Guangzhou recorded a gross loss of approximately RMB13.6 million due to the large amount of set-up costs and short operational period. FMS Guangzhou's gross loss was reversed to a gross profit of approximately RMB12.5 million for the period from 1 January 2011 to 16 August 2011. The sales of metallic components of display panels for use in LCD (including LED) TVs generated a gross profit of approximately RMB19.9 million for the period from 1 January 2011 to 16 August 2011.

Other gains - net

Other gains - net were approximately RMB1.4 million for the period from 1 January 2011 to 16 August 2011, and approximately RMB1.6 million for the year ended 31 December 2010. Other gains - net mainly represented the net exchange loss arising from the revaluation of USD denominated trade related balances as a result of the appreciation of RMB against USD as the USD denominated purchases transaction were more than the USD denominated sales transactions.

Selling and distribution costs

For the period from 1 January 2011 to 16 August 2011, FMS Guangzhou's selling and distribution costs were approximately RMB2.8 million, mainly comprising staff costs of approximately RMB0.4 million, product transportation costs approximately RMB1.9 million and samples approximately RMB0.5 million. For the year ended 31 December 2010, FMS Guangzhou's selling and distribution costs were approximately 0.9 million mainly comprising staff costs of approximately RMB0.2 million and product transportation costs of approximately RMB0.7 million.

Administrative expenses

For the period from 1 January 2011 to 16 August 2011, administrative expenses were approximately RMB5.8 million, mainly comprising staff costs of approximately RMB2.6 million. For the year ended 31 December 2010 adminstrative expenses were approximately RMB11.0 million, mainly comprising staff costs of approximately RMB2.0 million and royalty fee and technical support fees of approximately RMB5.3 million.

Finance cost, net

For the period from 1 January 2011 to 16 August 2011, FMS Guangzhou's net finance costs were approximately RMB1.7 million, mainly due to the interest expense on bank borrowings wholly repayable within five years of approximately RMB5.2 million, which was partially offset by net exchange gains on bank borrowings of approximately RMB3.5 million. For the year ended 31 December 2010, FMS Guangzhou's net finance costs were approximately RMB0.5 million, mainly due to the interest expense on bank borrowings wholly repayable within five years of approximately RMB2.4 million, which was partially offset by net exchange gains on bank borrowings of approximately RMB1.9 million.

(Loss)/profit before income tax

As a result of the aforementioned factors, profit before income tax for the period from 1 January 2011 to 16 August 2011 was approximately RMB3.7 million reversing a loss before income tax from approximately RMB24.5 million for the year ended 31 December 2010.

Income tax credit

FMS Guangzhou recorded an income tax credit of approximately RMB2.8 million for the period from 1 January 2011 to 16 August 2011 relating to accumulated tax losses brought forward in prior years.

Year ended 31 December 2010 compared to period from 4 November 2009 to 31 December 2009

FMS Guangzhou recorded nil balances for revenue, cost of sales and thus gross profit/loss, net other gains and selling and distribution costs for the period from 4 November 2009 to 31 December 2009 since its commercial operations commenced in July 2010. As such, comparison between the year ended 31 December 2010 and the period from 4 November 2009 to 31 December 2009 may not be meaningful.

Approximately RMB75.6 million was recorded as revenue for the year ended 31 December 2010 for sales of the metallic components of display panels for use in LCD (including LED) TVs and monitors. Cost of raw materials was the most significant contribution to the total cost of sales for year ended 31 December 2010 representing approximately 68.7% of the total cost of sales whereas we also recorded a relatively large portion of consumable parts at 7.9% of the total cost of sales incurred for setting up of the business during the year. Also, a relatively large amount of cost of raw materials was absorbed. FMS Guangzhou had gross loss of RMB13.6 million for the year ended 31 December 2010 as a relatively larger amount of costs was absorbed during the year when it was in the initial stage of operations.

Administrative expenses

Administrative expenses for the year ended 31 December 2010 were approximately RMB11.0 million, representing an increase of approximately RMB10.9 million, or approximately 6,471.4%, as compared to approximately RMB0.2 million for the period from 4 November 2009 to 31 December 2009. Such increase was mainly due to the increase in employment of administrative staff, royalty fee and technical support fee since the commercial production in July 2010.

Finance cost - net

Net finance costs for the year ended 31 December 2010 were approximately RMB0.5 million, representing an increase of approximately RMB0.5 million or approximately 16,633.3%, as compared to approximately RMB3,000 for the period from 4 November 2009 to 31 December 2009. Such increase was due to the increase in new bank loans since the commencement of commercial production in July 2010.

Loss before income tax

As a result of the aforementioned factors, loss before income tax for the year ended 31 December 2010 was approximately RMB24.5 million, representing an increase of approximately RMB24.3 million, or approximately 14,225.7%, from approximately RMB0.2 million for the period from 4 November 2009 to 31 December 2009.

Income tax expense

No income tax was incurred by FMS Guangzhou for the period from 4 November 2009 to 31 December 2009 as it had no estimated assessable profit during this period.

LIQUIDITY AND CAPITAL RESOURCES — FMS GUANGZHOU

FMS Guangzhou historically met its liquidity requirements principally through a combination of cash flow from operations, internal resources and bank borrowings. The principal uses of cash have been, and are expected to continue to be, operational costs and capital expenditures.

Cash flow

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010	Period from 1 January 2011 to 16 August 2011
	RMB'000	*RMB'000*	*RMB'000*
Net cash (used in)/generated from operating activities	(199)	(54,754)	18,362
Net cash used in investing activities	(242)	(170,706)	(19,333)
Net cash generated from financing activities	10,925	227,640	11,573
Net increase/(decrease) in cash and cash equivalents	10,484	2,180	10,602
Effect of foreign exchange rate change	(4)	(316)	(988)
Cash and cash equivalents at beginning of the period/year	—	10,480	12,344
Cash and cash equivalents at end of the period/year	10,480	12,344	21,958

Net cash used in operating activities

Net cash used in operating activities primarily consists of loss before income tax adjusted for depreciation, amortisation, exchange gain/loss, interest income and expense and the effect of changes in working capital.

FMS Guangzhou derived our cash inflow from operating activities principally from the receipt of payments from sales of our products. FMS Guangzhou's cash outflow from operations mainly includes purchases of raw materials and staff costs.

Net cash used in operating activities for the period 4 November 2009 to 31 December 2009 amounted to approximately RMB0.2 million, which was in line with our loss before income tax for the same period was approximately RMB0.2 million.

Net cash used in operating activities for the year ended 31 December 2010 amounted to approximately RMB54.8 million, while the loss before income tax for the same period was approximately RMB24.5 million. The difference of approximately RMB30.3 million was primarily attributable to an increase in inventories of approximately RMB20.3 million, an increase in trade receivables of approximately RMB38.1 million and an increase in prepayment and other receivables of approximately RMB10.0 million, which were partially offset by depreciation of approximately RMB7.0 million, an increase in trade payables of approximately RMB16.8 million and an increase in other payables and accruals of approximately RMB13.5 million.

Net cash used in operating activities for the period from 1 January 2011 to 16 August 2011 amounted to approximately RMB18.4 million, while our profit before income tax for the same period was approximately RMB3.7 million. The difference of approximately RMB14.7 million was primary attributable to an increase in trade payables of approximately RMB52.2 million and an increase in amount due to/from the then immediate holding company of approximately RMB22.7 million which was partially offset by an increase in trade receivables of approximately RMB48.5 million.

Net cash used in investing activities

Net cash used in investing activities for the period from 4 November 2009 to 31 December 2009 amounted to approximately RMB0.2 million, which was primarily attributable to the purchase of property, plant and equipment of approximately RMB0.2 million.

Net cash used in investing activities for the year ended 31 December 2010 amounted to be approximately RMB170.7 million, which was primarily attributable to the purchase of property, plant and equipment of approximately RMB155.0 million.

Net cash used in investing activities for the period from 1 January 2011 to 16 August 2011 amounted to approximately RMB19.3 million, which was primarily attributable to the purchase of property, plant and equipment.

Net cash generated from financing activities

Net cash generated from financing activities for the period 4 November 2009 to 31 December 2009 amounted to approximately RMB10.9 million, which was attributable to capital injection of approximately RMB10.9 million.

Net cash generated from financing activities for the year ended 31 December 2010 amounted to approximately RMB227.6 million, which was primarily attributable to an increase in bank borrowings of approximately RMB194.4 million, and to capital injection of approximately RMB57.3 million, which was partially offset by repayments of bank borrowings of approximately RMB22.2 million.

Net cash generated from financing activities for the period from 1 January 2011 to 16 August 2011 amounted to approximately RMB11.6 million, which was primarily attributable to an increase in bank borrowings of approximately RMB86.1 million which was partially offset by repayments of bank borrowings of approximately RMB69.8 million.

MAJOR FINANCIAL RATIOS — FMS GUANGZHOU

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010	Period from 1 January 2011 to 16 August 2011
Trade receivable turnover (days)[1]	N/A	91	52
Trade payable turnover (days) [2]	N/A	34	38
Inventory turnover (days)[3]	N/A	44	23
Gearing ratio[4]	N/A	78%	77%
Current ratio[5]	N/A	0.4	0.6
Return on equity[6]	-2%	-56%	13%

Notes:

1. The trade receivable turnover days is calculated based on the average of the beginning and ending balance of trade receivables, net of provision on impairment, for the year/period divided by revenue during the year/period and multiplied by the number of days during the year/period. For the year ended 31 December 2010, our trade receivable turnover days is calculated by dividing the year ending trade receivables as at 31 December 2010 by revenue during 2010 and multiplying 184 operating days from July 2010.

2. The trade payable turnover days is calculated based on the average of the beginning and ending balance of trade payables for the year/period divided by total cost of sales for the year/period, and multiplied by the number of days during the year/period. For the year ended 31 December 2010, our trade payable turnover days is calculated by dividing the year ending trade payables as at 31 December 2010 by total cost sales during 2010 and multiplying 184 operating days from July 2010.

3. Inventory turnover days is calculated based on the average of the beginning and ending balance of inventories for the year/period divided by total cost of sales for the year/period, and multiplied by the number of days during the year/period. For the year ended 31 December 2010, the inventory turnover days is calculated by dividing the year ending balance of inventories as at 31 December 2010 by total cost of sales during 2010 and multiplying 184 operating days from July 2010.

4. Gearing ratio is calculated by dividing net debt by total capital as at the end of the respective years/period multiplied by 100%. Net debt is calculated as total borrowings including finance lease obligations less cash and cash equivalents and pledged bank deposits. Total capital is calculated as total equity plus net debt. The gearing ratio did not apply as at 31 December 2009 as FMS Guangzhou had no bank borrowings as at 31 December 2009.

5. The current ratio is calculated by dividing total current assets by total current liabilities as at the end of the respective years/period. The current ratio did not apply as at 31 December 2009 as FMS Guangzhou had no current liabilities as at 31 December 2009.

6. Return on equity equals the profit for the year/period divided by shareholders' equity as at the end of the respective years/period.

Trade receivables turnover

Trade receivables represented receivables for sales of products to customers. In general, during the Track Record Period, customers were granted a credit period of approximately 30 to 60 days.

Trade receivables turnover for the year ended 31 December 2010 was 91 days. For the period from 1 January 2011 to 16 August 2011, trade receivables turnover days decreased to 52 days. Since FMS Guangzhou started its commercial production in July 2010, its trade receivables turnover days was reasonably high in 2010 and started to decrease in 2011.

The following is an ageing analysis of trade receivables at each balance sheet date:

	As at 31 December		**As at 16 August**
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
1-60 days	—	37,375	67,335
61-120 days	—	—	16,580
Over 120 days	—	—	—
Total	—	37,375	83,915

The increase in trade receivables from nil as at 31 December 2009 to approximately RMB37.4 million as at 31 December 2010 was mainly attributable to the fact that there were no trading activities prior to July 2010. The increase in trade receivables from approximately RMB37.4 million as at 31 December 2010 to approximately RMB83.9 million as at 16 August 2011 was mainly due to the substantial increase in sales in 2011. Our Directors confirmed that FMS Guangzhou did not experience any recoverability problem from 4 November 2009 (date of incorporation) to 16 August 2011.

Up to 30 April 2012, approximately 100.0% of trade receivables as at 16 August 2011 was settled.

Trade payables turnover

Trade payables were derived primarily from payables to suppliers. In general, suppliers granted FMS Guangzhou a credit period of approximately 45 to 60 days during the Track Record Period.

Turnover of trade payables days increased from 34 days for the year ended 31 December 2010 to 38 days for period from 1 January 2011 to 16 August 2011. It was mainly due to the increase in purchases of raw materials in 2011. Our Directors confirmed that no late payment penalty was imposed by the suppliers.

An aging analysis of the trade payables as at each balance sheet date indicated, is set out as follows.

	As at 31 December		**As at 16 August**
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
1-60 days	—	9,798	54,585
61-120 days	—	5,552	12,559
121-180 days	—	1,204	—
over 180 days	—	—	—
Total	—	16,554	67,144

Up to 30 April 2012, approximately 100.0% of the trade payables as at 16 August 2011 was settled.

Inventory turnover

Inventories mainly comprised of raw materials, work-in-progress and finished goods.

The inventory turnover days decreased from 44 days for the year ended 31 December 2010 to 23 days for the period from 1 January 2011 to 16 August 2011.

FMS Guangzhou aims to maintain reasonably low inventory level for better liquidity and lowering the storage costs. Since FMS Guangzhou started its commercial production in July 2010, its inventory turnover was still comparatively high in 2010 and started to decrease in 2011.

The following table sets out a breakdown of inventories for the periods indicated.

	As at 31 December		As at 16 August
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	—	15,622	22,719
Work in progress	—	1,023	1,021
Finished goods	—	4,470	5,747
Total	—	21,115	29,487

Up to 30 April 2012, approximately 92.4% of the inventory as at 16 August 2011 was utilised.

Gearing ratio

The gearing ratio decreased from approximately 78% as at 31 December 2010 to approximately 77% as at 16 August 2011, mainly due to the increase in cash and cash equivalents generated by an increased sales revenue and shorter trade receivables turnover days.

Current ratio

Current ratio remained stable at 0.4 and 0.6 as at 31 December 2010 and 16 August 2011, respectively.

Return on equity

Return on equity was approximately -2%, -56% and 13% for the period from 4 November 2009 to 31 December 2009, the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011 respectively. In July 2010, the commercial production started with substantial purchases in consumable parts. In 2011, the revenue increased proportionately more than the increase in cost of sales.

Intangible assets

The intangible assets mainly consisted of computer software. The below table sets forth the net book value of the intangible assets as at each of the dates indicated:

	RMB'000
Net carrying amount:	
As at 4 November 2009	—
As at 31 December 2009	—
As at 31 December 2010	95
As at 16 August 2011	82

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

Prepayments and other receivables

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	—	76	92
Value-added tax and other tax receivables	—	8,345	7,922
Other receivables	31	1,581	4,511
Total	31	10,002	12,525

Prepayment and other receivables increased significantly from approximately RMB31,000 as at 31 December 2009 to approximately RMB10.0 million as at 31 December 2010. The increase was mainly due to the increase of other tax receivables from nil to approximately RMB8.3 million which represented the value added tax recoverable and other tax receivables since the commencement of commercial production in July 2010. The value-added tax and other tax receivables decreased to approximately RMB7.9 million for the period from 1 January 2011 to 16 August 2011 as FMS Guangzhou recorded more sales to deduct the value-added tax receivables when it progressed towards its normal operation level in 2011. Also, the other receivables increased from approximately RMB1.6 million as at 31 December 2010 to approximately RMB4.5 million as at 16 August 2011 principally due to the deposit to customs. The above factors led to the increase of prepayment and other receivables to approximately RMB12.5 million.

Balances with related party

Details of the balances with related party are as follows:

	As at 31 December		As at 16 August
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from/(to) related party - trade			
- The then immediate holding company	—	6,575	(9,011)
Amounts due to related party - non-trade			
- The then immediate holding company	—	(51,123)	(33,792)
Loans from related party			
- The then immediate holding company		(6,645)	(6,442)

Amounts due from/to the then immediate holding company — trade

As at 31 December 2010 and 16 August 2011, FMS Guangzhou recorded amounts due from the then immediate holding company — trade of approximately RMB6.6 million and amounts due to the then immediate holding company — trade of approximately RMB9.0 million, respectively, which mainly represented amount due from/to FMS Korea. Such balances were interest-free, unsecured and repayable on demand. All of the amounts due from the then immediate holding company of trading nature had been fully settled in September 2011.

Amounts due to the then immediate holding company — non-trade

As at 31 December 2010 and 16 August 2011, FMS Guangzhou recorded amounts due to related parties — non-trade of approximately RMB51.1 million and RMB33.8 million, respectively, which mainly represented purchases of plant and equipment and the technical fees incurred. Such balances were of non-trading nature and were interest-free, unsecured and repayable on demand. All of the amounts due to the then immediate holding company of non-trading nature had been fully settled in February 2012.

Loans from the then immediate holding company

As at 31 December 2010 and 16 August 2011, FMS Guangzhou recorded loans from FMS Korea of approximately RMB6.6 million and RMB6.4 million, respectively. Such balances carried at 1% interest rate per annum and unsecured. All of the loans from the then immediate holding company had been fully settled in August 2011.

Bank borrowings

	As at 31 December		As at 16 August
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities			
Bank Borrowings	—	73,049	61,298
Current liabilities			
Bank borrowings	—	89,569	119,795
Total borrowings	—	162,618	181,093

Bank Borrowings at principal amount were repayable as follows:

	As at 31 December		As at 16 August
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	—	89,569	119,795
Between 1 and 2 years	—	66,139	61,298
Between 2 and 5 years	—	6,910	—
Wholly repayable within 5 years	—	162,618	181,093

Total outstanding bank borrowings were nil, approximately RMB162.6 million and approximately RMB181.1 million as at 31 December 2009, 2010 and 16 August 2011, respectively. Bank borrowings amounting to RMB55.5 million and RMB53.3 million as at 31 December 2010 and 16 August 2011, respectively, were secured by land use rights, buildings and equipment. As at 31 December 2010 and 16 August 2011, the bank borrowings guaranteed by the immediate shareholders were approximately RMB46.4 million and RMB57.7 million respectively.

Other payables and accruals

	As at 31 December		As at 16 August
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Salary and wages payable	—	1,414	1,248
Other accruals and other payables	—	22,218	16,288
Interest payable	—	549	1,049
	—	24,181	18,585

Total other payables and accruals as at 16 August 2011 were approximately RMB18.6 million, representing a decrease of RMB5.6 million over the amount of approximately RMB24.2 million as at 31 December 2010 which mainly represented the decrease in other payables and accruals due to the relatively less frequent payment for other payables and accruals as FMS Guangzhou was in its initial stage of operations in 2010. There were no other payables and accruals as at 31 December 2009 since FMS Guangzhou commenced its commercial production in July 2010.

Capital Expenditures

Capital expenditures of FMS Guangzhou were primarily related to the purchase of property, plant and equipment. FMS Guangzhou has funded historical capital expenditures through cash from our operations and bank borrowings. The following table sets out the capital expenditures during the Track Record Period.

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	**Year ended 31 December 2010**	**Period from 1 January 2011 to 16 August 2011**
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditures			
Construction in progress	94	193,352	8,540
Buildings	—	386	—
Furniture, fixtures and equipment	6	14,588	1,619
Motor vehicles	143	1,180	—
	243	209,506	10,159

During the Track Record Period, FMS Guangzhou incurred capital expenditures mainly as a result of the purchase of property, plant and equipment.

Our Directors expect that the funds needed to finance FMS Guangzhou's capital expenditures will be financed by cash generated from our operations, bank borrowings, as well as net proceeds from the New Issue. If necessary, FMS Guangzhou may raise additional funds on terms that are acceptable to us. FMS Guangzhou plans to continue enhancing and expanding its production capacities. FMS Guangzhou expects that its future capital expenditures will be used primarily for purchase of plant and equipment.

Our current plans with respect to future capital expenditures may be subject to change based on the implementation of business plan of FMS Guangzhou, including potential acquisitions, market conditions and our outlook on future business conditions. As FMS Guangzhou continues to expand, it may incur additional capital expenditures.

The ability of FMS Guangzhou to obtain additional funding in the future is subject to a variety of uncertainties, including the future results of operations, financial condition and cash flows, as well as economic, political and other conditions in the PRC, Hong Kong and other jurisdiction(s) in which FMS Guangzhou operates.

Capital Commitments

FMS Guangzhou had no capital commitments as at 31 December 2009 and 2010 and as at 16 August 2011.

Operating Lease Commitments

We leased certain of our motor vehicles under operating lease arrangements.

At the balance sheet date, we had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
No later than 1 year	—	94	214
Later than 1 year and no later than 5 years	—	39	48
	—	133	262

RELATED PARTY TRANSACTIONS — FMS GUANGZHOU

With respect to the related party transactions set out in the financial statements of FMS Guangzhou included in Appendix I to this prospectus, the Directors confirm that these transactions were conducted in the ordinary and usual course of FMS Guangzhou's business and on normal commercial terms and/or such terms no less favourable to us than terms available to Independent Third Parties and which were fair and reasonable and in the interest of our Shareholders as a whole.

For details of related party transactions, please refer to Note (xv) of the section headed "III Additional Financial Information of FMS Guangzhou for the period from 4 November 2009 (date of incorporation) to 16 August 2011, the date of acquisition" of the Accountant's Report as set out in Appendix I to this prospectus.

FMS Guangzhou purchased approximately USD16.1 million of procurement equipment from FMS Korea as FMS Guangzhou did not have sufficient expertise to purchase and conduct testing on the relevant equipment and therefore engaged FMS Korea to purchase and conduct testing on the equipment. The consideration of such plant and equipment was agreed between the parties based on normal commercial terms with reference to the market value of the equipment and the service fee charged by FMS Korea in relation to the cost of purchasing staff and service of testing of equipment, interest expense and handling charge, totalling 3% of the purchase price of the equipment purchased by FMS Korea from other suppliers. The original purchase costs incurred by FMS Korea for the equipment were equivalent to approximately USD15.7 million. FMS Korea purchased the equipment and supplied the same to FMS Guangzhou shortly after the satisfactory of the testing of the equipment, without any utilisation of them.

OFF BALANCE SHEET TRANSACTIONS — FMS GUANGZHOU

Except for the commitments set forth above, FMS Guangzhou had not entered into any material off-balance sheet transactions or arrangements as at 16 August 2011.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS — FMS GUANGZHOU

FMS Guangzhou is exposed to a variety of financial risks which result from its operating and investing activities. The management periodically analyses and reviews measures to manage its exposure to market risk (including foreign currency risk and cashflow and fair value interest rate risk), credit risk and liquidity risk. Generally, FMS Guangzhou employs a conservative strategy regarding its risk management and has not used any derivatives or other instruments for hedging purposes.

As at 31 December 2009 and 2010 and 16 August 2011, FMS Guangzhou's financial instruments mainly consisted of trade receivables, other receivables, cash and cash equivalents, trade payables, other payables and accruals, borrowings and amount due to the immediate holding company. Details of these financial instruments are disclosed in Note (xiv) to the Accountant's Report in Appendix I.

Market risk

Foreign exchange risk

FMS Guangzhou operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Moreover, the conversion of RMB into foreign currencies is subject to the rules and regulations of exchange control promulgated by the PRC government.

As at 31 December 2009 and 2010 and 16 August 2011, if RMB had strengthened/weakened by 5% against US dollars with all other variables held constant, the loss before income tax for the period/year ended 31 December 2009 and 2010 would have been approximately RMB427,000 higher/lower and RMB6,450,000 lower/higher respectively, and the profit before income tax for the period ended 16 August 2011 would have been approximately RMB7,197,000 higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollars denominated trade receivables and payables, balances due from/to related parties and bank borrowings.

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument issued at variable rates will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument issued at fixed rate will fluctuate due to changes in market interest rates.

FMS Guangzhou's cash flow interest rate risk arises from bank balances and borrowings. Borrowings issued at variable rates expose FMS Guangzhou to cashflow interest rate risk which is partially offset by bank balances held at variable rates.

The interest rate profile of FMS Guangzhou's borrowings is disclosed in Note (xviii) to the Accountant's Report in Appendix I. The cash deposits placed with banks generate interest at the prevailing market interest rates.

As at 31 December 2009 and 2010 and 16 August 2011, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the loss before income tax for the period/year ended 31 December 2009 and 2010 would have been approximately RMB52,000 lower/higher and RMB628,000 higher/lower respectively, and the profit before income tax for the period ended 16 August 2011 would have been approximately RMB260,000 lower/higher. This is mainly attributable to FMS Guangzhou's exposure to interest rates on its variable rate bank balances and borrowings.

Credit risk

Credit risk of FMS Guangzhou mainly arises from cash and cash equivalents and trade receivables.

Trade receivables arise during the course of FMS Guangzhou's business operations and are trade in nature. The management of FMS Guangzhou limit credit risk by assessing the credit quality of the customer, perform ongoing credit evaluation taking into account its financial position, past trade experience and other factors. FMS Guangzhou has policies in place to review the recoverability of trade receivables and amounts due from related parties on an ongoing basis and assess the adequacy of provision for impairment. The credit risk is managed by having high concentration of business with reputable customers. FMS Guangzhou's five largest trade debtors accounted for 100% of its total trade receivables as at 31 December 2010 and 16 August 2011, respectively. FMS Guangzhou maintains frequent communications with the customers to ensure relevant transactions are running effectively and smoothly.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The credit risk on liquid funds is limited because surplus cash of FMS Guangzhou is generally placed in short term deposits with reputable banks.

Liquidity risk

In the management of the liquidity risk, FMS Guangzhou monitors and maintains a level of cash reserves and banking facilities deemed adequate by the management to finance FMS Guangzhou's operations and mitigate the effects of fluctuations in cash flows and match maturity profiles of financial assets and liabilities. Management performs and monitors the forecast of FMS Guangzhou's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its unutilised bank facilities or the financial support from a fellow subsidiary at all times so that FMS Guangzhou will have sufficient working capital to meet its liabilities as and when they fall due, to enable FMS Guangzhou to continue trading for the foreseeable future or does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration FMS Guangzhou's debt financing plans, covenant compliance and, if applicable external regulatory or legal requirements — for example, currency restrictions.

As at 31 December 2009 and 2010 and 16 August 2011, FMS Guangzhou has available unutilised banking facilities of approximately nil, RMB9,000,000 and RMB12,888,000, respectively.

DIVIDEND AND DIVIDEND POLICY

Our Group may distribute dividends by way of cash or by other means that our Group consider appropriate. Since our Group has unutilised banking facilities and the governing instruments of such unutilised banking facilities contain, among others, restrictive covenants relating to the declaration of dividends, a decision to distribute any dividends will be subject to the written consents of the lenders. Furthermore, a decision to distribute any dividends will require (i) the approval of our Board, which will be at its discretion and (ii) the approval of the Shareholders. The Board will review our Group's dividend policy from time to time taking into account the following factors in determining whether dividends are to be declared and paid:

- financial results of our Group;
- shareholders' interests;
- general business conditions and strategies;
- the capital requirements of our Group;
- the payment by our subsidiaries of cash dividends to our Company;
- possible effects on liquidity and financial position of our Group; and

- other factors the Board may deem relevant.

As at the Latest Practicable Date, our Company does not intend to declare dividends and our Group does not intend to declare dividends in relation to the unremitted earnings of our subsidiaries in the PRC on or prior to announcement of our first interim results after the completion of the Global Offering in 2012. Such earnings are expected to be retained in the subsidiaries for the development of the business in the PRC.

Our Group declared dividends amounting to RMB19.9 million, nil and nil for the three years ended 31 December 2011, respectively.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. Subject to the considerations and factors described above, our Group currently expects to distribute dividends not more than 40% of the net profit of our Group after tax for the years commencing on or after the Listing. As the Company would not be listed for the whole of the year ending 31 December 2012, the dividend payment, if any, for the year ending 31 December 2012 will be prorated based on the period from the Listing Date to 31 December 2012.

WORKING CAPITAL

Taking into account the financial resources available to us, including internally generated funds, available banking facilities, including the unutilised banking facilities of approximately RMB395.9 million as at 30 April 2012 and the non-current portions of the additional bank loans of approximately USD5.0 million and USD9.0 million drawn down on 5 January 2012 and 19 January 2012, respectively, the supplemental agreement dated 5 June 2012 entered into between the Group and a bank to extend the date of the repayment of the bank loan in the amount of USD15 million from 27 March 2013 to 27 July 2013, the supplemental agreement dated 14 June 2012 to extend the repayment date of the bank loan in the amount of USD4 million from 19 April 2013 to 19 July 2013, the expected cash inflow from operating activities up to 30 June 2013 and the estimated net proceeds of the New Issue, our Directors are of the opinion that we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

Our Directors will also perform rolling cash flow forecasting to monitor the liquidity requirements of our Group to ensure it has sufficient cash to meet the existing and expected obligations and commitments. Such forecasting takes into consideration our Group's debt financing plans and maintaining sufficient undrawn committed banking facilities.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, we are not aware of any circumstances that would give rise to a disclosure requirement under Listing Rules 13.13 to 13.19.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that there had been no material adverse change in the financial or trading position since 31 December 2011 of our Group (being the date of our latest audited combined financial results as set out in Appendix I to this prospectus) up to the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the net tangible assets as at 31 December 2011 as if the Global Offering had taken place on that date. The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the net tangible assets had the Global Offering been completed as at 31 December 2011 or at any future date. The unaudited pro forma adjusted net tangible assets is based on the audited combined net tangible assets of our Group attributable to the equity holders as at 31 December 2011 as shown in the Accountant's Report of the Company, the text of which is set out in Appendix I to this Prospectus, and adjusted as described below.

	Audited combined net tangible assets of our Group attributable to equity holders of the Company as at 31 December 2011 (Note 1)	**Estimated net proceeds from the New Issue (Note 2 and 5)**	**Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company as at 31 December 2011**	**Unaudited pro forma adjusted net tangible assets per Share (Note 3 and 5)**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$0.68 per Share	557,544	117,353	674,897	0.67	0.80
Based on an Offer Price of HK$0.98 per Share	557,544	177,978	735,522	0.74	0.89

Notes:

(1) The audited combined net tangible assets of our Group attributable to the equity holders of the Company as at 31 December 2011 is extracted from the Accountant's Report of the Company as set out in Appendix I to this Prospectus, which is based on the audited combined net assets of our Group attributable to the equity holders of the Company as at 31 December 2011 of RMB561,220,000, with an adjustment for the intangible assets as at 31 December 2011 of RMB3,676,000.

(2) The estimated net proceeds from the New Issue are based on the Offer Price of HK$0.68 (equivalent to approximately RMB0.57) per Share and HK$0.98 (equivalent to approximately RMB0.82 per Share), after deduction of estimated related fees, expenses and underwriting commissions payable by our Group and takes no accounts of any Shares which may be allotted and issued upon the exercise of the Over-Allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments as described in Note 2 above and on the basis that 1,000,000,000 Shares were in issue assuming that the completion of the Reorganisation, the Capitalisation Issue and the Global Offering have been completed on 31 December 2011, but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option or of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, referred to the section headed the "Share Option Scheme" in Appendix VI or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate as described in the section headed the "Share Capital" or otherwise.

(4) As at 30 April 2012, the Group's property interests were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix IV — Property Valuation. The net revaluation surplus, representing the excess of market value of the property interests over their book value, is approximately RMB28 million. Such revaluation surplus has not been included in our Group's combined financial information as at 31 December 2011 and will not be included in our Group's financial statements for the year ending 31 December 2012. The above adjustment does not take into account the above revaluation surplus. Had the property interests been stated at such valuation, an additional depreciation of approximately RMB1.7 million per annum would be charged against the consolidated income statement for year ending 31 December 2012.

(5) For the purpose of the estimated net proceeds from the New Issue and this unaudited pro forma adjusted net tangible assets per Share, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.8333.

(6) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 December 2011.

PROFIT FORECAST FOR THE SIX MONTHS ENDING 30 JUNE 2012

Forecast consolidated profit attributable to equity holders of our Company for the six months ending 30 June 2012 *(Notes 1 & 2)* . . . . .not less than RMB77.5 million (approximately HK$93.0 million)

Unaudited pro forma forecast earnings per Share for the six months ending 30 June 2012*(Note 3)* . . . . .not less than RMB0.0775 million (approximately HK$0.0930 million)

Notes:

(1) The forecast consolidated profit attributable to equity holders of the Company for the six months ending 30 June 2012 is extracted from the section headed "Financial Information — Profit Forecast For The Six Months Ending 30 June 2012". The basis on which the above profit forecast has been prepared is summarised in Appendix III to this Prospectus. The forecast consolidated profit attributable to equity holders of the Company for the six months ending 30 June 2012 has been prepared based on the unaudited consolidated results based on management accounts of the Group for the five months ended 31 May 2012 and a forecast of the consolidated results of the Group for the remaining one month ending 30 June 2012. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Group as set out in Note 3 of Section II of the Accountant's Report of the Company, the text of which is set out in Appendix I to this Prospectus.

(2) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast profit attributable to equity holders of the Company for the six months ending 30 June 2012, on the basis that 1,000,000,000 Shares were in issue assuming that the Shares to be issued pursuant to the Reorganisation, the Capitalisation Issue and the Global Offering had been in issue since 1 January 2012, but takes no account of any Shares which may be issued upon the exercise of Over-allotment Option or any Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme referred to the section headed "Share Option Scheme" in Appendix VI or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate as described in the section headed "Share Capital" or otherwise.

(3) Amounts stated in Renminbi have been converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.8333.

(4) The Company undertakes that the interim consolidated financial statements for the six months ending 30 June 2012 will be audited.

Please refer to the section headed "Our Business — Our Business Strategies" in this prospectus for further details on our future plans.

USE OF PROCEEDS

The aggregate net proceeds from the New Issue accruing to our Group are estimated to be approximately HK$167.3 million (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$0.83 per Share, being the mid-point of the proposed Offer Price ranging from HK$0.68 to HK$0.98 per Share). We intend to use the net proceeds from the New Issue as follows:

- approximately 50.7% or HK$84.93 million is expected to be used for capital expenditures, of which (i) approximately 41.8% or HK$70.0 million is intended to be used to purchase additional equipment for expansion of our production capacity at our existing production facilities in Wuxi and Guangzhou, the PRC, and the proposed second production base in Guangzhou; (ii) approximately 4.8% or HK$8.0 million is intended to be used to increase our production efficiency through purchases of more advanced equipment to replace obsolete equipment and upgrade of existing equipment; and (iii) approximately 4.1% or HK$6.93 million is intended to be used to improve the automation systems of our existing production lines;

- approximately 12.0% or HK$20.0 million is expected to be used for the establishment of the proposed second production base in Guangzhou, the PRC, which is intended to be used for the acquisition of land use rights in Guangzhou and the construction of production facility;

- approximately 3.0% or HK$5.0 million is intended to be used for enhancing our research and development capability of mould technology, including capital expenditure for additional equipment for our moulds design development department;

- approximately 25.1% or HK$42.0 million is intended to be used for part payment of the balance of the consideration for the FMS Guangzhou Acquisition; and

- approximately 9.2% or HK$15.37 million is intended to be used for working capital and other general corporate purposes.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the New Issue (assuming that the Over-allotment Option is not exercised) will increase by approximately HK$36.38 million or decrease by approximately HK$36.38 million, respectively. In this event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis, except for the part payment of the balance of the consideration for the FMS Guangzhou Acquisition stated above.

If the Over-allotment Option is exercised in full, the net proceeds from the New Issue will increase to approximately HK$203.53 million, assuming an Offer Price of HK$0.83 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the New Issue (including the proceeds from the exercise of the Over-allotment Option) will increase by approximately HK$42.92 million or decrease by approximately HK$42.92 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportion stated above, except for the part payment of the balance of the consideration for the FMS Guangzhou Acquisition stated above.

Pending the use of the net proceeds from the New Issue for the purposes set out above and/or if we are unable to effect any part of our future development plans as intended, we intend to hold such funds in short-term deposits with licensed banks and authorised financial institutions in Hong Kong and/or the PRC for so long as it would be in our best interests. We will also disclose the same in the relevant annual report.

The net proceeds received by the Selling Shareholders will be approximately HK$39.84 million (after deduction of underwriting commission, brokerage, Stock Exchange trading fees and SFC transaction levies payable by the Selling Shareholders in relation to the Global Offering, assuming that the Over-allotment Option is not exercised and an Offer Price of HK$0.83 per Share, being the mid-point of the proposed Offer Price ranging from HK$0.68 to HK$0.98 per Share).

UNDERWRITERS FOR THE GLOBAL OFFERING

Hong Kong Underwriters

China Everbright Securities (HK) Limited
OSK Securities Hong Kong Limited
Daewoo Securities (Hong Kong) Limited
Hyundai Securities (Asia) Limited

International Underwriters

China Everbright Securities (HK) Limited
OSK Securities Hong Kong Limited
TONGYANG Securities Hong Kong Limited
Daewoo Securities (Hong Kong) Limited
Hyundai Securities (Asia) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure the subscription of the Hong Kong Offer Shares which are being offered and which are not taken up under the Hong Kong Public Offer on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Sole Global Coordinator, at its sole and absolute discretion, may, for itself and on behalf of the Hong Kong Underwriters, upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

(a) there has come to the notice of the Sole Global Coordinator:

(i) that any statement contained in the formal notice, this prospectus, the Application Forms, together with or any announcements or document issued by or on behalf of our Company, the Selling Shareholders or the International Underwriters for the purposes of or in connection with the Hong Kong Public Offer and the International Placing (including any supplement or amendment thereto) (collectively the "**Offer Documents**"), considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in relation to the Global Offering, was, when it was issued, or has become, untrue, incorrect or misleading in any respect or that any estimates, forecasts, expressions of opinion, intention or expectation considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute discretion to be material to the Global Offering expressed in any Offer Documents are not, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or

(iii) any breach, considered by the Sole Global Coordinator in its sole and absolute opinion to be material to the Global Offering, of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the warrantors under the Hong Kong Underwriting Agreement pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement; or

(v) any change or development involving a prospective change in the conditions, business affairs, prospects, profits, losses or the financial or trading position or performance of any member of our Group which is considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material to the Global Offering; or

(vi) any breach of any of the warranties given by the warrantors under the Hong Kong Underwriting Agreement considered by the Sole Global Coordinator in its sole and absolute opinion to be material to the Global Offering; or

(vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription/purchase of the Offer Shares) or the Global Offering; or

(ix) any person (other than any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or

(b) there shall develop, occur, exist or come into effect:

(i) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreak of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), swine influenza (H1N1) or such related/mutated forms) or interruption or delay in transportation); or

(ii) any change or development involving a prospective change, or any event or series of events likely to result in or representing any change or development involving a prospective change, in local, national, regional, international, financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, or a fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures or matters) in or affecting Hong Kong, the PRC, Korea or in any jurisdiction relevant to any member of our Group (the "**Specific Jurisdictions**"); or

(iii) any new laws or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in the Specific Jurisdictions; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or otherwise), the PRC, Korea or any other jurisdiction relevant to any member of our Group or a disruption in commercial banking or securities settlement or clearance services in any of the Specific Jurisdictions; or

(v) the imposition of any economic sanctions, in whatever form, directly or indirectly, by, or for, the Specific Jurisdictions; or

(vi) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws in any of the Specific Jurisdictions affecting an investment in the Shares; or

(vii) any change or development involving a prospective change in, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(viii) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(ix) a Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or

(x) the chairman or chief executive officer of our Company vacating his or her office; or

(xi) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(xii) a contravention by any member of our Group of the Companies Ordinance or any of the Listing Rules or any other applicable laws; or

(xiii) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this prospectus (and/or any other documents used in connection with the offering of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other laws applicable to the Global Offering; or

(xv) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other offer documents pursuant to the Companies Ordinance or the Listing Rules; or

(xvi) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(xvii) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xviii) a petition or an order for the winding-up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution passed for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which in each case or in the aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters): (a) is or will or could be expected to have a material adverse effect on the general affairs, management, business, financial, trading or other condition or prospects of our Company or our Group or any member of our Group or on any present or prospective shareholder in his, her or its capacity as such; or (b) has or will have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or (c) makes it or will make it impracticable, inadvisable or inexpedient for the Global Offering to proceed or to market the Global Offering; or (d) has or will have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Restrictions under the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in the circumstances prescribed by Rule 10.08 of the Listing Rules.

By Controlling Shareholders

Each of our Controlling Shareholders has undertaken to the Stock Exchange that, except pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement, it shall not and shall procure that the relevant registered holder(s) shall not:

(a) at any time within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owners; or

(b) at any time during the six-month period commencing on the date on which the period mentioned in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our Controlling Shareholder(s).

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

(a) when he or it pledges or charges any Shares or other securities of our Company beneficially owned by him or it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), immediately inform us of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and

(b) when he or it receives any indications, either verbal or written, from any pledgee or charge that any of the pledged or charged Shares or securities will be disposed of, immediately inform us of any such indications.

We have agreed and undertaken to the Stock Exchange that, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

We have undertaken to each of the Sole Global Coordinator, the Sole Sponsor, and the Hong Kong Underwriters that, except pursuant to the Global Offering and the exercise of options which may be granted under the Share Option Scheme, we will not, and will procure that our subsidiaries will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot or issue, or agree to allot or issue, Shares or other securities of our Company (including warrants or other convertible or exchangeable securities) or grant or agree to grant any options, warrants, or other rights to subscribe for or convertible or exchangeable into Shares or other securities of our Company or repurchase Shares or other securities of our Company or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or securities of our Company or offer to or agree to do any of the foregoing or announce any intention to do so from the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date (the "**First Six Months Period**");

(b) enter into any of the transactions described in paragraph (a) above or agree or contract to or publicly announce any intention to enter into any such transactions such that the Controlling Shareholders would cease to be controlling shareholders (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six Months Period (the "**Second Six Months Period**").

Our Company will ensure that if any of the transactions described in paragraph (a) above are carried out by virtue of the aforesaid exceptions or during the Second Six Months Period, it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Company and the Hong Kong Underwriters that during the First Six Months Period, it shall not, and shall procure that the relevant registered holder(s) and its associates and companies controlled by it and any nominee or trustee holding in trust for it shall not, without the prior written consent of the Sole Global Coordinator and unless as a result of any exercise of the Over-allotment Option by the Sole Global Coordinator or any stock borrowing arrangement with the Sole Global Coordinator as contemplated under the Stock Borrowing Agreement or otherwise in compliance with the requirements of the Listing Rules:

(a) offer, accept subscription for, pledge, issue, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, any of the Shares or securities of our Company beneficially owned by it or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by him/it) which is directly or indirectly a beneficial owner of any of the Shares or securities of our Company (the "**Relevant Securities**");

(b) enter into any swap or other arrangement or any transaction that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Relevant Securities;

(c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) or (b) above; or

(d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above, where any of the foregoing transactions referred to in paragraphs (a), (b) or (c) is to be settled by delivery of Shares or such other securities, in cash or otherwise.

In addition, our Controlling Shareholders shall not, and shall procure that the relevant registered holder(s) and its associates or companies controlled by it and any nominee or trustee holding in trust for it shall not, directly or indirectly without the prior written consent of the Sole Global Coordinator and the Stock Exchange in the Second Six Months Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder of our Company or would together with the other Controlling Shareholders cease to be Controlling Shareholders of our Company.

In the event of a disposal of any Shares or securities of our Company or any interest therein within the Second Six Months Period, it shall take reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders shall, and shall procure that its respective associates and companies controlled by it and any nominees or trustees holding in trust for it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it or by the registered holder controlled by it of any Shares.

Each of our Controlling Shareholders has further undertaken to our Company, the Sole Global Coordinator, the Sole Sponsor, the Stock Exchange and the Hong Kong Underwriters that, within the period from the date of reference to which disclosure of their shareholding in the Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, it will:

(a) when it pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), immediately inform our Company and the Sole Global Coordinator in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and

(b) when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Global Coordinator in writing of such indications.

Our Company will inform the Stock Exchange, the Sole Sponsor and the Sole Global Coordinator in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of a press announcement to be published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Our Company agrees and undertakes that it will not effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares of persons other than the Directors, chief executives, Substantial Shareholders or their respective associates to below 25% within the First Six Months Period without first having obtained the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters).

International Placing

In connection with the International Placing, it is expected that our Company, the Selling Shareholders, the executive Directors, and the Controlling Shareholders will enter into the International Underwriting Agreement with, inter alia, the Sole Global Coordinator, and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to subscribe or buy or procure subscribers or purchasers for the International Placing Shares being offered pursuant to the International Placing.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters) in whole or in part at one or more times, from the date of the International Underwriting Agreement until the 30th day after the last day for lodging applications under the Hong Kong Public Offer, to require our Company to allot up to an aggregate of 45,000,000 additional International Placing Shares representing 15 % of the initial Offer Shares, at the same price per Share under the International Placing to cover, among other things, over-allocations (if any) in the International Placing.

Commission and expenses

The Underwriters will receive a commission of 3% of the aggregate Offer Price of the Offer Shares (including Shares to be issued pursuant to the Over-allotment Option), out of which they will meet all (if any) sub-underwriting commissions.

Assuming an Offer Price of HK$0.83 per Offer Share (being the mid-point of the stated Offer Price range), the aggregate commission and fees payable to the Underwriters, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to amount to approximately HK$40.2 million in total (assuming the Over-allotment Option is not exercised). Under the Underwriting Agreements, the listing expenses (other than all underwriting commission, brokerage, Stock Exchange trading fees and SFC transaction levies, and stamp duties incurred in connection with the sale and transfer of the Sale Shares which shall be borne solely by the Selling Shareholders in proportion to the number of Sale Shares sold by each of them) shall be borne by our Company.

Indemnity

Each of our Company, certain Directors and our Controlling Shareholders (the "**Warrantors**") has agreed to jointly and severally indemnify among others, the Sole Global Coordinator, the Sole Sponsor and Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Warrantors of the Hong Kong Underwriting Agreement. Similar indemnities are expected to be given by the Warrantors to the International Underwriters under the International Underwriting Agreement.

Activities by Syndicate members

Set out below is a variety of activities that the Underwriters of the Hong Kong Public Offer and the International Placing, together referred to as "**Syndicate Members**", may each individually undertake, and which do not form part of the underwriting or the stabilising process. It should be noted that when engaging in any of these activities the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, all of them must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares and entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilising period described in the sub-sections headed "Structure of the Global Offering — Stabilisation Action" and "Structure of the Global Offering — International Placing — Over-allotment Option" in this section of this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the Shares and their share price, and the extent to which this occurs from day to day cannot be estimated.

Underwriters' interests in our Company

Save for their obligations under the Underwriting Agreements, none of the Underwriters has any shareholding interests in our Company nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares in our Company nor any interest in the Global Offering.

Sole Sponsor's Independence

China Everbright Capital satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer which forms part of the Global Offering. China Everbright Securities is the Sole Global Coordinator of the Global Offering.

The Global Offering consists of the Hong Kong Public Offer and the International Placing of 300,000,000 Shares in aggregate, comprising 250,000,000 New Shares (assuming the Over-allotment Option is not exercised) and 50,000,000 Sale Shares.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offer or indicate an interest, if qualified to do so, for the International Placing Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors who have received International Placing Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of International Placing Shares to professional, institutional and other investors anticipated to have a sizeable demand for such International Placing Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the International Placing Shares in the International Placing. Prospective professional, institutional and other investors will be required to specify the number of International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

The number of Offer Shares to be offered under the Hong Kong Public Offer and International Placing respectively may be subject to reallocation and, in the case of the International Placing only, the Over-allotment Option as set out in the sub-section headed "International Placing — Over-allotment Option" in this section of this prospectus.

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date. Details of the underwriting arrangements are summarised in the section headed "Underwriting" in this prospectus.

HONG KONG PUBLIC OFFER

Number of Shares initially offered

The Hong Kong Public Offer is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set out in the Hong Kong Underwriting Agreement and described in this section) for the subscription in Hong Kong of initially 30,000,000 Shares at the Offer Price (representing 10% of the total number of the Offer Shares initially available under the Global Offering). Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer as mentioned below, the number of the Hong Kong Offer Shares will represent approximately 3% of our Company's issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Completion of the Hong Kong Public Offer is subject to the conditions as set out in the sub-section headed "Conditions of the Hong Kong Public Offer" in this section of this prospectus.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offer (after taking into account of any reallocation of Offer Shares between the Hong Kong Public Offer and the International Placing) will be divided equally into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million or less (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable). The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million and up to the value of pool B (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable). You should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). You can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 15,000,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offer, then Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offer will be increased to 90,000,000 Offer Shares (in the case of (i)), 120,000,000 Offer Shares (in the case of (ii)) and 150,000,000 Offer Shares (in the case of (iii)) representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option) in each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may, at its sole and absolute discretion, reallocate such number of International Placing Shares as it deems appropriate from the International Placing to the Hong Kong Public Offer to satisfy in whole or in part the excess demand in the Hong Kong Public Offer.

If the Hong Kong Offer Shares are not fully subscribed for, the Sole Global Coordinator may, at its sole and absolute discretion, reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportion as the Sole Global Coordinator deems appropriate. In addition to any reallocation which may be required under the Listing Rules as set out above, the Global Coordinator may, at its sole and absolute discretion, reallocate Offer Shares initially allocated for the International Placing to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer, regardless of whether such reallocation requirement is triggered.

Applications

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that it is excluded from any application for Shares under Hong Kong Public Offer.

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum price of HK$0.98 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the sub-section headed "Price Determination of the Global Offering" in this section of this prospectus is less than the maximum price of HK$0.98 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offer.

Conditions of the Hong Kong Public Offer

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offer will be conditional on, among others:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering, the Shares to be issued pursuant to the Capitalisation Issue and any Shares which fall to be issued pursuant to the exercise of the Over-allotment Option, and any options which may be granted under the Share Option Scheme and such listing and permission not subsequently having been revoked prior to the commencement of dealing in all Shares on the Stock Exchange;

(ii) the Offer Price having been fixed on or around the Price Determination Date and the Price Determination Agreement having been executed by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company (for ourselves and on behalf of the Selling Shareholders) on or about the Price Determination Date and such agreement not subsequently having been terminated in accordance with its terms or otherwise;

(iii) the execution and delivery of the International Underwriting Agreement in accordance with its terms on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with their respective terms,

in each case on or before the dates and times specified in the Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at *www.hkexnews.hk* and our website at *www.fineholdings.hk* on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banker or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Wednesday, 11 July 2012 but will only become valid certificates of title at 8:00 a.m. on Thursday, 12 July 2012 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the sub-section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offer — Grounds for Termination" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

INTERNATIONAL PLACING

Number of Offer Shares initially offered

The International Placing will consist of an initial offering of 270,000,000 Offer Shares comprising 220,000,000 New Shares (subject to adjustment including the exercise of the Over-allotment Option) and 50,000,000 Sale Shares. Subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of International Placing Shares will represent approximately 27% of our enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

The International Placing is subject to the same conditions as stated in the sub-section headed "Conditions of the Hong Kong Public Offer" in this section of this prospectus.

Allocation

The International Placing will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process described in the sub-section headed "Price Determination of the Global Offering" in this section of this prospectus and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the Sole Global Coordinator (for itself and on behalf of International Underwriters), exercisable at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the date of the International Underwriting Agreement within 30 days after the last day for lodging applications under the Hong Kong Public Offer, to require our Company to issue up to 45,000,000 additional Offer Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover, among other things, over-allocation in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 4.3% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Stock Exchange at *www.hkexnews.hk* and our website at *www.fineholdings.hk* and in accordance with the Listing Rules.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Friday, 6 July 2012, and in any event on or before Tuesday, 10 July 2012, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders).

The Offer Price will be not more than HK$0.98 per Share and is expected to be not less than HK$0.68 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Global Coordinator, for itself and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company (for ourselves and on behalf of the Selling Shareholders), reduce the number of Offer Shares offered in the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Stock Exchange at *www.hkexnews.hk* and our website at *www.fineholdings.hk* notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range. Upon issuance of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders), will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company (for ourselves and on behalf of the Selling Shareholders) with the Sole Global Coordinator (for itself and on behalf of the Underwriters) will under no circumstances be set outside the offer price range as stated in this prospectus.

The final Offer Price, the level of indication of interest in the International Placing, the results of applications and the basis of allocation of Offer Shares available under the Hong Kong Public Offer, are expected to be announced on Wednesday, 11 July 2012 in the manner set out in the sub-section "How to Apply for Hong Kong Offer Shares — III. Applying by using a White or Yellow Application Form — 7. Results of Allocations" in this prospectus.

Stabilisation action

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the initial public offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the initial public offer price.

China Everbright Securities has been appointed by us as the stabilising manager ("**Stabilising Manager**") for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made pursuant to the SFO. In connection with the Global Offering, the Stabilising Manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere over-allocate Shares or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on Friday, 3 August 2012, being the last Business Day immediately before the 30th day after the last day for lodging applications under the Hong Kong Public Offer. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the sole and absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for lodging applications under the Hong Kong Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued by our Company under the Over-allotment Option, namely 45,000,000 additional Shares, which is 15% of the initial number of Offer Shares initially available under the Global Offering.

The Stabilising Manager, its affiliates or any person acting for it, may take all or any of the following stabilising action in Hong Kong during the stabilising period:

(i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

(ii) in connection with any action described in paragraph (i) above;

   (a) (1) over-allocation; or (2) sell or agree to sell the Shares so as to establish a short position in them, for the purpose of preventing or minimising any reduction in the market price of our Shares;

   (b) exercise the Over-allotment Option and purchase or subscribe for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) above;

   (c) sell or agree to sell any Shares acquired by it in the course of the stabilising action in order to liquidate any position that has been established by such actions; and

   (d) offer or attempt to do anything described in paragraphs (a)(2), (b) or (c) above.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for them, which may have an adverse impact on the market price of the Shares;

- Stabilising action cannot be used to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on Friday, 3 August 2012, being the last Business Day immediately before the 30th day after the last date for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 45,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at its sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Placing, the Sole Global Coordinator may borrow up to 45,000,000 Shares from Infinity, equivalent to the maximum number of Shares to be issued by our Company on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. **The stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that such stock borrowing arrangement will be in compliance with Rule 10.07(3) of the Listing Rules.**

DEALING

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 12 July 2012, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 12 July 2012.

I. METHODS OF APPLICATION

There are three ways to make an application for the Hong Kong Offer Shares. You may apply for the Hong Kong Offer Shares by (i) using a **WHITE** or **YELLOW** Application Form; (ii) submitting applications online through the designated website *(www.hkeipo.hk)* of the **HK eIPO White Form** Service Provider, referred herein as the "**HK eIPO White Form** service"; or (iii) giving **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application by any of the above methods.

II. WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You, the applicant(s) and any person(s) for whose benefit you are applying must be 18 years of age or older and must have a Hong Kong address.

You cannot apply for any Hong Kong Offer Shares if you are or any person(s) for whose account or benefit you are applying is/are:

- a legal or natural person of the PRC except qualified domestic institutional investors (other than Hong Kong, Macau and Taiwan);
- a U.S. person, not outside the United States, or will not be acquiring the Hong Kong Offer Shares in an offshore transaction (as defined in Regulation S); or
- a person who does not have a Hong Kong address.

If you wish to apply for Hong Kong Offer Shares online through the designated website at *www.hkeipo.hk* under the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **HK eIPO White Form** service.

If you are a firm, the application must be in the name(s) of the individual member(s), not the firm's name. If you are a body corporate, the Application Form must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

If your application is made through a duly authorised attorney, our Company and the Sole Global Coordinator (or its respective agents or nominees) may accept it at their absolute discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

The number of joint applicants may not exceed four.

Our Company and the Sole Global Coordinator (or their respective agents and nominees) as our Company's agent(s), have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

Save under the circumstances permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are or any person(s) for whose benefit you are applying is/are:

- an existing beneficial owner of the Shares or of the shares in any of our subsidiaries;
- the chief executive or a Director of our Company or the chief executive or a director of any of our subsidiaries;
- a Connected Person of our Company or will become a Connected Person of our Company immediately upon completion of the Global Offering; or
- an associate of any of the above.

You should also note that you will not receive any allotment of Hong Kong Offer Shares if you or the person for whose benefit you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

III. APPLYING BY USING A WHITE OR YELLOW APPLICATION FORM

1. Which application method to use

(a) Use a **WHITE** Application Form if you want the allotted Hong Kong Offer Shares to be issued in your name.

(b) Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of the **HK eIPO White Form** service by submitting an application online through the designated website at *www.hkeipo.hk*. Use the **HK eIPO White Form** service if you want the allotted Hong Kong Offer Shares to be issued in your name.

(c) Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

(d) Instead of using a **WHITE** or **YELLOW** Application Form or **HK eIPO White Form** service, you may give electronic application instructions to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant stock account.

2. Where to collect the Application Forms

(a) You can collect a **WHITE** Application Form and a prospectus, during normal business hours from 9:00 a.m. on Friday, 29 June 2012 until 12:00 noon on Thursday, 5 July 2012, from:

(1) Any of the following address of the Hong Kong Underwriters:

China Everbright Securities (HK) Limited
36th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

OSK Securities Hong Kong Limited
12/F, World-Wide House
19 Des Voeux Road Central
Hong Kong

Daewoo Securities (Hong Kong) Limited
Suites 1013-1015 and 2005-2012, Two International Finance Centre
8 Finance Street
Hong Kong

Hyundai Securities (Asia) Limited
Room 2301-2304, 23/F Citic Tower
No. 1 Tim Mei Avenue
Hong Kong

(2) Any one of the following branches of Bank of China (Hong Kong) Limited:

	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	United Centre Branch	Shop 1021, United Centre, 95 Queensway
Kowloon	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
New Territories	Citywalk Branch	Shop 65, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long
	East Point City Branch	Shop 101, East Point City, Tseung Kwan O

(b) You can collect a **YELLOW** Application Form and a prospectus, during normal business hours from 9:00 a.m. on Friday, 29 June 2012 until 12:00 noon on Thursday, 5 July 2012, from:

(1) the **Depository Counter of HKSCC** at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or

(2) your stockbroker, who may have such Application Forms and this prospectus available.

3. How to complete the Application Form

There are detailed instructions on each Application Form.

It is important that you read the conditions and application procedures set out in the Application Form. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you or to the first-named applicant in the case of joint applicants, at your own risk at the address stated in the Application Form.

Decide how many Hong Kong Offer Shares you want to purchase. Calculate the amount you must pay in accordance with the table of numbers and payments set out in the Application Forms on the basis of the maximum Offer Price of HK$0.98 per Hong Kong Offer Share, plus brokerage of 1%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%.

Complete the Application Form in block letters in English in ink, except as stated otherwise. You must sign the Application Form in writing (and not by way of personal chop), otherwise the application is liable to be rejected. If you are a body corporate, the application must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity. If you are applying for the benefit of someone else, you, rather than that person, must sign on the Application Form. If it is a joint application, all applicants must sign on the Application Form. If your application is made through a duly authorised attorney, our Company and the Sole Global Coordinator (or their respective agents or nominees) as our Company's agent(s) may accept or reject the application at their absolute discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney. Our Company and the Sole Global Coordinator in its capacity (as agent of our Company), or their respective agents and nominees, have full discretion to reject or accept any application, in full or in part, without assigning any reasons therefor.

Tear off your **WHITE** or **YELLOW** Application Form, fold the form once and lodge it in one of the special collection boxes provided at any of the locations set out in the sub-section headed "III. Applying by using a **WHITE** or **YELLOW** Application Form — 2. Where to collect the Application Forms" in this section of this prospectus at the times set out in the sub-section headed "III. Applying by using a **WHITE** or **YELLOW** Application Form — 5. Members of the public — Time for applying for the Hong Kong Offer Shares" in this section of this prospectus.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s) must complete the Application Form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

(i) If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

the designated CCASS Participant must endorse the Application Form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(ii) If you are applying as an individual CCASS Investor Participant:

(a) the Application Form must contain your name and Hong Kong identity card number; and

(b) your participant I.D. must be inserted in the appropriate box in the Application Form.

(iii) If you are applying as joint individual CCASS Investor Participants:

(a) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card number of all the joint CCASS Investor Participants; and

(b) your participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) If you are applying as a corporate CCASS Investor Participant:

(a) the Application Form must contain your company name and Hong Kong Business Registration number; and

(b) your participant I.D. and company chop (bearing your company name) must be inserted in the appropriate box in the Application Form.

Incorrect or omission of details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render your application invalid.

The account number or identification code for each (joint) beneficial owner must also be inserted in the box marked "For nominees" in the Application Form.

If your application is made through a duly authorised attorney, our Company and the Sole Global Coordinator (or their respective agents and nominees) as our Company's agent(s), may accept it at their absolute discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney.

4. How to make payment for the Application

Each completed **WHITE** or **YELLOW** Application Form must be accompanied by either a separate cheque or a banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name. This name must either be pre-printed on the cheque, or be endorsed at the back by a person authorised by the bank. This account name must correspond with your name. If it is a joint application, the account name must be that of the first-named applicant;
- be made payable to "Bank of China (Hong Kong) Nominees Limited — Fine Holdings Public Offer";

- be crossed "Account Payee Only"; and
- not be post-dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonoured on first presentation.

If you pay by banker's cashier order:

- you must purchase the banker's cashier order, and have your name certified on the back by a person authorised by the bank. The name certified on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of such banker's cashier order must be the same as the name of the first-named applicant;
- the banker's cashier order must be issued by a licensed bank in Hong Kong;
- the banker's cashier order must be made payable to "Bank of China (Hong Kong) Nominees Limited — Fine Holdings Public Offer";
- the banker's cashier order must be crossed "Account Payee Only";
- the banker's cashier order must be in Hong Kong dollars; and
- the banker's cashier order must not be post-dated.

Your application will be rejected if your banker's cashier order does not meet all of these requirements or is dishonored on its first presentation.

The right is reserved to present all or any remittance(s) for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Thursday, 5 July 2012. Our Company will not give you a receipt for your payment. Our Company shall keep all interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

5. Members of the public — Time for applying for the Hong Kong Offer Shares

The latest time for lodging your application, together with payment attached, is 12:00 noon on Thursday, 5 July, 2012, or, if the application lists are not open on that day then by 12:00 noon on the next day the lists are open. The application lists will be open between 11:45 a.m. and 12:00 noon on that day, subject only to the weather conditions, details of which are set out in the sub-section headed "III. Applying by using a **WHITE** or **YELLOW** Application Form — 6. Effect of bad weather on the opening of the application lists" in this section of this prospectus.

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the locations listed in the sub-section headed "III. Applying by using a **WHITE** or **YELLOW** Application Form — 2. Where to collect the Application Forms" in this section of this prospectus at the following times:

Friday, 29 June 2012 — 9:00 a.m. to 5:00 p.m.
Saturday, 30 June 2012 — 9:00 a.m. to 1:00 p.m.
Tuesday, 3 July 2012 — 9:00 a.m. to 5:00 p.m.
Wednesday, 4 July 2012 — 9:00 a.m. to 5:00 p.m.
Thursday, 5 July 2012 — 9:00 a.m. to 12:00 noon

Subject to the terms and conditions set out in the Application Form and in this prospectus, no proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until after the closing of the application lists.

You may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at *www.hkeipo.hk* from 9:00 a.m. on Friday, 29 June 2012 until 11:30 a.m. on Thursday, 5 July 2012, or such later time as described under the sub-section headed "How to Apply for Hong Kong Offer Shares — III. Applying by using a **WHITE** or **YELLOW** Application Form — 6. Effect of bad weather conditions on the opening of the application lists" in this section of this prospectus (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 5 July 2012, the last application day, or, if the application lists are not open on that day, by the time and date stated in the sub-section headed "How to Apply for Hong Kong Offer Shares — III. Applying by using a **WHITE** or **YELLOW** Application Form — 6. Effect of bad weather on the opening of the application lists" in this section of this prospectus.

You will not be permitted to submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at *www.hkeipo.hk* after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m. you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

6. Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 5 July 2012. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

7. Results of Allocations

Our Company expects to release and announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications of the Hong Kong Public Offer, the results of applications under the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Wednesday, 11 July 2012 and expects to announce these results in the South China Morning Post (in English), Hong Kong Economic Times (in Chinese), on the Stock Exchange's website at *www.hkexnews.hk* and our Company's website at *www.fineholdings.hk*. Results of allocations of the Hong Kong Public Offer and the Hong Kong identity card/passport/Hong Kong Business Registration numbers of successful applicants (where appropriate) will be made available through the various channels as described below:

- on the website of our Company at *www.fineholdings.hk* and the Stock Exchange's website at *www.hkexnews.hk* from 8:30 a.m., Wednesday, 11 July 2012 onward;

- on the Hong Kong Public Offer results of allocations website designated by our Company at *www.tricor.com.hk/ipo/result* on a 24-hour basis from 8:00 a.m. on Wednesday, 11 July 2012 to 12:00 midnight on Tuesday, 17 July 2012. The user will be required to key in the Hong Kong identity card/passport/Hong Kong Business Registration number provided in his/her/its Application Form to search for his/her/its own allocation result;

- from the Hong Kong Public Offer allocation results telephone enquiry line designated by our Company. Applicants may find out whether or not their applications have been successful and the number of the Hong Kong Offer Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 11 July 2012 to Monday, 16 July 2012 (excluding Saturday and Sunday); and

- from special allocation results booklets which set out the results of allocations and will be available for inspection during opening hours of the designated branches of the receiving banker of the Hong Kong Public Offer from Wednesday, 11 July 2012 to Friday, 13 July 2012.

8. Despatch/collection of share certificates, e-Auto Refund payment instructions and refund cheques

If you do not receive any Hong Kong Offer Shares for any of the reasons set out in the sub-section headed "VIII. Circumstances in which you will not be allotted Hong Kong Offer Shares" in the Application Form and in this prospectus, our Company will refund to you your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, our Company will refund to you the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK$0.98 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to the surplus application monies, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

Our Company will not issue temporary documents of title. Our Company will not give you a receipt for your payment. Subject to personal collection as mentioned below, in due course there will be sent to you, or in the case of joint applicants, to the first-named applicant, by ordinary post, at your own risk, to the address specified on your Application Form:

(a) for applications on **WHITE** Application Forms or to the designated **HK eIPO White Form** Service Provider: share certificate(s) for such allotted Hong Kong Offer Shares successfully applied for. For applications on **YELLOW** Application Forms: share certificates for the Hong Kong Offer Shares successfully applied for will be deposited into CCASS as described below; and/or

(b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed "Account Payee Only" in favour of the applicant, or in the case of joint applicants, the first-named applicant, for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum offer price per Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including the brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Subject to personal collection as mentioned below, refund cheque(s) for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms or to the designated **HK eIPO White Form** Service Provider; and share certificates for wholly and partially successful applicants under **WHITE** Application Forms or to the designated **HK eIPO White Form** Service Provider are expected to be posted on or around Wednesday, 11 July 2012. The right is reserved to retain any share certificate(s) and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

Share certificates will only become valid certificates of title provided that the Hong Kong Public Offer has become unconditional in all respects and not having been terminated in accordance with its terms, which is expected to be at 8:00 a.m. on Thursday, 12 July 2012. The grounds for termination are described in the sub-section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offer — Grounds for Termination" in this prospectus.

(a) If you apply using a **WHITE** Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have indicated on your Application Form to collect your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person and have provided all information required by your Application Form, you may collect them in person from Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. and 1:00 p.m. on Wednesday, 11 July 2012 or on the date to be notified by our Company on the Stock Exchange's website at *www.hkexnews.hk* and our Company's website at *www.fineholdings.hk* as at the date of despatch/collection of share certificates.

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. You must produce evidence of identity (which must be acceptable to Tricor Investor Services Limited and must correspond with the information contained in your Application Form) to collect your share certificate(s). If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be despatched to you thereafter by ordinary post to the address on your Application Form at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Wednesday, 11 July 2012 by ordinary post and at your own risk.

(b) If you apply using a **YELLOW** Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) personally, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) personally, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on Wednesday, 11 July 2012 by ordinary post and at your own risk.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Wednesday, 11 July 2012, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the newspapers on Wednesday, 11 July 2012. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 July 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account.

IV. APPLYING THROUGH HK eIPO WHITE FORM

1. General

(a) If you are an individual and satisfy the relevant eligibility criteria set out in the sub-section headed "II. Who can Apply for the Hong Kong Offer Shares" in this section of this prospectus and on the same website, you may apply through **HK eIPO White Form** by submitting an application to the **HK eIPO White Form** Service Provider through the designated website at *www.hkeipo.hk*. If you apply through **HK eIPO White Form** the Shares will be issued in your own name.

(b) Detailed instructions for application through the **HK eIPO White Form** service are set out in the designated website at *www.hkeipo.hk*. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the **HK eIPO White Form** Service Provider and may not be submitted to our Company.

(c) In addition to the terms and conditions set out in this prospectus, the **HK eIPO White Form** Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at *www.hkeipo.hk*. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(d) By submitting an application to the **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you are deemed to have authorised the **HK eIPO White Form** Service Provider to transfer the details of your application to our Company and our registrars.

(e) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 4,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at *www.hkeipo.hk*.

(f) You should make payment for your application made by **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at *www.hkeipo.hk*. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Thursday, 5 July 2012 or such later time as described in the sub-section headed "III. Applying by using a **WHITE** or **YELLOW** Application Form — 6. Effect of bad weather on the opening of the application lists" in this section of this prospectus, the **HK eIPO White Form** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at *www.hkeipo.hk*.

(g) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **HK eIPO White Form** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

(h) For applicants applying through the **HK eIPO White Form** service by paying the application monies through a single bank account and where the applicant's application is wholly or partially unsuccessful and/or the final Offer Price is different from the maximum Offer Price initially paid on application, e-Auto Refund payment instructions (if any) will be despatched to the application payment bank account on or around Wednesday, 11 July 2012.

(i) For applicants applying through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts and where the applicant's application is wholly or partially unsuccessful and/or the final Offer Price is different from the maximum Offer Price initially paid on application, refund cheque(s) will be sent to the address specified in applicant's application instructions to the designated **HK eIPO White Form** Service Provider on or around Wednesday, 11 July 2012, by ordinary post and at applicant's own risk.

(j) Warning: The application for Hong Kong Offer Shares through **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Our Company, our Directors, the Sole Global Coordinator and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **HK eIPO White Form** service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the HK eIPO White Form service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or give **electronic application instructions** to HKSCC via CCASS. Please see the sub-section headed "VII. How many applications you may make" in this section of this prospectus.

2. Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through **HK eIPO White Form** service to the **HK eIPO White Form** Service Provider through the designated website at *www.hkeipo.hk* will be treated as an applicant. If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **HK eIPO White Form** Service Provider, the designated **HK eIPO White Form** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **HK eIPO White Form** Service Provider on the designated website at *www.hkeipo.hk*. Otherwise, any monies payable to you due to a refund for any of the reasons is set out below in the sub-section headed "X. Refund of Application Monies" in this section of this prospectus.

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated **HK eIPO White Form** Service Provider through the designated website at *www.hkeipo.hk* and your application is wholly or partially successful, you may collect your share certificate(s) and/or refund cheque(s) (where applicable) in person from Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 July 2012, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/refund cheques/e-Auto Refund payment instructions. If you do not collect your share certificate(s) and/or refund cheque(s) (where applicable) personally within the time specified for collection, they will be despatched to you by ordinary post to the address as specified in your application instructions to the designated **HK eIPO White Form** Service Provider at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider through the designated website at *www.hkeipo.hk* on Wednesday, 11 July 2012 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application monies under-paid or applications rejected by the designated **HK eIPO White Form** Service Provider set out in the sub-section headed "IV. Applying through HK eIPO White Form — 2. Additional Information" in this section of this prospectus.

V. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

1. General

CCASS Participants may give electronic application instructions to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (*https://ip.ccass.com*) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to us and our Hong Kong Share Registrar.

2. Giving electronic application instructions to HKSCC to apply for Hong Kong Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

(i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees does the following things on behalf of each such person:

- agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has input **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;

- undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

- undertakes and confirms that that person has not applied for or taken up any Offer Shares under the International Placing nor otherwise participated in the International Placing;

- (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;

- (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;

- understands that these declarations will be relied upon by us and the Sole Global Coordinator in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;

- authorises us to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

- confirms that that person has read the terms and conditions and application procedures set out in the Application Form and in this prospectus and agrees to be bound by them;

- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give electronic application instructions on that person's behalf;

- agrees that we, our Directors, the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor, the Hong Kong Underwriters and any of their respective directors, officers, employees, agents or advisers and any other parties involved in the Global Offering are liable only for and that that person has only relied upon, the information and representations contained in this prospectus and any supplement to this prospectus (and only then to the extent such liability is held to exist by a court with competent jurisdiction);

- agrees to disclose to us, the Hong Kong Share Registrar, the receiving banker, the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor, the Hong Kong Underwriters and/or their respective advisers and agents any personal data or information which they require about that person;

- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded because of an innocent misrepresentation or other than as provided;

- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person cannot be revoked on or before the fifth day after the closing of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong) when such agreement is to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of we agreeing that we will not offer any Hong Kong Offer Shares to any person before the fifth day after the closing of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus. However, that person may revoke the instructions on or before the fifth day after the closing of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by us;

- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;

- agrees with us, for ourselves and for the benefit of each of the Shareholders (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Memorandum and Articles of Association of our Company;

- agrees with us (for ourselves and for the benefit of each of the Shareholders) that the Shares in our Company are freely transferable by the holders thereof;

- authorises our Company to enter into a contract on its behalf with each of our Directors and officers of our Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Memorandum and Articles of Association of our Company; and

- agrees that the application, any acceptance of it and the resulting contract, will be governed by and construed in accordance with the laws of Hong Kong.

3. Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to us or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum offer price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

4. Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

5. Minimum subscription amount and permitted multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 4,000 Hong Kong Offer Shares. Such instructions in respect of more than 4,000 Hong Kong Offer Shares must be in one of the numbers or multiples set out in the table in the Application Forms.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

6. Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 29 June 2012 — 9:00 a.m. to 8:30 p.m.[1]
Saturday, 30 June 2012 — 8:00 a.m. to 1:00 p.m. [1]
Tuesday, 3 July 2012 — 8:00 a.m. to 8:30 p.m.[1]
Wednesday, 4 July 2012 — 8:00 a.m. to 8:30 p.m.[1]
Thursday, 5 July 2012 — 8:00 a.m.[1] to 12:00 noon

Note:

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 29 June 2012 until 12:00 noon on Thursday, 5 July 2012 (24 hours daily, except the last application day).

7. Effect of bad weather on the opening of the application lists

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, 5 July 2012, the last application day. If:

- a tropical cyclone warning signal number 8 or above; or

- a "black" rainstorm warning signal,

is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 5 July 2012, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

8. Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

9. Deposit of share certificates into CCASS and refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Wednesday, 11 July 2012 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- We expect to publish the allocation results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allocation of the Hong Kong Public Offer on Wednesday, 11 July 2012 in the manner described in the sub-section headed "How to Apply for Hong Kong Offer Shares — III. Applying by using a **WHITE** or **YELLOW** Application Form — 7. Results of Allocations" in this section of this prospectus. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 July 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 11 July 2012. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account (if any).

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 11 July 2012. No interest will be paid thereon.

10. Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance.

11. Personal data

The section of the Application Form entitled "Personal Data" applies to any personal data held by our Company and the Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

12. Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Sole Global Coordinator and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 5 July 2012.

VI. EFFECT OF MAKING AN APPLICATION

(a) By completing and submitting an Application Form, amongst other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- agree with our Company and each Shareholder, and our Company agrees with each of our Shareholders, to observe and comply with the Companies Ordinance, the Memorandum and Articles of Association of our Company;

- agree with our Company and each Shareholder that the Shares are freely transferable by the holder thereof;

- authorise our Company to enter into a contract on your behalf with each of our Directors and officers of our Company whereby each such Director and officer undertakes to observe and comply with his obligations to the Shareholders as stipulated in the Memorandum and Articles of Association of our Company;

- confirm that you have received and/or read a copy of this prospectus, have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;

- agree that our Company, our Directors, the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor, the Hong Kong Underwriters and/or any of their respective directors, officers, employees, agents or advisers and any other parties involved in the Global Offering are liable only for and that you have only relied upon, the information and representations contained in this prospectus and any supplement to this prospectus (and only then to the extent such liability is held to exist by a court with competent jurisdiction);

- undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest for or received or been placed or allocated (including conditionally and/or provisionally), and will not apply for or take up or indicate any interest in any International Placing Shares in the International Placing, nor otherwise participate in the International Placing;

- agree to disclose to our Company, the Hong Kong Share Registrar, the receiving banker, the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor, the Hong Kong Underwriters and/or their respective advisers and agents any personal data and information which they require about you or the person(s) for whose benefit you have made the application;

- instruct and authorise our Company, the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor and/or the Hong Kong Underwriters (or their respective agents or nominees) as agent for our Company to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles of Association of our Company and otherwise to give effect to the arrangements described in this prospectus and the Application Form;

- represent, warrant and undertake that the Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States when completing the Application Form and you are not, and none of the other person(s) for whose benefit you are applying is, a U.S. person (as defined in Regulation S);

- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation or other than as provided;

- warrant the truth and accuracy of the information contained in your application;

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form and agree to be bound by them;

- undertake and agree to accept the Shares applied for, or any lesser number allocated to you under the application;

- undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Articles and Association and otherwise to give effect to the arrangements described in this prospectus and the Application Form;

- (if the application is made for your own benefit) warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service (*www.hkeipo.hk*);

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person and that this is the only application which will be made for the benefit of that other person, on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service (*www.hkeipo.hk*), and that you are duly authorised to sign the Application Form as that other person's agent;

- (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary powers and the authority to make the application;

- authorise our Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of our Company as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or our Company's agents to send any share certificate(s) (where applicable) and/or any refund cheque(s) (where applicable) to you or, in case of joint applicants, the first-named applicant on the Application Form by ordinary post at your own risk to the address stated in your Application Form (unless you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated on your Application Form that you wish to collect your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person);

- understand that these declarations and representations will be relied upon by our Company and the Sole Global Coordinator in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application; and

- if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor and/or the Hong Kong Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus and any supplement thereto.

(b) If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above, you agree that:

- any Hong Kong Offer Shares to be allotted to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your instruction on the Application Form;

- each of HKSCC and HKSCC Nominees reserves the right (1) not to accept any or part of such allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees or not to accept such allotted Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name, or if you are joint applicants, into the first-named applicant's name, at your own risk and costs; and (3) to cause such allotted Hong Kong Offer Shares to be registered in your name (or, if you are joint applicants, to the first-named applicant's) and in such a case, to post the share certificate(s) for such allotted Hong Kong Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;

- each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees;

- neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and
- neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

Our Company, the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor, the Underwriters, any other parties involved in the Global Offering and their respective directors are entitled to rely on any warranty, representation or declaration made by you in the application. In the event of the application being made by joint applicants, all the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given and assumed by and imposed on the applicants jointly and severally.

(c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to our Company nor any other person in respect of such things:

- instruct and authorise HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instruct and authorise HKSCC to arrange payment of the maximum Offer Price, brokerage fee, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partially unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK$0.98 per Hong Kong Offer Share, refund the appropriate portion of the application monies by crediting your designated bank account;
- instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form;
- (in addition to the confirmations and agreements set out in paragraph (a) above) instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf the following:
  - — agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has input **electronic application instructions** on your behalf;
  - — undertake and agree to accept the Hong Kong Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;
  - — undertake and confirm that you have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Placing Shares in the International Placing, nor otherwise participate in the International Placing;

— (if the **electronic application instructions** are given for your own benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

— (if you are an agent for another person) declare that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorised to give those instructions as that other person's agent;

— understand that the above declaration will be relied upon by our Company and the Sole Global Coordinator in deciding whether or not to make any allocation of the Hong Kong Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;

— authorise our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allocated in respect of your **electronic application instructions** and to send share certificates and/or refund monies in accordance with arrangements separately agreed between our Company and HKSCC;

— confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

— confirm that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your CCASS Clearing Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;

— agree that our Company, the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor, the Underwriters and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering are liable only for, and that you have only relied upon, the information and representations contained in this prospectus and any supplement to this prospectus;

— agree (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

— agree to disclose to our Company, our Hong Kong Share Registrar, the receiving banker, the Sole Sponsor, the Sole Global Coordinator and the Underwriters and any of their respective officers, advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;

— agree that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before the expiration of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that our Company will not offer any Hong Kong Offer Shares to any person before the said fifth day except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a Business Day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

— agree that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Hong Kong Public Offer made available by our Company; and

— agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC and read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Offer Shares.

VII. HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for Hong Kong Offer Shares if and only if:

You are a nominee, in which case you may make an application as a nominee by (1) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); or (2) using a **WHITE** or **YELLOW** Application Form and lodging more than one Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked “For nominees”, you must include, for each beneficial owner (or, in the case of joint beneficial owners, for each such beneficial owner):

- an account number; or
- some other identification code.

If you do not include this information, the application will be treated as being made for your benefit. As a nominee, you are deemed to have warranted that you are duly authorised to sign the Application Form on behalf of the relevant beneficial owner and agreed to disclose personal data relating to such beneficial owner on the terms set out in the Application Form on personal data.

Otherwise, multiple applications or suspected multiple applications will be rejected.

By completing and delivering an Application Form, you:

- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service (*www.hkeipo.hk*); or

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person and that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider and that you are duly authorised to sign the Application Form as that other person's agent.

Except where you are a nominee and you provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:

- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service (*www.hkeipo.hk*);

- apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service (*www.hkeipo.hk*);

- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service (*www.hkeipo.hk*) for more than 15,000,000 Hong Kong Offer Shares, being 50% of the Shares initially being offered for public subscription under the Hong Kong Public Offer as more particularly described in the sub-section headed "Structure of the Global Offering — Hong Kong Public Offer" in this prospectus; or

- have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Offer Shares under the International Placing.

Save as referred to above, **all** of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and

- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

- control the composition of the board of directors of the company;

- control more than one-half of the voting power of the company; or

- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the designated **HK eIPO White Form** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through **HK eIPO White Form** by giving **electronic application instructions** through the designated website at *www.hkeipo.hk* and completing payment in respect of such electronic application instructions, or of submitting one application through **HK eIPO White Form** and one or more applications by any other means, all of your applications are liable to be rejected.

VIII. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set out in the Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf) and you should read them carefully. You may not be allotted Hong Kong Offer Shares if:

- **Your application is revoked or withdrawn:**

By completing and submitting an Application Form or submitting electronic application instructions to HKSCC or the designated **HK eIPO White Form** Service Provider, you agree that you cannot revoke your application or the application made by HKSCC Nominees or the **HK eIPO White Form** Service Provider on your behalf, as the case may be, on or before the fifth day after the closing of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). The agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your electronic application instruction to HKSCC or the **HK eIPO White Form** Service Provider and an application has been made by HKSCC Nominees on your behalf accordingly. The collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person before the fifth day after the closing of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus.

You may only revoke your application on or before the fifth day after the closing of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted shall remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees or the **HK eIPO White Form** Service Provider on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

- **Our Company or the Sole Global Coordinator or its agents rejects your application**

Our Company and the Sole Global Coordinator or their respective agents and nominees, as our Company's agent(s), have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

- **The allotment of Hong Kong Offer Shares is void**

The allotment of Hong Kong Offer Shares to you, or to HKSCC Nominees, if made, will be void if the Listing Committee does not grant permission to list the Shares either:

  - within three weeks from the closing date of the application lists; or
  - within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

- **You will not receive any allotment if:**

  - you make multiple applications or suspected multiple applications;
  - you or the person for whose benefit you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and/or Offer Shares under the International Placing. By filling in any of the Application Forms or applying by giving electronic application instructions to HKSCC, you agree not to apply for Hong Kong Offer Shares as well as Offer Shares in the International Placing. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer;
  - your payment is not made correctly;
  - you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;
  - your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
  - your **electronic application instructions** through **HK eIPO White Form** service are not completed in accordance with the terms and conditions set out in the designated website at *www.hkeipo.hk*;

- our Company and/or the Sole Global Coordinator believes that by accepting your application, this would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed;
- you apply for more than 50% of the Hong Kong Offer Shares initially being offered in the Hong Kong Public Offer for subscription;
- the Underwriting Agreements do not become unconditional; or
- either of the Underwriting Agreements is terminated in accordance with its respective terms.

If any of these situations apply, your application will be rejected by the receiving banker and the attached cheque(s) and/or banker's cashier order will not be presented for clearance.

You should also note that you may apply for Offer Shares under the Hong Kong Public Offer or indicate an interest for Offer Shares under the International Placing, but may not do both.

IX. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum offer price is HK$0.98 per Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% in full. This means that for every board lot of 4,000 Offer Shares you will pay approximately HK$3,959.52. The Application Forms have tables showing the exact amount payable for certain multiples of Offer Shares up to 15,000,000 Offer Shares.

You must pay for the Hong Kong Offer Shares by one cheque or one banker's cashier order in accordance with the terms set out in the Application Form (if you apply by an Application Form).

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be), the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected on behalf of the SFC).

X. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any of the reasons set out in the sub-section headed "VIII. Circumstances in which you will not be allotted Hong Kong Offer Shares" in this prospectus and in the Application Forms, we will refund to you your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, we will refund the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK$0.98 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, we will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005% attributable to the surplus application monies, without interest. All interest accrued on such monies prior to the date of despatch of refund cheques/e-Auto Refund payment instructions will be retained for the benefit of our Company.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Sole Global Coordinator, cheques or banker's cashier orders for applications for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Wednesday, 11 July 2012 in accordance with the various arrangements as described above.

Refund cheques will be crossed "Account Payee Only", and made out to you or, if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you will be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

XI. PERSONAL DATA

By signing an Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree to all of the following:

Personal Information Collection Statement

The main provisions of the Personal Data (Privacy) Ordinance (the "**Personal Data Ordinance**") came into effect in Hong Kong on 20 December 1996. The Personal Information Collection Statement informs the applicant for and holder of Hong Kong Offer Shares of the policies and practices of our Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data Ordinance.

1. Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and the Hong Kong Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Hong Kong Share Registrar. Failure to supply the requested data may result in your application for securities being rejected, delayed or the inability of the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of share certificate(s) and/or refund cheque(s) to which you are entitled. It is important that holders of securities inform our Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

2. Purposes

The personal data of the applicants and holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and refund cheque, where applicable, and verification of compliance with the terms and application procedures set out in the Application Form and this prospectus and announcing the results of allocation of the Hong Kong Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong or elsewhere;
- registering Hong Kong Offer Shares or transfers into or out of the name of holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- conducting or assisting the conduct of signature verifications, any other verification or exchange of information;
- establishing benefit entitlements, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules or regulations;
- disclosing identities of successful applicants by way of an announcement or otherwise;
- disclosing relevant information to facilitate claims on entitlements; and

- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Share Registrar to discharge their obligations to holders of securities and/or regulators and/or any other purpose to which the holders of securities may from time to time agree.

3. Transfer of personal data

Personal data held by our Company and the Hong Kong Share Registrar relating to the applicants and the holders of the Shares will be kept confidential but our Company and the Hong Kong Share Registrar may, to the extent necessary for achieving the above purposes or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to any and all of the following persons and entities:

- our Company or our appointed agents such as financial advisers and receiving banker and Hong Kong Share Registrar;

- where applicants for the Shares request deposit into CCASS, to HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating the CCASS;

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or our subsidiaries or the Hong Kong Share Registrar in connection with the operation of their respective businesses;

- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and

- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

4. Access and correction of personal data

The Personal Data Ordinance provides the applicant and the holder of securities with rights to ascertain whether our Company and/or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate.

In accordance with the Personal Data Ordinance, our Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and the kinds of data held should be addressed to our Company for the attention of our Company Secretary or (as the case may be) the Hong Kong Share Registrar for the attention of the privacy compliance officer.

XII. COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 12 July 2012, dealings in the Shares in the Stock Exchange are expected to commence on Thursday, 12 July 2012 at 9:00 a.m. The Shares will be traded in board lots of 4,000 Shares each. Our stock code is 1167.

XIII. SHARES WILL BE ELGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of the permission to deal in the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS in the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

29 June 2012

The Directors
Fine Holdings Limited

China Everbright Capital Limited

Dear Sirs,

We report on the financial information of Fine Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined balance sheets as at 31 December 2009, 2010 and 2011, the balance sheet of the Company as at 31 December 2011, and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements for each of the years ended 31 December 2009, 2010 and 2011 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to IV below for inclusion in Appendix I to the prospectus of the Company dated 29 June 2012 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in Hong Kong on 2 June 2011 with limited liability under the Hong Kong Companies Ordinance. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on 24 February 2012, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct interests in the subsidiaries as set out in Note 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

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No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II below.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 2 of Section II below.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 2 of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" ("AG 3.340") issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 2 of Section II below, a true and fair view of the state of affairs of the Company as at 31 December 2011 and of the combined state of affairs of the Group as at 31 December 2009, 2010 and 2011 and of the Group's combined results and cash flows for the Relevant Periods.

I. FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2009, 2010 and 2011 and for each of the years ended 31 December 2009, 2010 and 2011 (the "Financial Information"), presented on the basis set out in Note 2 of Section II below:

COMBINED INCOME STATEMENTS

		Year ended 31 December		
		2009	**2010**	**2011**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	6	748,539	901,215	1,505,280
Cost of sales	8	(542,764)	(727,208)	(1,263,583)
Gross profit		205,775	174,007	241,697
Other income	9	—	—	25,293
Other losses	7	(207)	(6,759)	(5,116)
Selling and distribution costs	8	(19,857)	(27,635)	(32,448)
Administrative expenses	8	(27,042)	(31,138)	(54,273)
Research and development expenses	8	(26,269)	(30,143)	(40,567)
Operating profit		132,400	78,332	134,586
Finance income	11	124	937	1,302
Finance costs	11	(2,432)	3,931	(2,299)
Finance (costs)/income - net	11	(2,308)	4,868	(997)
Profit before income tax		130,092	83,200	133,589
Income tax expense	12	(19,512)	(13,537)	(24,292)
Profit for the year		110,580	69,663	109,297
Profit attributable to equity holders of the Company		110,580	69,663	109,297
Dividends	14	19,920	—	—

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	110,580	69,663	109,297
Other comprehensive income	—	—	—
Total comprehensive income for the year	110,580	69,663	109,297
Total comprehensive income attributable to equity holders of the Company	110,580	69,663	109,297

COMBINED BALANCE SHEETS

		As at 31 December		
		2009	**2010**	**2011**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Non-current assets				
Land use rights	15	2,276	2,223	58,940
Property, plant and equipment	16	319,277	358,128	759,104
Intangible assets	17	3,078	3,406	3,676
Deferred income tax assets	27	945	857	1,532
Prepayments and deposits	21	—	7,970	—
		325,576	372,584	823,252
Current assets				
Inventories	18	40,473	43,035	92,663
Trade receivables	20	141,572	166,373	411,838
Prepayments and other receivables	21	7,477	28,827	73,427
Amount due from the immediate holding company	35	191	—	—
Tax recoverable		6,875	—	—
Pledged bank deposits	22	17,500	34,200	—
Cash and cash equivalents	23	127,871	161,531	172,816
		341,959	433,966	750,744
Total assets		667,535	806,550	1,573,996
Equity and liabilities				
Capital and reserves attributable to equity holders of the Company				
Capital	29	254,690	316,690	316,690
Reserves	29	154,379	135,233	244,530
Total equity		409,069	451,923	561,220

		As at 31 December		
		2009	**2010**	**2011**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Non-current liabilities				
Borrowings	26	—	—	128,990
		—	—	128,990
Current liabilities				
Trade payables	24	115,895	138,808	419,439
Other payables and accruals	25	17,789	18,760	104,792
Amount due to the ultimate holding company	35	239	—	—
Amount due to the immediate holding company	35	—	—	14,994
Amounts due to related companies	35	1,482	1,103	52,480
Current income tax liabilities		—	4,187	7,929
Borrowings	26	123,061	191,769	284,152
		258,466	354,627	883,786
Total liabilities		258,466	354,627	1,012,776
Total equity and liabilities		667,535	806,550	1,573,996
Net current assets/(liabilities)		83,493	79,339	(133,042)
Total assets less current liabilities		409,069	451,923	690,210

BALANCE SHEET

	Note	As at 31 December 2011 *RMB'000*
Assets		
Non-current asset		
Investment in a subsidiary	30	47,927
Current asset		
Prepayments and other receivables	21	9,626
Cash and cash equivalents	23	6
		9,632
Total assets		57,559
Equity and liabilities		
Capital and reserves attributable to equity holders of the Company		
Share capital	28	—
Share premium	28	—
Reserves		(7,599)
Total deficit in equity		(7,599)
Liabilities		
Current liabilities		
Other payables and accruals	25	2,293
Amount due to the immediate holding company	35	14,994
Amount due to a subsidiary	35	600
Amount due to a related company	35	47,271
Total liabilities		65,158
Total equity and liabilities		57,559
Net current liabilities		(55,526)
Total assets less current liabilities		(7,599)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company		
	Capital *(Note 29)* *RMB'000*	Reserves *(Note 29)* *RMB'000*	Total equity *RMB'000*
For the year ended 31 December 2009			
Balance at 1 January 2009	254,690	55,283	309,973
Comprehensive income			
Profit for the year	—	110,580	110,580
Total comprehensive income	—	110,580	110,580
Transactions with owners			
2008 final dividends paid (Note 14)	—	(11,484)	(11,484)
Total transactions with owners	—	(11,484)	(11,484)
Balance at 31 December 2009	254,690	154,379	409,069
For the year ended 31 December 2010			
Balance at 1 January 2010	254,690	154,379	409,069
Comprehensive income			
Profit for the year	—	69,663	69,663
Total comprehensive income	—	69,663	69,663
Transactions with owners			
Capitalisation of retained earnings (Note 29(i))	62,000	(68,889)	(6,889)
2009 final dividends paid (Note 14)	—	(19,920)	(19,920)
Total transactions with owners	62,000	(88,809)	(26,809)
Balance at 31 December 2010	316,690	135,233	451,923
For the year ended 31 December 2011			
Balance at 1 January 2011	316,690	135,233	451,923
Comprehensive income			
Profit for the year	—	109,297	109,297
Total comprehensive income	—	109,297	109,297
Balance at 31 December 2011	316,690	244,530	561,220

COMBINED CASH FLOW STATEMENTS

		Year ended 31 December		
		2009	2010	2011
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash generated from operations	31	102,621	95,957	212,795
Income tax paid		(25,708)	(2,388)	(17,727)
Net cash generated from operating activities		76,913	93,569	195,068
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	32	—	—	21,958
Purchases of property, plant and equipment		(59,580)	(76,398)	(232,253)
Purchases of intangible assets		(54)	(1,052)	(1,190)
Purchase of land use rights		—	(7,970)	(33,091)
Proceeds from disposal of property, plant and equipment	31	—	757	270
Interest received		124	937	1,302
(Increase)/decrease in pledged bank deposits		(17,500)	(16,700)	34,200
Net cash used in investing activities		(77,010)	(100,426)	(208,804)
Cash flows from financing activities				
Proceeds from bank borrowings		179,851	359,891	592,152
Repayments of bank borrowings		(74,762)	(284,532)	(548,179)
Dividends paid to shareholders		(11,484)	(19,920)	—
Distribution to shareholders net of reinvestment	29	—	(6,889)	—
Interest paid		(2,462)	(4,063)	(12,182)
Net cash generated from financing activities		91,143	44,487	31,791
Net increase in cash and cash equivalents		91,046	37,630	18,055
Cash and cash equivalents at beginning of the year		36,886	127,871	161,531
Effect of foreign exchange rate change		(61)	(3,970)	(6,770)
Cash and cash equivalents at end of the year		127,871	161,531	172,816
Analysis of balances of cash and cash equivalents				
Cash and bank balances	23	127,871	161,531	172,816

II. NOTES TO THE COMBINED FINANCIAL INFORMATION

1 General information and reorganisation

1.1 *General information*

Fine Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong on 2 June 2011 in preparation for a listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"). The address of the Company's registered office is 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing of metallic components of display panels for use in consumer electronics products, including LCD (including LED) TVs, monitors, mobile PCs and mobile phones in the People's Republic of China (the "PRC"). The immediate holding company of the Company is Infinity Partners Limited ("Infinity"). Fine DNC Co., Ltd. and Fine Technix Co., Ltd., whose shares are quoted in the KOSDAQ (Korea Securities Dealers Automated Quotation), hold 49% and 51% of the shares of Infinity, respectively.

The financial information is presented in units of Renminbi ("RMB"), unless otherwise stated.

1.2 *Reorganisation*

In preparation for the Listing, Infinity underwent a group reorganisation (the "Reorganisation"), pursuant to which the companies now comprising the Group were transferred to the Company and the Company became the holding company of these companies. The Reorganisation mainly involved the following:

(i) On 2 June 2011, the Company was incorporated in Hong Kong under the Hong Kong Companies Ordinance as a limited liability company with one issued share of HK$1 allotted and issued to Infinity. On 28 November 2011, the Company subdivided its shares from one share of HK$1 into ten shares of HK$0.1 each.

(ii) Pursuant to an equity interests transfer agreement dated 1 July 2011 between the Company and Infinity, Infinity agreed to transfer its 78.3290% equity interests in Jiangsu Fine DNC, one of the companies now comprising the Group, to the Company, at a consideration of 78,319 new ordinary shares of the Company credited as fully paid. The issuance of these shares was completed on 4 February 2012.

On 4 February 2012, the Company alloted and issued 1,698 shares to Infinity at a cash consideration of RMB8,800,000.

Pursuant to an equity interests transfer agreement dated 20 July 2011 between the Company and other shareholders of Jiangsu Fine DNC, the other shareholders of Jiangsu Fine DNC agreed to transfer their 18.2714% equity interests in Jiangsu Fine DNC to the Company, in consideration of 19,973 ordinary shares of the Company credited as fully paid. The issuance of these shares was completed on 4 February 2012.

Upon issuance and allotment of the above shares, Infinity holds 80.027% shares of the Company.

(iii) On 24 November 2011 and 10 January 2012, the Company entered into an equity interests transfer agreement with each of the two state-owned investors to acquire the remaining 3.4% shares in Jiangsu Fine DNC at a consideration of RMB8,814,300 and RMB8,800,000, respectively. The transaction was completed on 24 February 2012.

(iv) On 20 July 2011, the Company entered into a share transfer agreement to acquire the entire shareholding in FMS (Guangzhou) Electronics Co., Ltd. ("FMS Guangzhou") from FMS Co., Ltd., a related party of the Group, at a consideration of US$7.5 million. US$3.5 million of the total consideration shall be payable on or before 30 September 2011 and the remaining US$4.0 million shall be payable within 20 days from the date of the Listing. The acquisition was completed on 16 August 2011.

Pursuant to a supplemental agreement dated 15 June 2012 between the Company and FMS Co., Ltd., the outstanding consideration being US$5.3 million as at 15 June 2012 shall be payable on or before 31 July 2012 or within 30 days from the date of the Listing, whichever is earlier.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct interests in the following subsidiaries:

	Company name	Country/place and date of establishment and type of legal entity	Principal activities and place of operation	Nominal value of issued ordinary/ registered share capital	Effective interest held as at 31 December 2009	2010	2011	Note
(i)	Jiangsu Fine DNC (江蘇凡潤電子有限公司) (formerly known as Jiangsu Fine DNC Co., Ltd. (江蘇凡潤電子股份有限公司))	The PRC, 9 December 2002, limited liability company	Manufacturing of metallic components of display panels for use in consumer electronics products in the PRC	RMB316,000,000	100%	100%	100%	(a)
(ii)	FMS (Guangzhou) Electronics Co., Ltd. (FMS Guangzhou) (富美斯(廣州)電子有限公司)	The PRC, 4 November 2009, limited liability company	Manufacturing of metallic components of display panels for use in consumer electronics products in the PRC	RMB68,270,000	N/A	N/A	100%	(b)

(a) Audited by 江蘇公証天業會計師事務所有限公司 for the years ended 31 December 2009, 2010 and 2011.

(b) Audited by 廣州南華會計師事務所有限公司 for the period from 4 November 2009 (date of incorporation) to 31 December 2009 and 廣州市南方會計師事務所有限公司 for the years ended 31 December 2010 and 2011, respectively.

2 Basis of presentation

Immediately prior to and after the Reorganisation, Jiangsu Fine DNC is controlled by Infinity. Pursuant to the Reorganisation, Jiangsu Fine DNC is transferred to the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a continuation of Jiangsu Fine DNC with no change in management of such business and its ultimate owners. Accordingly, the financial information of Jiangsu Fine DNC in the combined financial statements of the Group is presented using the carrying values of Jiangsu Fine DNC for all periods presented. For the purpose of this report, the Financial Information of the Group has been prepared on a basis in accordance with the principles of the AG 3.340 issued by the HKICPA.

As part of the Reorganisation, the acquisition of FMS Guangzhou by the Group has been completed on 16 August 2011. As FMS Guangzhou and Jiangsu Fine DNC are not under common control during the Relevant Periods, the results and financial position of FMS Guangzhou has been consolidated in the Financial Information of the Group upon the completion of acquisition in accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations".

3 Summary of significant accounting policies

3.1 *Basis of preparation*

The Financial information has been prepared in accordance with HKFRSs. The Financial Information has been prepared under the historical cost convention.

The principal accounting policies applied in the preparation of the Financial Information are set out as below. These policies have been consistently applied throughout the years ended 31 December 2009, 2010 and 2011, unless otherwise stated.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5.

Going concern basis

As at 31 December 2011, the Group's current liabilities exceeded its current assets by RMB133,042,000.

As at 31 December 2011, the Group had undrawn banking facilities totalling RMB269,608,000 for working capital purposes. On 5 January 2012 and 19 January 2012, the Group entered into loan agreements with banks to raise additional long-term bank loans of US$4,996,600 (equivalent to RMB31,483,000) and US$9,000,000 (equivalent to RMB56,708,000), respectively. On 5 June 2012, the Group entered into a supplemental agreement with a bank to extend the date of repayment of a bank loan of US$15,000,000 (equivalent to RMB94,513,000) from 27 March 2013 to 27 July 2013. On 14 June 2012, the Group entered into a supplemental agreement with a bank to extend the date of repayment of a bank loan of US$4,000,000 (equivalent to RMB25,203,000) from 19 April 2013 to 19 July 2013. The directors of the Company have reviewed the Group's bank loans and banking facilities available to the Group as at 31 December 2011 and are of the view that certain of these bank loans and banking facilities will be extended and/or renewed when their current terms expire. The directors of the Company have evaluated all the relevant facts available to them and are of the opinion that there are good track record or relationship with the relevant banks which enhance the Group's ability to renew the current bank loans upon expiry or to secure adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due in the foreseeable future.

Based on the working capital forecast prepared by management of the Company for the next twelve months from the date of this report, taking into account the ongoing support from the banks as mentioned in the preceding paragraph and the reasonably possible changes in trading performance, the directors of the Company have a reasonable expectation that the Group will be able to generate sufficient funds from its business to enable the Group to meet its financial obligations as and when they fall due, and to continue in operational existence for the foreseeable future. Accordingly, the directors of the Company have prepared the Financial Information on a going concern basis.

The following new standards and amendments to standards have been issued, but are not effective for the financial year beginning on 1 January 2011 and relevant to the Group and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013
Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income	1 July 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013

HKFRS 9 "Financial Instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

HKFRS 10, "Consolidated financial statements", establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. Sets out the accounting requirements for the preparation of consolidated financial statements.

HKFRS 12, "Disclosures of interests in other entities", includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13, "Fair value measurements", explains how to measure fair value and aims to enhance fair value disclosures. It does not say when to measure fair value or require additional fair value measurements. It does not apply to transactions within the scope of HKFRS 2, 'Share-based payment', or HKFRS 17, 'Leases', or to certain other measurements that are required by other standards and are similar to, but are not, fair value (for example, value in use in HKAS 36, 'Impairment of assets').

HKAS 1 (Amendment), "Presentation of financial statements" — Presentation of items of other comprehensive income. The amendment changes the disclosure of items presented in other comprehensive income in the statement of comprehensive income. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by HKAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income'. However HKAS 1 still permits entities to use other titles.

HKAS 19 (Amendment), "Employee benefits". The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Some of the key changes include:

- Any benefit that has a future-service obligation is not a termination benefit. A liability for a termination benefit is recognised when the entity can no longer withdraw the offer of the termination benefit or recognises any related restructuring costs.

- The measurement of obligations should reflect the substance of arrangements where the employer's exposure is limited or where the employer can use contributions from employees to meet a deficit. Determining the substance of such arrangements will require judgement and significant disclosure.

The Group has commenced an assessment of the impact of the new standards and amendments to the standards but is not yet in a position to state whether these new standards and amendments to standards have a significant impact to the Group's results of operations and financial position.

3.2 *Consolidation*

Subsidiaries

Subsidiaries are all entities which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the reorganisation as described in Note 2 above, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investment in a subsidiary is accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined income statement.

Inter-company transactions and balances between group companies are eliminated.

3.3 ***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

3.4 ***Foreign currency translation***

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the combined income statement within 'finance income/(costs) - net'. All other foreign exchange gains and losses are presented in the combined income statement within 'other losses - net'.

(c) *Group companies*

The results and financial position of all companies now comprising the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the combined income statement as part of the gain or loss on sale.

On consolidation, exchange differences arising from translation of inter-company loan balances between group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Group's net investment in foreign entities. When such loans are repaid, the related exchange gains or losses are transferred out of the exchange reserve and recognised in 'other losses' in the combined income statement.

3.5 ***Property, plant and equipment***

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the combined income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Machinery	5-10 years
Furniture, fixtures and equipment	3-5 years
Motor vehicles	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains, net' in the combined income statement.

3.6 ***Land use rights***

The land use rights have finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the costs of land use rights over their lease term.

3.7 ***Intangible assets***

(i) *Computer software*

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

(ii) *Club debentures*

Acquired club debenture is capitalised on the basis of the costs incurred to acquire. Club debenture is amortised over its useful lives of 10 years.

3.8 ***Impairment of non-financial assets***

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable operation segments (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

3.9 ***Financial assets***

The Group classifies its financial assets as loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the combined balance sheets (Notes 3.12 and 3.13).

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 3.10.

3.10 ***Impairment of financial assets***

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Management determines the provision for impairment of receivables. This estimate is based on the credit history of its receivables and the current market condition. Management reassesses the provision at each balance sheet date.

Significant judgement is exercised on the assessment of the collectability of receivables. In making its judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customer payment trends including subsequent payments and customers' financial position. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the combined income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined income statement.

3.11 ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.12 ***Trade and other receivables***

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.13 ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

3.14 ***Trade and other payables***

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.15 ***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.16 ***Current and deferred income tax***

The tax expense for the period comprises current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3.17 ***Employee benefits***

Pension obligations

The employees of the Group's subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the local municipal government. The subsidiaries are required to contribute certain percentage of the payroll costs to the central pension schemes. The contributions are charged to the combined income statement as they become payable in accordance with the rules of the central pension schemes.

3.18 ***Provisions***

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.19 ***Revenue recognition***

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and aftereliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(i) Sales of goods are recognised when the significant risks and rewards of ownership have been transferred to the buyers and the goods are accepted by the customers and collectability of the related receivables is reasonably assured.

(ii) Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable. Dividend income is recognised when the shareholders' right to receive payment has been established.

3.20 ***Leases***

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the combined income statement on a straight-line basis over the period of the lease.

3.21 ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Management defines the substantial period of time to be longer than twelve months. All other borrowing costs are recognised in the combined income statement in the period in which they are incurred.

3.22 ***Research and development costs***

Research and development costs are expensed as incurred and are only recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits.

Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs relating to the design and testing of new or improved products and reassessment of production procedures for cost efficiency purposes are expensed as incurred as the directors consider that the related economic benefits generated from these developments have very limited useful lives.

3.23 ***Government grants and subsidies***

Grants or subsidies from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions, if any. Government grants related to income and not related to assets are recognised in the combined income statement.

4 Financial risk management

4.1 ***Financial risk factors***

The Group is exposed to a variety of financial risks which result from its operating and investing activities. The management periodically analyses and reviews measures to manage its exposure to market risk (including foreign currency risk and cashflow and fair value interest rate risk), credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management and has not used any derivatives or other instruments for hedging purposes.

As at 31 December 2009, 2010 and 2011, the Group's financial instruments mainly consisted of trade receivables, other receivables, balances with related parties, pledged deposits, cash and cash equivalents, trade payables, other payables and accruals and borrowings. Details of these financial instruments are disclosed in Note 19.

(a) *Market risk*

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Moreover, the conversion of RMB into foreign currencies is subject to the rules and regulations of exchange control promulgated by the PRC government.

Management has set up a policy to require the companies now comprising the Group to manage their foreign exchange risk against their functional currency. The Group takes advantage of any natural offsets of the Group's foreign currency revenues and expenses.

As at 31 December 2009, 2010 and 2011, if RMB had strengthened/weakened by 5% against US dollars with all other variables held constant, the profit before income tax for the year would have been approximately RMB1,972,000 lower/higher, RMB2,373,000 lower/higher and RMB15,695,000 higher/lower, respectively, mainly as a result of foreign exchange differences on translation of US dollars denominated trade receivables, trade and other payables, balances due from/(to) related parties, cash and cash equivalents and bank borrowings.

(ii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument issued at variable rates will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument issued at fixed rates will fluctuate due to changes in market interest rates.

The Group's cash flow interest rate risk arises from bank balances and borrowings at floating interest rates and the Group's fair value interest rate risk arises from fixed interest rate borrowings. Borrowings issued at variable rates expose the Group to cashflow interest rate risk which is partially offset by bank balances held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The interest rate profile of the Group's borrowings is disclosed in Note 26. The cash deposits placed with banks generate interest at the prevailing market interest rates.

As at 31 December 2009, 2010 and 2011, if interest rates had been 50 basis points higher/lower and all other variable were held constant, the Group's profit before income tax for the year would have been approximately RMB350,000 higher/lower, RMB88,000 higher/lower and RMB969,000 lower/higher, respectively, mainly attributable to the Group's exposure to interest rates on its variable rate bank balances and borrowings.

(b) *Credit risk*

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the respective notes to the combined financial statements.

Credit risk is managed on a group basis. Trade receivables arise during the course of the Group's business operations and are trade in nature. The management of the Group limit credit risk by assessing the credit quality of the customer, perform ongoing credit evaluation taking into account its financial position, past trade experience and other factors. The Group has policies in place to review the recoverability of trade receivables and amounts due from related parties on an ongoing basis and assess the adequacy of provision for impairment. The credit risk is managed by having high concentration of business with long term reputable customers. The Group's five largest trade debtors accounted for 59%,78% and 68% of its total trade receivables as at 31 December 2009, 2010 and 2011, respectively. The Group maintains frequent communications with the customers to ensure relevant transactions are running effectively and smoothly.

The maximum exposure to credit risk is therefore represented by the carrying amount of each financial asset as stated in the combined balance sheets.

The credit risk on liquid funds is limited because surplus cash of the Group is generally placed in reputable banks.

(c) *Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash reserves and banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows and match maturity profiles of financial assets and liabilities. Management performs and monitors the forecast of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its unutilised bank facilities at all times so that the Group will have sufficient working capital to meet its liabilities as and when they fall due, to enable the Group to continue trading for the foreseeable future or does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities, as disclosed in Note 2.1. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and, if applicable external regulatory or legal requirements — for example, currency restrictions.

As at 31 December 2009, 2010 and 2011, the Group has available unutilised bank facilities of approximately RMB118,050,000, RMB231,811,000 and RMB269,608,000, respectively.

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows of financial liabilities based on earliest date on which the Group will be required to pay.

As at 31 December 2009

	Within 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	133,584	—	—	133,584
Amount due to the ultimate holding company	239	—	—	239
Amounts due to related companies	1,482	—	—	1,482
Borrowings	123,680	—	—	123,680

As at 31 December 2010

	Within 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	157,568	—	—	157,568
Amounts due to related companies	1,103	—	—	1,103
Borrowings	193,298	—	—	193,298

As at 31 December 2011

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
Trade and other payables	520,408	—	—	520,408
Amount due to the immediate holding company	14,994	—	—	14,994
Amounts due to related companies	52,480	—	—	52,480
Borrowings	296,082	131,565	—	427,647
Company				
Other payables	2,293	—	—	2,293
Amount due to the immediate holding company	14,994	—	—	14,994
Amount due to a subsidiary	600	—	—	600
Amount due to a related company	47,271	—	—	47,271

4.2 ***Capital risk management***

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the combined balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the combined balance sheet plus net debt. Management considers a gearing ratio of not more than 100 percent as reasonable.

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Total borrowings	123,061	191,769	413,142
Less:			
Cash and cash equivalents	(127,871)	(161,531)	(172,816)
Pledged bank deposits	(17,500)	(34,200)	—
Net (cash)/debt	(22,310)	(3,962)	240,326
Total equity	409,069	451,923	561,220
Total capital	386,759	447,961	801,546
Gearing ratio	N/A	N/A	30.0%

As the Group was in net cash position as at 31 December 2009 and 2010, gearing ratio was not applicable.

4.3 ***Fair value estimation***

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined financial statements approximate their fair values.

5 Critical accounting estimates and judgements

In preparing the combined financial statements, management is required to exercise significant judgements in the selection and application of accounting principles, as well as in making estimates and assumptions. The following is a review of the significant accounting policies that are impacted by judgements and uncertainties and for which different amounts may be reported under a different set of conditions or using different assumptions.

(a) ***Income tax***

The Group is subject to income taxes in numerous jurisdictions, including Hong Kong and the PRC. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) ***Impairment of assets***

At each balance sheet date, the Group reviews internal and external sources of information to identify indications that the following assets which are significant to the Group and/or the Company may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment; and

— intangible assets

If an indication of impairment is identified, such information is further subject to an exercise that requires the Group to estimate the recoverable amount, representing the greater of the asset's fair value less cost to sell or its value in use. Depending on the Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable amount, the Group may perform such assessment utilising internal resources or the Group may engage external advisers to counsel the Group in making this assessment. Regardless of the resources utilised, the Group is required to make many assumptions to make this assessment, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable amount of any asset.

6 Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. These reports are prepared on the same basis as these combined financial statements.

The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from product perspective. The Group is organised into four main operating segments, which are (i) LCD TVs, (ii) Monitors and Mobile PCs, (iii) Mobile Phones and (iv) others (including moulds). The executive directors assess the performance of the operating segments based on gross margin.

The executive directors assess the performance of the reportable segments based on a measure of revenue and gross profit. The segment information provided to the executive directors for the reportable segments for the years ended 31 December 2009, 2010 and 2011, is as follows:

	LCD TVs			**Monitors and Mobile PCs**			**Mobile Phones**		
	Year ended 31 December			**Year ended 31 December**			**Year ended 31 December**		
	2009	**2010**	**2011**	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	132,227	326,727	923,327	549,919	475,186	473,127	17,165	13,843	4,358
Inter-segment revenue	—	—	—	—	—	—	—	—	—
Segment revenue from external customers	132,227	326,727	923,327	549,919	475,186	473,127	17,165	13,843	4,358
Segment results	33,100	91,070	181,736	177,490	85,460	57,037	177	(4,783)	(1,376)
Revenue from scrap sales									
Other income									
Other losses									
Selling and distribution costs									
Administrative expenses									
Research and development expenses									
Finance income/(costs) — net									
Profit before income tax									

	Others			**Total**		
	Year ended 31 December			**Year ended 31 December**		
	2009	**2010**	**2011**	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	27,365	50,279	57,159	726,676	866,035	1,457,971
Inter-segment revenue	—	—	—	—	—	—
Segment revenue from external customers	27,365	50,279	57,159	726,676	866,035	1,457,971
Segment results	(26,855)	(32,920)	(43,009)	183,912	138,827	194,388
Revenue from scrap sales				21,863	35,180	47,309
Other income				—	—	25,293
Other losses				(207)	(6,759)	(5,116)
Selling and distribution costs				(19,857)	(27,635)	(32,448)
Administrative expenses				(27,042)	(31,138)	(54,273)
Research and development expenses				(26,269)	(30,143)	(40,567)
Finance (cost)/income — net				(2,308)	4,868	(997)
Profit before income tax				130,092	83,200	133,589

Turnover consists of sales of goods of RMB748,539,000, RMB901,215,000 and RMB1,505,280,000 for the years ended 31 December 2009 2010 and 2011, respectively.

During the years ended 31 December 2009, 2010 and 2011, revenues from three, four and three customers, respectively, individually amounting to ten per cent or more of the Group's total combined revenue for the respective year. The revenues of these customers during the relevant year are summarised below:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Customer 1 [Note]	192,500	154,430	275,083
Customer 2 [Note]	77,287	N/A	N/A
Customer 3 [Note]	123,064	152,219	280,172
Customer 4 [Note]	N/A	142,227	N/A
Customer 5 [Note]	N/A	121,028	265,897

Note : Revenue from sales of metallic components of display panels for use in consumer electronics products, including LCD TVs, monitors and mobile PCs and mobile phones.

Geographically, management considers the manufacturing of metallic components of display panels are all located in the PRC, with revenue derived from different geographical location, which is determined by the country in which the customer is operated.

The Group's revenue by country is analysed as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
The PRC	747,028	896,323	1,486,485
Korea	1,511	4,892	18,795
	748,539	901,215	1,505,280

The Company is domiciled in Hong Kong. For the years ended 31 December 2009, 2010 and 2011, no revenue were generated from any customer in Hong Kong and no non-current assets were located in Hong Kong.

Geographically, total assets and capital expenditures are allocated based on where the assets are located. All assets are located in the PRC.

7 Other losses

An analysis of other losses is as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Net exchange losses	207	6,759	5,116

8 Expenses by nature

Expenses included in cost of sales, selling and distribution costs, administrative expenses and research and development expenses are analysed as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Auditor's remuneration	90	125	387
Amortisation of land use rights (Note 15)	53	53	1,151
Amortisation of intangible assets (Note 17)	657	724	1,002
Cost of inventories sold	411,405	553,264	1,003,853
Depreciation (Note 16)	28,427	36,305	51,370
Loss on disposal of property, plant and equipment (Note 31)	2,156	508	1,181
Employee benefit expense (including directors' emoluments) (Note 10)	75,908	92,612	135,483
Mould processing charge	21,882	42,473	49,970
Other taxes and levies	13,163	14,106	28,217
(Reversal of provision for)/Provision for inventories	(2,104)	1,646	835
Write-off of inventories	6,047	756	1,318
Product transportation costs	15,032	22,711	29,882
Legal and professional fee	977	527	9,950
Repairs and maintenance	7,122	6,380	9,207
Utility and office expenses	16,302	17,628	27,033
Others	18,815	26,306	40,032
Total cost of sales, selling and distribution costs, administrative expenses and research and development expenses	615,932	816,124	1,390,871

9 Other income

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Bargain purchase gain on acquisition of a subsidiary (Note 32)	—	—	83
Government subsidy *(Note)*	—	—	25,210
	—	—	25,293

Note: The Group was benefited from government assistance for investing in the PRC. Pursuant to the agreement between 無錫市人民政府新區管理委員會 and Jiangsu Fine DNC, the government subsidy of RMB25,210,000 was unconditional, has been fully received, and was recognised as other income, during the year ended 31 December 2011.

10 Employee benefit expense (including directors' emoluments)

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries, bonuses and other benefits	61,504	76,090	113,121
Social security costs	14,404	16,522	22,362
	75,908	92,612	135,483

(a) ***Directors' emoluments***

The Company was incorporated on 2 June 2011. Details of emoluments paid/payable to the directors of the Company by the Group are set out below:

For the year ended 31 December 2009

	Fees	**Basic salaries, allowance and benefits**	**Discretionary bonuses**	**Social security costs**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
HONG Sung Chun	890	—	—	—	890
PARK llmo	—	566	—	11	577
KANG Hosuk	N/A	N/A	N/A	N/A	N/A
Independent non-executive directors					
YUM Kyu Ok	N/A	N/A	N/A	N/A	N/A
ZHAO Zengyao	N/A	N/A	N/A	N/A	N/A
LU Faming	N/A	N/A	N/A	N/A	N/A
	890	566	—	11	1,467

For the year ended 31 December 2010

	Fees	Basic salaries, allowance and benefits	Discretionary bonuses	Social security costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
HONG Sung Chun	812	—	—	—	812
PARK llmo	—	710	—	13	723
KANG Hosuk	N/A	N/A	N/A	N/A	N/A
Independent non-executive directors					
YUM Kyu Ok	N/A	N/A	N/A	N/A	N/A
ZHAO Zengyao	N/A	N/A	N/A	N/A	N/A
LU Faming	N/A	N/A	N/A	N/A	N/A
	812	710	—	13	1,535

For the year ended 31 December 2011

	Fees	Basic salaries, allowance and benefits	Discretionary bonuses	Social security costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
HONG Sung Chun	776	—	—	—	776
PARK llmo	—	860	—	18	878
KANG Hosuk	—	—	—	—	—
Independent non-executive directors					
YUM Kyu Ok	—	—	—	—	—
ZHAO Zengyao	—	—	—	—	—
LU Faming	—	—	—	—	—
	776	860	—	18	1,654

For the years ended 31 December 2009, 2010 and 2011, there were no arrangement under which a director waived or agreed to waive any emolument, and no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

(b) ***Five highest paid individuals***

For the years ended 31 December 2009, 2010 and 2011, the five individuals whose emoluments were the highest in the Group include two, two and two directors, respectively, whose emoluments are reflected in the analysis above. The emoluments paid/payable to the remaining three, three and three individuals during the years ended 31 December 2009, 2010 and 2011, respectively, are as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries and other allowances and benefits	1,334	1,683	1,924
Discretionary bonuses	49	13	—
Social security costs	38	39	33
	1,421	1,735	1,957

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December		
	2009	**2010**	**2011**
Emolument bands			
Nil to HK$1,000,000	3	3	3

11 Finance (costs)/income — net

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Finance income			
Interest income on short-term bank deposits	124	937	1,302
Finance costs			
Interest expense on bank borrowings wholly repayable within five years	(2,462)	(4,063)	(12,434)
Net exchange gains on bank borrowings	30	7,994	10,135
	(2,432)	3,931	(2,299)
Finance (costs)/income — net	(2,308)	4,868	(997)

12 Income tax expense

No Hong Kong profits tax has been provided during the Relevant Periods as the Group had no assessable profit in Hong Kong.

The companies now comprising the Group incorporated in the PRC are subject to Corporate Income Tax ("CIT") in accordance with the Corporate Income Tax Law of the PRC ("CIT Law"). The income tax rate applicable to the subsidiaries now comprising the Group is 25% for the Relevant Periods unless preferential rates are applicable in the cities where the subsidiary is located.

Jiangsu Fine DNC was accredited as a High and New Technology Enterprise in 2009 under the CIT Law and is eligible to enjoy a preferential tax rate of 15%. As such, the applicable corporate income tax rate of Jiangsu Fine DNC was 15%, 15% and 15% during the years ended 31 December 2009, 2010 and 2011, respectively.

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
— PRC corporate income tax	18,983	13,449	21,469
Deferred tax (Note 27)	529	88	2,823
	19,512	13,537	24,292

In this regard, the tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the combined entities as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	130,092	83,200	133,589
Tax calculated at PRC corporate income tax rate of 25%	32,523	20,800	33,397
Effects of preferential tax rate for Jiangsu Fine DNC	(14,523)	(9,335)	(10,299)
Expenses not deductible for tax purposes	1,512	2,072	1,194
	19,512	13,537	24,292

13 Earnings per share

Earnings per share information is not presented as its inclusion is not considered meaningful due to the Reorganisation and the presentation of the results for the years ended 31 December 2009, 2010 2011 on a combined basis as set out in Notes 1 and 2 above.

14 Dividends

The dividends paid by Jiangsu Fine DNC to its then shareholders in 2009 and 2010 were RMB11,484,000 and RMB19,920,000, respectively. No dividend in respect of the year ended 31 December 2010 and 2011 have been declared by the companies now comprising the Group to their then respective shareholders.

15 Land use rights

The net book value of the Group's interests in land use rights are analysed as follows:

	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	2,329	2,276	2,223
Acquisition of a subsidiary (Note 32)	—	—	16,807
Additions	—	—	41,061
Amortisation (Note 8)	(53)	(53)	(1,151)
At 31 December	2,276	2,223	58,940
In the PRC, held on:			
Leases of between 10 to 50 years	2,276	2,223	58,940

Bank borrowings are secured on certain land use rights for the carrying amounts of RMB2,276,000, RMB2,223,000 and RMB58,940,000 as at 31 December 2009 and 2010 and 2011, respectively.

Amortisation of RMB53,000, RMB53,000 and RMB1,151,000 have been charged in 'administrative expenses' for the years ended 31 December 2009, 2010 and 2011.

On 7 January 2011, the Group acquired a parcel of land located at No. 7 Xijin Road No. 106#A, Development district in Wuxi, Jiangsu Province, PRC for a consideration of RMB41,061,000.

16 Property, plant and equipment

	Construction in progress	Buildings	Furniture, fixtures and equipment	Motor vehicles	Machinery	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009						
Cost	15,485	57,423	3,116	2,772	257,247	336,043
Accumulated depreciation	—	(7,892)	(1,019)	(359)	(37,547)	(46,817)
Net book amount	15,485	49,531	2,097	2,413	219,700	289,226
Year ended 31 December 2009						
Opening net book amount	15,485	49,531	2,097	2,413	219,700	289,226
Additions	56,016	54	1,983	—	2,437	60,490
Transfers	(65,756)	14,797	—	—	50,959	—
Disposals	—	—	(15)	—	(2,141)	(2,156)
Depreciation charge	—	(2,708)	(520)	(499)	(24,556)	(28,283)
Closing net book amount	5,745	61,674	3,545	1,914	246,399	319,277
At 31 December 2009						
Cost	5,745	72,274	5,074	2,772	306,333	392,198
Accumulated depreciation	—	(10,600)	(1,529)	(858)	(59,934)	(72,921)
Net book amount	5,745	61,674	3,545	1,914	246,399	319,277
Year ended 31 December 2010						
Opening net book amount	5,745	61,674	3,545	1,914	246,399	319,277
Additions	68,137	2,486	4,030	7	1,469	76,129
Transfers	(69,565)	6,719	—	—	62,846	—
Disposals	—	—	(7)	(33)	(1,225)	(1,265)
Depreciation charge	—	(3,396)	(1,079)	(493)	(31,045)	(36,013)
Closing net book amount	4,317	67,483	6,489	1,395	278,444	358,128
At 31 December 2010						
Cost	4,317	82,553	9,097	2,662	368,745	467,374
Accumulated depreciation	—	(15,070)	(2,608)	(1,267)	(90,301)	(109,246)
Net book amount	4,317	67,483	6,489	1,395	278,444	358,128
Year ended 31 December 2011						
Opening net book amount	4,317	67,483	6,489	1,395	278,444	358,128
Acquisition of a subsidiary (Note 32)	7,520	60,891	7,655	1,115	118,625	195,806
Additions	224,590	1,127	5,807	—	27,799	259,323
Transfers	(217,524)	115,496	—	—	102,028	—
Disposals	—	—	(198)	(50)	(1,203)	(1,451)
Depreciation charge	—	(6,930)	(2,969)	(575)	(42,228)	(52,702)
Closing net book amount	18,903	238,067	16,784	1,885	483,465	759,104
At 31 December 2011						
Cost	18,903	260,067	22,361	3,727	615,994	921,052
Accumulated depreciation	—	(22,000)	(5,577)	(1,842)	(132,529)	(161,948)
Net book amount	18,903	238,067	16,784	1,885	483,465	759,104

Depreciation has been charged as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	24,358	32,962	46,641
Research and development expenses	2,387	2,390	2,721
Administrative expenses	1,682	953	2,008
	28,427	36,305	51,370
(Released from)/capitalised in inventories, net	(144)	(292)	1,332
	28,283	36,013	52,702

Bank borrowings are secured by buildings and equipments of the Group, wtih the carrying amounts of RMB37,457,000, RMB153,488,000 and RMB349,971,000 as at 31 December 2009, 2010 and 31 December 2011, respectively.

17 Intangible assets

	Club debenture RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2009			
Cost	1,560	2,448	4,008
Accumulated amortisation	(247)	(80)	(327)
Net book amount	1,313	2,368	3,681
Year ended 31 December 2009			
Opening net book amount	1,313	2,368	3,681
Additions	—	54	54
Amortisation charge (Note 8)	(156)	(501)	(657)
Closing net book amount	1,157	1,921	3,078
At 31 December 2009			
Cost	1,560	2,502	4,062
Accumulated amortisation	(403)	(581)	(984)
Net book amount	1,157	1,921	3,078
Year ended 31 December 2010			
Opening net book amount	1,157	1,921	3,078
Additions	—	1,052	1,052
Amortisation charge (Note 8)	(156)	(568)	(724)
Closing net book amount	1,001	2,405	3,406
At 31 December 2010			
Cost	1,560	3,554	5,114
Accumulated amortisation	(559)	(1,149)	(1,708)
Net book amount	1,001	2,405	3,406
Year ended 31 December 2011			
Opening net book amount	1,001	2,405	3,406
Acquisition of a subsidiary (Note 32)	—	82	82
Additions	—	1,190	1,190
Amortisation charge (Note 8)	(156)	(846)	(1,002)
Closing net book amount	845	2,831	3,676
At 31 December 2011			
Cost	1,560	4,826	6,386
Accumulated amortisation	(715)	(1,995)	(2,710)
Net book amount	845	2,831	3,676

Amortisation of RMB657,000, RMB724,000 and RMB1,002,000 have been included in "administrative expenses" for the years ended 31 December 2009, 2010 and 2011.

18 Inventories

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	18,706	20,965	39,981
Work in progress	10,175	4,102	10,960
Finished goods	11,592	17,968	41,722
	40,473	43,035	92,663

The cost of inventories recognised as expense and included in "cost of sales" amounting to RMB411,405,000, RMB553,264,000 and RMB1,003,853,000 for the years ended 31 December 2009, 2010 and 2011, respectively.

For the year ended 31 December 2009, provision of RMB2,104,000 made in prior years against carrying value of finished goods has been reversed. This reversal arose due to an increase in the estimated net realisable value of certain display panels as a result in change in market demands.

19 Financial instruments by category — Group and Company

	Group			Company
				As at
	As at 31 December			31 December
	2009	2010	2011	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets as per balance sheet				
Loans and receivables				
Trade receivables	141,572	166,373	411,838	—
Other receivables	6,246	25,259	63,314	2,647
Amount due from the immediate holding company	191	—	—	—
Pledged bank deposits	17,500	34,200	—	—
Cash and cash equivalents	127,871	161,531	172,816	6
Liabilities as per balance sheet				
Other financial liabilities at amortised cost				
Trade payables	115,895	138,808	419,439	—
Other payables and accruals	17,689	18,760	100,969	2,293
Amount due to the ultimate holding company	239	—	—	—
Amount due to the immediate holding company	—	—	14,994	14,994
Amount due to a subsidiary	N/A	N/A	N/A	600
Amounts due to related companies	1,482	1,103	52,480	47,271
Borrowings	123,061	191,769	413,142	—

20 Trade receivables

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	141,871	166,686	412,254
Less: Provision for impairment of trade receivables	(299)	(313)	(416)
Trade receivables — net	141,572	166,373	411,838

The Group's credit terms granted to customers are generally ranged from 30 to 60 days. At 31 December 2009, 2010 and 2011, the ageing analysis of the trade receivables, based on invoice date, is as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
1-60 days	104,862	149,173	345,257
61-120 days	35,436	16,276	66,526
121-180 days	981	216	74
181-240 days	—	—	2
Over 240 days	592	1,021	395
	141,871	166,686	412,254

At 31 December 2009, 2010 and 2011, trade receivables of RMB36,710,000, RMB17,200,000 and RMB74,590,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables, based on due date, is as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Past due 1-60 days	35,436	16,276	74,518
Past due 61-120 days	981	216	70
Past due 121-180 days	—	—	1
Past due 181-240 days	—	708	1
Past due over 240 days	293	—	—
	36,710	17,200	74,590

Movements on the Group's provision for impairment of trade receivables are as follows:

	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	235	299	313
Provision for receivables impairment	197	574	103
Receivables written off during the year as uncollectible	(133)	(560)	—
At 31 December	299	313	416

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the combined income statements. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

At 31 December 2009, 2010 and 2011, the maximum exposure to credit risk of trade receivables is their carrying values. The Group does not hold any collateral as security.

The carrying amounts of the trade receivables are denominated in the following currencies:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
RMB	9,479	4,434	78,968
US dollars	132,093	161,939	332,870
	141,572	166,373	411,838

As at 31 December 2009, 2010 and 2011, the carrying amounts of trade receivables approximate their fair values.

21 Prepayments, deposits and other receivables — Group and Company

	Group			Company
				As at
	As at 31 December			**31 December**
	2009	**2010**	**2011**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Long-term deposits	—	7,970	—	—
Current				
Prepayments	1,231	3,568	10,113	6,979
Value-added tax and other tax recoverable	6,203	17,645	48,766	2,647
Other receivables	43	7,614	14,548	—
	7,477	28,827	73,427	9,626
Total	7,477	36,797	73,427	9,626

As at 31 December 2010, the non-current deposits represented the deposits made for the acquisition of land. The acquisition was completed in January 2011.

The carrying amounts of prepayments, deposits and other receivables are denominated in the following currencies:

	Group			Company
				As at
	As at 31 December			31 December
	2009	**2010**	**2011**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	7,477	36,797	63,801	—
HK dollars	—	—	9,626	9,626
	7,477	36,797	73,427	9,626

As at 31 December 2009, 2010 and 2011, the carrying amounts of prepayments, deposits and other receivables approximate their fair values.

22 Pledged bank deposits

As at 31 December 2009 and 2010, the pledged bank deposits represented the cash held in dedicated bank accounts, which were pledged as security for the Group's borrowings. The carrying amounts of the Group's pledged bank deposits are denominated in RMB.

As at 31 December 2011, the pledged bank deposits were released for the repayment of bank borrowings, due to maturity of certain bank borrowings on 10 February 2011.

23 Cash and cash equivalents

	Group			Company
				As at
	As at 31 December			31 December
	2009	**2010**	**2011**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and in hand	127,871	161,531	172,816	6

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	Group			Company
				As at
	As at 31 December			31 December
	2009	2010	2011	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	4,039	29,556	44,241	—
US dollars	123,607	131,875	128,476	6
Japanese Yen	225	100	99	—
	127,871	161,531	172,816	6

RMB is not freely convertible into other currencies. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business in the PRC.

As at 31 December 2009, 2010 and 2011, the weighted average interest rate on the Group's bank balances is 0.14%, 0.55% and 0.71% per annum, respectively.

24 Trade payables

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	115,895	138,808	419,439

As at 31 December 2009, 2010 and 2011, the ageing analysis of the trade payables, based on invoice date, is as follows:

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
1-60 days	95,764	112,145	283,682
61-120 days	19,045	25,642	134,423
121-180 days	1,078	751	1,227
181-240 days	2	245	15
Over 240 days	6	25	92
	115,895	138,808	419,439

The carrying amounts of the trade payables are denominated in the following currencies:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
RMB	28,431	50,830	162,815
US dollars	87,464	87,978	256,501
Japanese yen	—	—	123
	115,895	138,808	419,439

25 Other payables and accruals — Group and Company

	Group			Company
	As at 31 December			As at 31 December
	2009	**2010**	**2011**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salary and wages payable	7,777	8,061	15,544	—
Advance receipts from customers	100	—	3,823	—
Other payables and accruals	9,912	10,699	85,425	2,293
	17,789	18,760	104,792	2,293

As at 31 December 2009, 2010 and 2011, other payables included payables for the purchase of property, plant and equipment amounting to RMB5,187,000, RMB4,408,000 and RMB51,309,000, respectively.

As at 31 December 2009, 2010 and 2011, the carrying amounts of other payables and accruals approximate their fair values.

The carrying amounts of other payables and accruals are denominated in the following currencies:

	Group			Company
				As at
	As at 31 December			31 December
	2009	**2010**	**2011**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	13,769	15,421	53,775	—
US dollars	4,020	3,339	48,724	—
HK dollars	—	—	2,293	2,293
	17,789	18,760	104,792	2,293

26 Borrowings

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Non-current — bank borrowings			
— Secured	—	—	94,520
— Unsecured	—	—	34,470
	—	—	128,990
Current — bank borrowings			
— Secured	51,588	108,426	138,745
— Unsecured	71,473	83,343	145,407
	123,061	191,769	284,152
Total borrowings	123,061	191,769	413,142

Bank borrowings at principal amount were repayable as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	123,061	191,769	284,152
Between 1 and 2 years	—	—	128,990
Between 2 and 5 years	—	—	—
Wholly repayable within 5 years	123,061	191,769	413,142

The carrying amounts of the fixed and floating rate bank borrowings approximate their fair values and are denominated in the following currencies.

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
RMB	—	—	33,190
US dollars	123,061	153,901	379,952
Euro	—	37,868	—
	123,061	191,769	413,142

Bank borrowings secured by land use rights and buildings and equipment and pledged bank deposits of the Group as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Secured by:			
— Land use rights and buildings and equipment	34,199	74,291	231,265
— Pledged bank deposits	17,389	34,135	—
	51,588	108,426	231,265

The weighted average interest rates at the balance sheet date were as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings	2.71%	3.08%	5.31%

Guarantees provided by a related party

As at 31 December 2011, the Group's bank borrowings amounting to US$2,000,000 (equivalent to RMB12,602,000) were guaranteed by FMS Co., Ltd.. Up to the date of this report, these bank borrowings have been fully settled and the respective guarantee has been released accordingly.

Unutilised facilities

The Group has the following undrawn banking facilities:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Expiring within one year	118,050	231,811	269,608

27 Deferred income tax assets

The analysis of deferred income tax assets is as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Deferred income tax assets:			
— Deferred income tax asset to be recovered after more than 12 months	945	857	1,532
— Deferred income tax asset to be recovered within 12 months	—	—	—
Deferred income tax assets	945	857	1,532

The movement in deferred income tax assets during the year is as follows:

Deferred income tax assets	**Tax losses**	**Trade and other receivables**	**Inventories**	**Accelerated tax depreciation and amortisation**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	—	527	947	—	1,474
Credit/(charge) to the combined income statement	—	291	(820)	—	(529)
At 31 December 2009/ 1 January 2010	—	818	127	—	945
(Charged)/credit to the combined income statement	—	(276)	188	—	(88)
At 31 December 2010/ 1 January 2011	—	542	315	—	857
Acquisition of a subsidiary (Note 32)	2,803	—	—	695	3,498
(Charged)/credit to the combined income statement	(2,803)	103	(123)	—	(2,823)
At 31 December 2011	—	645	192	695	1,532

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2009, 2010 and 2011, the Group did not have any unrecognised tax losses.

Upon the completion of the Reorganisation on 24 February 2012 as described in Note 1.2 above, the Company has become the holding company of Jiangsu Fine DNC. The Group will be subject to withholding tax and other tax on any future distribution of the undistributed retained earnings of the subsidiaries to the Company. For the years ended 31 December 2009, 2010 and 2011, the directors of the Company confirmed that they do not intend to declare dividends in relation to the unremitted earnings of its subsidiaries in the PRC and such earnings will continue to be retained in the subsidiaries for the development of the business in the PRC for the foreseeable future until such a date that the directors decides that it is appropriate to adjust the profit distribution policy. As a result, the directors consider that the timing of the reversal of the temporary difference arising on withholding tax that would be payable on the unremitted earnings of the subsidiaries in the PRC is controlled by the Group and hence no deferred income tax has been provided pursuant to Hong Kong Accounting Standard 12 "Income Taxes" for the years ended 31 December 2009, 2010 and 2011. As at 31

December 2009, 2010 and 2011, unremitted earnings of Jiangsu Fine DNC amounting to RMB154,379,000, RMB135,233,000 and RMB244,990,000, respectively. The respective deferred tax liabilities of RMB15,438,000, RMB13,523,000 and RMB24,499,000 have not been recognised in these combined financial statements as at 31 December 2009, 2010 and 2011, respectively.

28 Share capital — Company

	Number of ordinary shares	**Nominal value of ordinary shares**
	(million)	*HK$ million*
Authorised:		
Ordinary shares of HK$0.10 each at 31 December 2011	3,000	300

	Number of ordinary shares	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary shares**
		HK$	*RMB'000*
Issued:			
Ordinary shares of HK$0.10 each at 31 December 2011	10	1	0

The Company was incorporated in Hong Kong on 2 June 2011 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. On the same date, the Company allotted and issued one share, credited as fully paid at par, to Infinity.

Since the Company had not been incorporated as at 31 December 2009 and 2010, there was no share capital presented as at 31 December 2009 and 2010.

On 28 November 2011, the Company subdivided its share from one share of HK$1 into ten shares of HK$0.1 each. Following the sub-division, the authorised share capital of the Company was increased from HK$10,000 divided into 100,000 shares to HK$300,000,000 divided into 3,000,000,000 shares.

On 4 February 2012, the Company issued and allotted a total of 99,990 ordinary shares of HK$0.1 each as a result of the Reorganisation described in Note 1.2(ii) above.

Pursuant to a resolution in writing of the shareholders of the Company passed on 24 June 2012 2012, 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 of the Company are authorised to capitalise the sum of HK$74,990,000 by applying such sum in paying in full at par 749,900,000 shares for allotment and issued to the shareholders whose names appearing on the register of members of the Company as of close of business on 8 June 2012 in proportion to their then respective shareholdings in the Company.

29 Capital and reserves

(i) *Capital*

The balance represents the paid-in capital of the Company and Jiangsu Fine DNC. The addition during the Relevant Periods represents capital contribution by Infinity and other shareholders.

During the year ended 31 December 2010, the shareholders of Jiangsu Fine DNC have decided to re-invest part of the retained earnings of Jiangsu Fine DNC as capital. Under the reinvestment arrangement, Jiangsu Fine DNC has remitted the retained earnings of approximately RMB68,889,000 to its shareholders. The shareholders re-invested approximately RMB62,000,000 into Jiangsu Fine DNC, and the remaining RMB6,889,000 has been paid to the then shareholders, which represented the withholding tax borne by the then shareholders.

(ii) *Reserves*

As at 31 December 2009, 2010 and 2011, retained earnings were RMB139,126,000, RMB111,908,000 and RMB211,096,000, respectively. PRC companies are required to allocate 10% of the companies' net profit to the statutory reserves fund until such fund reaches 50% of the companies' registered capital. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capital. As at 31 December 2009, 2010 and 2011, reserve comprised statutory reserves fund were RMB15,253,000, RMB23,325,000 and RMB33,434,000, respectively.

30 Investment in a subsidiary — Company

	As at 31 December 2011 *RMB'000*
Unlisted shares, at cost	47,927

Details of the subsidiaries at 31 December 2011 and as at the date of this report are as follow:

Name	Place of incorporation and kind of legal entity	Principal activity	Nominal value of issued ordinary/ registered share capital	Direct interest held as at 31 December 2011	Direct interest held as at date of this report
Jiangsu Fine DNC	The PRC, 9 December 2002, limited liability company	Manufacturing of metallic components of display panels for use in consumer electronics products in the PRC	RMB316,000,000	note	100%
FMS Guangzhou	The PRC, 4 November 2009, limited liability company	Manufacturing of metallic components of display panels for use in consumer electronics products in the PRC	RMB68,270,000	100%	100%

Note: The acquisition of 100% interest in Jiangsu Fine DNC was completed on 24 February 2012.

31 Notes to the combined cash flow statements

(a) ***Reconciliation of profit before income tax to cash generated from operations***

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	130,092	83,200	133,589
Adjustments for:			
— Depreciation (Note 16)	28,427	36,305	51,370
— Amortisation of land use rights (Note 15)	53	53	1,151
— Amortisation of intangible assets (Note 17)	657	724	1,002
— Bargain purchase gain on acquisition of a subsidiary (Note 9)	—	—	(83)
— Interest income	(124)	(937)	(1,302)
— Interest expense	2,462	4,063	12,434
— Net exchange losses/(gains) (Note 7 and Note 11)	177	(1,235)	(5,019)
Operating profits before working capital changes	161,744	122,173	193,142
Changes in working capital:			
— Inventories	(357)	(2,855)	(18,809)
— Trade receivables	(54,108)	(29,097)	(173,265)
— Prepayments and other receivables	1,094	(21,350)	(9,839)
— Trade payables	(1,946)	25,616	201,374
— Amounts due to related parties	(3,576)	(340)	(19,521)
— Amounts due from/to the immediate holding company	—	191	14,994
— Amounts due to the ultimate holding company	—	(239)	—
— Other payables and accruals	(230)	1,858	24,719
Cash generated from operations	102,621	95,957	212,795

(b) In the combined cash flow statements, proceeds from sales of property, plant and equipment comprise:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Net book amount (Note 16)	2,156	1,265	1,451
Loss on disposal of property, plant and equipment (Note 8)	(2,156)	(508)	(1,181)
Proceeds from disposal of property, plant and equipment	—	757	270

(c) For the years ended 31 December 2010 and 2011, the purchase of property, plant and equipment amounting to RMB76,129,000 and RMB259,323,000, of which RMB4,407,000 and RMB51,309,000 have not been settled as at 31 December 2010 and 2011 to third parties, and RMB5,262,000 has not been settled as at 31 December 2011 to a related company, and the acquisition of FMS Guangzhou at a consideration of US$7,500,000 (Note 32) from a related party, which has not yet been settled as at 31 December 2011.

32 Business combination

On 20 July 2011, the Company entered into a share transfer agreement to acquire the entire shareholding in FMS Guangzhou from FMS Co., Ltd, a company controlled by a controlling shareholder who has significant influence over the Group, at a consideration of US$7.5 million (equivalent to RMB47.9 million). The consideration will be settled in cash. The acquisition has been completed on 16 August 2011. The key financial information of FMS Guangzhou for the period from 4 November 2009 (date of incorporation) to 31 December 2009, the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011 are extracted as follows:

	As at 31 December		**As at 16 August**
	2009	**2010**	**2011**
Balance sheets	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	10,754	298,148	366,158
Total liabilities	—	254,546	316,067
Net assets	10,754	43,602	50,091

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	**Year ended 31 December 2010**	**Period from 1 January 2011 to 16 August 2011**
Income statements	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	—	75,642	265,045
(Loss)/profit for the period/year	(171)	(24,497)	6,489

The following table summarises the consideration paid for the acquisition of FMS Guangzhou and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	RMB'000
Purchase consideration:	
— Cash	47,927
Total purchase consideration	47,927
Acquisition-related costs	—
Cash and cash equivalents	21,958
Deferred tax assets (Note 27)	3,498
Land use rights (Note 15)	16,807
Property, plant and equipment (Note 16)	195,806
Intangible assets (Note 17)	82
Inventories	29,487
Trade receivables, prepayments and other receivables	118,905
Trade payables, other payables and accruals	(150,998)
Borrowings	(187,535)
Total identifiable net assets	48,010
Bargain purchase gain (Note 9)	(83)
Total purchase consideration	47,927

For the year ended 31 December 2011, the Group has recognised a bargain purchase gain of RMB83,000 arising from the acquisition as a result of the excess fair value of the net asset acquired over the purchase consideration. The directors of the Company considered that the nominal value of the purchase consideration payable approximated its fair value. The gain is recorded in other income (Note 9).

	RMB'000
Purchase consideration settled in cash	—
Cash and cash equivalents acquired	21,958
Net cash inflow on acquisition	21,958

As at 31 December 2011, the unsettled consideration of RMB47,271,000 was included in the amounts due to related companies in the combined balance sheets.

33 Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2009, 2010 and 2011.

34 Commitment

Operating lease commitments

As lessee

The Group leases certain of its offices under operating lease arrangements.

At the balance sheet date, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
No later than 1 year	2,556	2,047	1,083
Later than 1 year and no later than 5 years	706	783	3
	3,262	2,830	1,086

Capital commitments

As at 31 December 2009, 2010 and 2011, capital expenditure contracted for but not yet incurred is as follow:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment commitment contracted but not provided for	48	4,258	10,015
Other capital commitment contracted but not provided for	—	41,060	—
	48	45,318	10,015

35 Amounts due from/(to) related parties — Group and Company

The Group and the Company had the following material trade and non-trade balances with related parties:

	Group			Company
				As at
	As at 31 December			31 December
	2009	2010	2011	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from the immediate holding company				
— non-trade	191	—	—	—
Amount due to the ultimate holding company				
— trade	(239)	—	—	—
Amount due to the immediate holding company				
— non-trade	—	—	(14,994)	(14,994)
Amounts due from/(to) related companies				
— trade	(896)	(869)	595	—
— non-trade	(586)	(234)	(53,075)	(47,271)
	(1,482)	(1,103)	(52,480)	(47,271)
Amount due to a subsidiary				
— non-trade	N/A	N/A	N/A	(600)

The carrying amounts of amounts due from/(to) related parties are denominated in the following currencies:

	Group			Company
				As at
	As at 31 December			31 December
	2009	**2010**	**2011**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties				
— RMB	191	—	—	—
— US dollars	—	—	—	—
Amounts due to related parties				
— RMB	—	—	—	(600)
— US dollars	(1,721)	(1,103)	(52,480)	(47,271)
— HK dollars	—	—	(14,994)	(14,994)
	(1,530)	(1,103)	(67,474)	(62,865)

As at 31 December 2009, 2010 and 2011, the non-trade balances are interest free, unsecured, repayable on demand, and approximate their fair values.

The Group's credit terms granted to trade balance with a related party is 60 days. At 31 December 2009, 2010 and 2011, the ageing analysis of the amount due from a related company, based on invoice date, is as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
1-60 days	—	—	595

At 31 December 2009, 2010 and 2011, no amount due from trade balance with a related party was past due.

As at 31 December 2009, 2010 and 2011, the ageing analysis of amounts due to the ultimate holding company - trade and related companies - trade based on invoice date, is as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
1-60 days	208	—	—
61-120 days	—	—	—
121-180 days	30	—	—
181-240 days	—	—	—
Over 240 days	897	869	—
	1,135	869	—

36 Related party transactions

For the purposes of these combined financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to control or exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

(a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the years ended 31 December 2009, 2010 and 2011:

Name of the related party	**Principal business activities**	**Relationship with the Group**
Infinity Partners Limited	Investment holding	Immediate holding company
Fine DNC Co., Ltd.	Manufactures and sells LCD core components	Shareholder
Fine Technix Co., Ltd	Manufactures LED lightings and mobile components	Ultimate shareholder

Name of the related party	Principal business activities	Relationship with the Group
FMS Co., Ltd	(i) Manufacture and sale of metallic components for use in LCD TVs, notebook computers and computer monitors; (ii) Manufacture of audio and video systems for automobiles	Company controlled by a controlling shareholder who has significant influence over the Group

(b) ***Transactions with related parties:***

The following transactions were undertaken by the Group with related parties during the years ended 31 December 2009, 2010 and 2011:

(i) *Continuing transactions*

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Purchase of goods			
— Ultimate shareholder and Shareholder	30	18	—

(ii) *Non-continuing transactions*

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods			
— Shareholder	1,511	345	13,070
Purchase of raw materials			
— Related party	—	—	2,301
Purchase of plant and equipment			
— Shareholder	—	—	11,861
— Ultimate shareholder	209	—	5,840
Purchase of technical support service			
— Shareholder	—	—	500
Acquisition of a subsidiary			
— Related party	—	—	47,927
Equipment rental fee			
— Shareholder	—	—	1,189
Guarantee fee			
— Related party	—	—	109

In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related companies.

37 Subsequent events

Apart from the Reorganisation as described in Note 1.2 above and the capitalisation issue as described in Note 28 above, the following events also took place subsequent to 31 December 2011:

(i) On 5 January 2012, the Group entered into a loan agreement with bank to raise a bank loan of US$5,060,000, which bears an interest at 3-month LIBOR + 5.5%. US$31,700, US$31,700 and US$4,996,600 will mature on 5 July 2012, 5 January 2013 and 5 July 2013, respectively.

(ii) On 19 January 2012, the Group entered into a loan agreement with bank to raise a bank loan of US$10,000,000, which bears an interest at 3-month LIBOR +5.7%. US$500,000, US$500,000, US$4,500,000 and US$4,500,000 will mature on 19 July 2012, 19 January 2013, 19 April 2013 and 19 July 2013, respectively. On 14 June 2012, the Group entered into a supplemental agreement with a bank to extend the date of repayment of a bank loan of US$4,000,000 from 19 April 2013 to 19 July 2013.

(iii) On 5 June 2012, the Group entered into a supplemental agreement with a bank to extend the date of repayment of a bank loan of US$15,000,000 from 27 March 2013 to 27 July 2013.

III. ADDITIONAL FINANCIAL INFORMATION OF FMS GUANGZHOU FOR THE PERIOD FROM 4 NOVEMBER 2009 (DATE OF INCORPORATION) TO 16 AUGUST 2011, DATE OF ACQUISITION BY THE GROUP

The following is the financial information of FMS Guangzhou for the period from 4 November 2009 (date of incorporation) to 16 August 2011, date of acquisition by the Group.

(a) Income statements

	Note	Period from 4 November 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010	Period from 1 January 2011 to 16 August 2011
		RMB'000	*RMB'000*	*RMB'000*
Revenue	(iii)	—	75,642	265,045
Cost of sales	(v)	—	(89,236)	(252,506)
Gross (loss)/profit		—	(13,594)	12,539
Other gains — net	(iv)	—	1,586	1,442
Selling and distribution costs	(v)	—	(947)	(2,775)
Administrative expenses	(v)	(168)	(11,040)	(5,794)
Operating (loss)/profit		(168)	(23,995)	5,412
Finance income	(vii)	1	17	9
Finance costs	(vii)	(4)	(519)	(1,735)
Finance costs — net	(vii)	(3)	(502)	(1,726)
(Loss)/profit before income tax		(171)	(24,497)	3,686
Income tax credit	(viii)	—	—	2,803
(Loss)/profit for the period/year and attributable to equity holders of FMS Guangzhou		(171)	(24,497)	6,489

(b) Statements of comprehensive income

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010	Period from 1 January 2011 to 16 August 2011
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit for the period/year	(171)	(24,497)	6,489
Other comprehensive income	—	—	—
Total comprehensive (loss)/income attributable to equity holders of FMS Guangzhou	(171)	(24,497)	6,489

(c) Balance sheets

	Note	As at 31 December 2009 RMB'000	As at 31 December 2010 RMB'000	As at 16 August 2011 RMB'000
Assets				
Non-current assets				
Land use rights	(ix)	—	15,324	15,129
Property, plant and equipment	(x)	243	201,893	200,259
Intangible assets	(xi)	—	95	82
Deferred income tax assets	(xii)	—	—	2,803
		243	217,312	218,273
Current assets				
Inventories	(xiii)	—	21,115	29,487
Trade receivables	(xv)	—	37,375	83,915
Prepayments and other receivables	(xvi)	31	10,002	12,525
Cash and cash equivalents	(xvii)	10,480	12,344	21,958
		10,511	80,836	147,885
Total assets		10,754	298,148	366,158
Equity and liabilities				
Capital and reserves attributable to equity holders of FMS Guangzhou				
Paid-up capital	(xxii)	10,925	68,270	68,270
Accumulated losses		(171)	(24,668)	(18,179)
Total equity		10,754	43,602	50,091
Liabilities				
Non-current liability				
Borrowings	(xviii)	—	73,049	61,298
		—	73,049	61,298
Current liabilities				
Trade payables	(xix)	—	16,554	67,144
Other payables and accruals	(xx)	—	24,181	18,585
Amount due to the then immediate holding company	(xxi)	—	51,193	49,245
Borrowings	(xviii)	—	89,569	119,795
		—	181,497	254,769
Total liabilities		—	254,546	316,067
Total equity and liabilities		10,754	298,148	366,158
Net current assets/(liabilities)		10,511	(100,661)	(106,884)
Total assets less current liabilities		10,754	116,651	111,389

(d) Statements of changes in equity

	Attributable to equity holders of FMS Guangzhou		
	Paid-up capital	**Accumulated losses**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*
For the period from 4 November 2009 (date of incorporation) to 31 December 2009			
Comprehensive income			
Loss for the period	—	(171)	(171)
Total comprehensive income	—	(171)	(171)
Transactions with owners			
Capital injection	10,925	—	10,925
Total transactions with owners	10,925	—	10,925
Balance at 31 December 2009	10,925	(171)	10,754
For the year ended 31 December 2010			
Balance at 1 January 2010	10,925	(171)	10,754
Comprehensive income			
Loss for the year	—	(24,497)	(24,497)
Total comprehensive income	—	(24,497)	(24,497)
Transactions with owners			
Capital injection	57,345	—	57,345
Total transactions with owners	57,345	—	57,345
Balance at 31 December 2010	68,270	(24,668)	43,602
For the period from 1 January 2011 to 16 August 2011			
Balance at 1 January 2011	68,270	(24,668)	43,602
Comprehensive income			
Profit for the period	—	6,489	6,489
Total comprehensive income	—	6,489	6,489
Balance at 16 August 2011	68,270	(18,179)	50,091

(e) Cash flow statements

	Note	Period from 4 November 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010	Period from 1 January 2011 to 16 August 2011
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash (used in)/generated from operations	(xxiii)	(199)	(54,754)	18,362
Income tax paid		—	—	—
Net cash (used in)/generated from operating activities		(199)	(54,754)	18,362
Cash flows from investing activities				
Purchase of property, plant and equipment		(243)	(155,033)	(19,342)
Purchase of land use right		—	(15,591)	—
Purchases of intangible assets		—	(99)	—
Interest received		1	17	9
Net cash used in investing activities		(242)	(170,706)	(19,333)
Cash flows from financing activities				
Proceeds from increase in share capital		10,925	57,345	—
Proceeds from borrowings		—	194,382	86,063
Repayment of bank loans		—	(22,211)	(69,779)
Interest paid		—	(1,876)	(4,711)
Net cash generated from financing activities		10,925	227,640	11,573
Net increase in cash and cash equivalents		10,484	2,180	10,602
Cash and cash equivalents at beginning of the period/year		—	10,480	12,344
Effect of foreign exchange rate change		(4)	(316)	(988)
Cash and cash equivalents at end of the period/year		10,480	12,344	21,958
Analysis of balances of cash and cash equivalents				
Cash and bank balances	(xvii)	10,480	12,344	21,958

Notes to pre-acquisition Financial Information of FMS Guangzhou

(i) Financial risk management

Financial risk factors

FMS Guangzhou is exposed to a variety of financial risks which result from its operating and investing activities. The management periodically analyses and reviews measures to manage its exposure to market risk (including foreign currency risk and cashflow and fair value interest rate risk), credit risk and liquidity risk. Generally, FMS Guangzhou employs a conservative strategy regarding its risk management and has not used any derivatives or other instruments for hedging purposes.

As at 31 December 2009 and 2010 and 16 August 2011, FMS Guangzhou's financial instruments mainly consisted of trade receivables, other receivables, cash and cash equivalents, trade payables, other payables and accruals, borrowings and amount due to the immediate holding company. Details of these financial instruments are disclosed in Note (xiv).

(a) *Market risk*

Foreign exchange risk

FMS Guangzhou operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Moreover, the conversion of RMB into foreign currencies is subject to the rules and regulations of exchange control promulgated by the PRC government.

As at 31 December 2009 and 2010 and 16 August 2011, if RMB had strengthened/weakened by 5% against US dollars with all other variables held constant, the loss before income tax for the period/year ended 31 December 2009 and 2010 would have been approximately RMB427,000 higher/lower and RMB6,450,000 lower/higher respectively, and the profit before income tax for the period ended 16 August 2011 would have been approximately RMB7,197,000 higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollars denominated trade receivables and payables, balances due from/to related parties and bank borrowings.

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument issued at variable rates will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument issued at fixed rate will fluctuate due to changes in market interest rates.

FMS Guangzhou's cash flow interest rate risk arises from bank balances and borrowings. Borrowings issued at variable rates expose FMS Guangzhou to cashflow interest rate risk which is partially offset by bank balances held at variable rates.

The interest rate profile of FMS Guangzhou's borrowings is disclosed in Note (xviii). The cash deposits placed with banks generate interest at the prevailing market interest rates.

As at 31 December 2009 and 2010 and 16 August 2011, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the loss before income tax for the period/year ended 31 December 2009 and 2010 would have been approximately RMB52,000 lower/higher and RMB628,000 higher/lower respectively, and the profit before income tax for the period ended 16 August 2011 would have been approximately RMB260,000 lower/higher. This is mainly attributable to FMS Guangzhou's exposure to interest rates on its variable rate bank balances and borrowings.

(b) *Credit risk*

Credit risk of FMS Guangzhou mainly arises from cash and cash equivalents and trade receivables.

Trade receivables arise during the course of FMS Guangzhou's business operations and are trade in nature. The management of FMS Guangzhou limit credit risk by assessing the credit quality of the customer, perform ongoing credit evaluation taking into account its financial position, past trade experience and other factors. FMS Guangzhou has policies in place to review the recoverability of trade receivables and amounts due from related parties on an ongoing basis and assess the adequacy of provision for impairment. The credit risk is managed by having high concentration of business with reputable customers. FMS Guangzhou's five largest trade debtors accounted for 100% and 100% of its total trade receivables as at 31 December 2010 and 16 August 2011, respectively. FMS Guangzhou maintains frequent communications with the customers to ensure relevant transactions are running effectively and smoothly.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The credit risk on liquid funds is limited because surplus cash of FMS Guangzhou is generally placed in short term deposits with reputable banks.

(c) *Liquidity risk*

In the management of the liquidity risk, FMS Guangzhou monitors and maintains a level of cash reserves and banking facilities deemed adequate by the management to finance FMS Guangzhou's operations and mitigate the effects of fluctuations in cash flows and match maturity profiles of financial assets and liabilities. Management performs and monitors the forecast of FMS Guangzhou's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its unutilised bank facilities or the financial support from a fellow subsidiary at all times so that FMS Guangzhou will have sufficient working capital to meet its liabilities as and when they fall due, to enable FMS Guangzhou to continue trading for the foreseeable future or does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration FMS Guangzhou's debt financing plans, covenant compliance and, if applicable external regulatory or legal requirements — for example, currency restrictions.

As at 31 December 2009 and 2010 and 16 August 2011, FMS Guangzhou has available unutilised banking facilities of approximately nil, RMB9,000,000 and RMB12,888,000, respectively.

The table below analyses the non-derivative financial liabilities of FMS Guangzhou into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows of financial liabilities based on earliest date on which FMS Guangzhou will be required to pay.

As at 31 December 2009

	Less than 1 year	Between 1-2 years	Between 2-5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	—	—	—	—
Borrowings	—	—	—	—

As at 31 December 2010

	Less than 1 year	Between 1-2 years	Between 2-5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	40,735	—	—	40,735
Amount due to the immediate holding company	51,237	—	—	51,237
Borrowings	95,086	69,329	7,521	171,936

As at 16 August 2011

	Less than 1 year	Between 1-2 years	Between 2-5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	85,729	—	—	85,729
Amount due to the immediate holding company	49,248	—	—	49,248
Borrowings	124,925	62,174	—	187,099

Capital risk management

FMS Guangzhou's objectives when managing capital are to safeguard FMS Guangzhou's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, FMS Guangzhou may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

FMS Guangzhou monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. Management considers a gearing ratio of not more than 100 percent as reasonable.

	As at 31 December		**As at 16 August**
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings	—	162,618	181,093
Loan from Shareholder	—	6,623	6,437
Total borrowings	—	169,241	187,530
Less: Cash and cash equivalents	(10,480)	(12,344)	(21,958)
Net (cash)/debt	(10,480)	156,897	165,572
Total equity	10,754	43,602	50,091
Total capital	274	200,499	215,663
Gearing ratio	N/A	78%	77%

As FMS Guangzhou was in net cash position as at 31 December 2009, gearing ratio was not applicable.

Fair value estimation

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

(ii) Critical accounting estimates and judgements

In preparing the Financial Information, management is required to exercise significant judgements in the selection and application of accounting principles, as well as in making estimates and assumptions. The following is a review of the significant accounting policies that are impacted by judgements and uncertainties and for which different amounts may be reported under a different set of conditions or using different assumptions.

(a) ***Impairment of assets***

At each balance sheet date, FMS Guangzhou reviews internal and external sources of information to identify indications that the following assets which are significant to FMS Guangzhou may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment; and

— intangible assets

If an indication of impairment is identified, such information is further subject to an exercise that requires FMS Guangzhou to estimate the recoverable amount, representing the greater of the asset's fair value less cost to sell or its value in use. Depending on FMS Guangzhou's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable amount, FMS Guangzhou may perform such assessment utilising internal resources or FMS Guangzhou may engage external advisers to counsel FMS Guangzhou in making this assessment. Regardless of the resources utilised, FMS Guangzhou is required to make many assumptions to make this assessment, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable amount of any asset.

(b) ***Useful lives of property, plant and equipment***

FMS Guangzhou's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment with similar nature and function. It could change significantly as a result of changes in FMS Guangzhou's operations including any future relocation or renovation of FMS Guangzhou's facilities. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down nonstrategic assets that have been abandoned or sold.

(iii) Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. These reports are prepared on the same basis as these financial statements.

The chief operating decision-maker is identified as the directors of FMS Guangzhou. The directors of FMS Guangzhou consider the business from product perspective. FMS Guangzhou is organised into two main operating segments, which are (i) LCD TVs and (ii) Monitors.

The directors of FMS Guangzhou assess the performance of the reportable segments based on a measure of revenue and gross profit. The segment information provided to the executive directors for the reportable segments for the period from 4 November 2009 (date of incorporation) to 31 December 2009, the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011, is as follows:

	LCD TVs			Monitors			Total		
	Period from 4 November 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010	Period from 1 January 2011 to 16 August 2011	Period from 4 November 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010	Period from 1 January 2011 to 16 August 2011	Period from 4 November 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010	Period from 1 January 2011 to 16 August 2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	—	51,578	179,990	—	19,395	69,478	—	70,973	249,468
Inter-segment revenue	—	—	—	—	—	—	—	—	—
Revenue from external customers	—	51,578	179,990	—	19,395	69,478	—	70,973	249,468
Segment results	—	(9,324)	19,845	—	(8,939)	(22,883)	—	(18,263)	(3,038)
Revenue from scrap sales	—	—	—	—	—	—	—	4,669	15,577
Other gains - net	—	—	—	—	—	—	—	1,586	1,442
Selling and distribution costs	—	—	—	—	—	—	—	(947)	(2,775)
Administrative expenses	—	—	—	—	—	—	(168)	(11,040)	(5,794)
Finance costs - net	—	—	—	—	—	—	(3)	(502)	(1,726)
(Loss)/profit before income tax	—	—	—	—	—	—	(171)	(24,497)	3,686

Turnover consists of sales of goods of RMB75,642,000 and RMB287,435,000 for the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011, respectively.

During the period from 4 November 2009 (date of incorporation) to 31 December 2009, the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011, revenues from nil, two and three customers, respectively, individually amounting to ten per cent or more of FMS Guangzhou's total revenue for the respective period/year. The revenues of these customers are summarised below:

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	**Year ended 31 December 2010**	**Period from 1 January 2011 to 16 August 2011**
	RMB'000	*RMB'000*	*RMB'000*
Customer 1	N/A	40,756	145,992
Customer 2	N/A	23,023	90,316
Customer 3	N/A	N/A	30,087

Geographically, management considers the manufacturing of metallic components of display panels are all located in the PRC, with revenue derived from different geographical location, which is determined by the country in which the customer is located.

FMS Guangzhou's revenue by country is analysed as follows:

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	**Year ended 31 December 2010**	**Period from 1 January 2011 to 16 August 2011**
	RMB'000	*RMB'000*	*RMB'000*
The PRC	—	75,642	265,040
Korea	—	—	5
	—	75,642	265,045

(iv) Other gains — net

An analysis of other gains — net is as follows:

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010	Period from 1 January 2011 to 16 August 2011
	RMB'000	*RMB'000*	*RMB'000*
Net exchange gains	—	1,586	1,442

(v) Expenses by nature

Expenses included in cost of sales, selling and distribution costs and administrative expenses are analysed as follows:

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010	Period from 1 January 2011 to 16 August 2011
	RMB'000	*RMB'000*	*RMB'000*
Auditor's remuneration	—	25	15
Amortisation of land use rights (Note ix)	—	260	195
Amortisation of intangible assets (Note xi)	—	4	13
Cost of inventories sold	—	60,197	194,151
Provision for/(reversal of provision for) inventories	—	1,121	(166)
Depreciation (Note x)	—	7,025	11,367
Employee benefit expense (including directors' emoluments) (Note vi)	12	9,753	22,541
Consumables used	—	7,277	12,242
Other taxes and levies	—	2,245	6,066
Legal and professional fee	—	144	18
Consultancy fee	—	5,304	—
Bank charges	—	93	86
Utility and office expenses	18	3,336	5,014
Packaging costs	—	1,151	3,454
Others	138	3,288	6,079
Total cost of sales, selling and distribution costs and administrative expenses	168	101,223	261,075

(vi) Employee benefit expense (including directors' emoluments)

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010	Period from 1 January 2011 to 16 August 2011
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries, bonuses and other staff benefits	12	9,159	21,047
Social security costs	—	594	1,494
	12	9,753	22,541

(a) ***Directors' emoluments***

Details of emoluments paid/payable to the directors of FMS Guangzhou are set out below:

For the period from 4 November 2009 (date of incorporation) to 31 December 2009

	Fees	Basic salaries, allowance and benefits	Discretionary bonuses	Social security costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
LEE Tai Hee	—	—	—	—	—
WON Ki Jung	—	—	—	—	—
LEE Sang Bok	—	—	—	—	—
	—	—	—	—	—

For the year ended 31 December 2010

	Fees	**Basic salaries, allowance and benefits**	**Discretionary bonuses**	**Social security costs**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
LEE Tai Hee	331	—	—	—	331
NAM Weonho *(Note 2)*	—	312	—	—	312
WON Ki Jung	—	—	—	—	—
LEE Sang Bok *(Note 1)*	—	—	—	—	—
	331	312	—	—	643

Note 1: On 6 April 2010, LEE Sang Bok ceased to be a director of FMS Guangzhou.

Note 2: On 12 April 2010, NAM Weonho was appointed as a director of FMS Guangzhou.

For the period from 1 January 2011 to 16 August 2011

	Fees	**Basic salaries, allowance and benefits**	**Discretionary bonuses**	**Social security costs**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
LEE Tai Hee *(Note 1)*	187	—	—	—	187
NAM Weonho *(Note 1)*	—	321	—	—	321
WON Ki Jung *(Note 1)*	—	—	—	—	—
HONG Sung Chun *(Note 2)*	17	—	—	—	17
SON Suk Man *(Note 2)*	—	136	—	—	136
KANG Min Yiu *(Note 2)*	—	281	—	—	281
	204	738	—	—	942

Note 1: On 20 July 2011, LEE Tai Hee, NAM Weonho and WON Ki Jung ceased to be directors of FMS Guangzhou.

Note 2: On 20 July 2011, HONG Sung Chun, SON Suk Man and KANG Min Yiu were appointed as directors of FMS Guangzhou.

Other than as presented above, no other fees or emoluments were paid to the directors during the period from 4 November 2009 (date of incorporation) to 31 December 2009, the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011.

For the period from 4 November 2009 (date of incorporation) to 31 December 2009, the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011, there were no arrangement under which a director waived or agreed to waive any emolument, and no emoluments were paid by FMS Guangzhou to the directors as an inducement to join or upon joining FMS Guangzhou, or as compensation for loss of office.

(b) ***Five highest paid individuals***

For the period from 4 November 2009 (date of incorporation) to 31 December 2009, the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011, the five individuals whose emoluments were the highest in FMS Guangzhou include nil, two and one director of FMS Guangzhou, respectively, whose emolument is reflected in the analysis above. The emoluments paid/payable to the remaining three, three and four individuals during the year/period are as follows:

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	**Year ended 31 December 2010**	**Period from 1 January 2011 to 16 August 2011**
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries and other allowances and benefits	12	543	1,435
Discretionary bonuses	—	—	—
Social security costs	—	—	—
	12	543	1,435

The emoluments fell within the following bands:

	Number of individuals		
	Period from 4 November 2009 (date of incorporation) to 31 December 2009	**Year ended 31 December 2010**	**Period from 1 January 2011 to 16 August 2011**
Emolument bands			
Nil to HK$1,000,000	3	3	4

(vii) Finance costs — net

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010	Period from 1 January 2011 to 16 August 2011
	RMB'000	*RMB'000*	*RMB'000*
Finance income			
Interest income on short-term bank deposits	1	17	9
Finance costs			
Interest expense on bank borrowings wholly repayable within five years	—	(2,403)	(5,168)
Interest expense on related party loan repayable within one year	—	(22)	(43)
Net exchange (losses)/gains on bank borrowings	(4)	1,906	3,476
	(4)	(519)	(1,735)
Finance costs — net	(3)	(502)	(1,726)

(viii) Income tax credit

PRC corporate income tax has not been provided for as FMS Guangzhou has no estimated assessable profits for the period from 4 November 2009 (date of incorporation) to 31 December 2009 and the year ended 31 December 2010, and has unutilised tax losses to offset against the estimated assessable profits for the period from 1 January 2011 to 16 August 2011.

FMS Guangzhou is subject to CIT in accordance with the CIT Law. The income tax rate applicable to FMS Guangzhou is 25% for the period from 4 November 2009 (date of incorporation) to 31 December 2009, the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011.

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010	Period from 1 January 2011 to 16 August 2011
	RMB'000	*RMB'000*	*RMB'000*
Current tax	—	—	—
Deferred tax (Note xii)	—	—	2,803
Income tax credit	—	—	2,803

The tax on FMS Guangzhou's profit/(loss) before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to FMS Guangzhou as follows:

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010	Period from 1 January 2011 to 16 August 2011
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before income tax	(171)	(24,497)	3,686
Tax calculated at PRC corporate income tax rate of 25%	(43)	(6,124)	922
Expenses not deductible for tax purposes	—	2,114	328
Initial recognition of previously unrecognised tax losses	—	—	(4,053)
Tax losses for which no deferred income tax asset was recognised	43	4,010	—
Income tax credit	—	—	(2,803)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. FMS Guangzhou did not recognise deferred income tax assets of RMB43,000 and RMB4,053,000 in respect of losses amounting to RMB171,000 and RMB16,211,000 as of 31 December 2009 and 2010, respectively, that can be carried forward against future taxable income. As at 31 December 2010, losses amounting to RMB171,000 and RMB16,040,000 expire in 2014 and 2015, respectively.

FMS Guangzhou has recognised deferred tax assets of RMB2,803,000 as at 16 August 2011.

(ix) Land use rights

The net book value of FMS Guangzhou's interests in land use rights is analysed as follows:

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
At 4 November/1 January	—	—	15,324
Additions	—	15,584	—
Amortisation charge	—	(260)	(195)
At 31 December/16 August	—	15,324	15,129
In the PRC, held on:			
Leases of between 10 to 50 years	—	15,324	15,129

Bank borrowings are secured on the land use rights with carrying amounts of RMB15,324,000 and RMB15,129,000 as at 31 December 2010 and 16 August 2011, respectively.

Amortisation of RMB260,000 and RMB195,000 have been charged in 'administrative expenses' for the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011, respectively.

(x) Property, plant and equipment

	Construction in progress	Buildings	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Period from 4 November 2009 (date of incorporation) to 31 December 2009					
Opening net book amount	—	—	—	—	—
Additions	94	—	6	143	243
Depreciation charge	—	—	—	—	—
Closing net book amount	94	—	6	143	243
As at 31 December 2009					
Cost	94	—	6	143	243
Accumulated depreciation	—	—	—	—	—
Net book amount	94	—	6	143	243
Year ended 31 December 2010					
Opening net book amount	94	—	6	143	243
Additions	193,352	386	14,588	1,180	209,506
Transfer	(193,329)	62,489	130,840	—	—
Depreciation charge	—	(1,172)	(6,522)	(162)	(7,856)
Closing net book amount	117	61,703	138,912	1,161	201,893
As at 31 December 2010					
Cost	117	62,875	145,434	1,323	209,749
Accumulated depreciation	—	(1,172)	(6,522)	(162)	(7,856)
Net book amount	117	61,703	138,912	1,161	201,893
Period from 1 January 2011 to 16 August 2011					
Opening net book amount	117	61,703	138,912	1,161	201,893
Additions	8,540	—	1,619	—	10,159
Transfer	(639)	93	546	—	(—)
Depreciation charge	—	(1,781)	(9,825)	(187)	(11,793)
Closing net book amount	8,018	60,015	131,252	974	200,259

	Construction in progress	Buildings	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 16 August 2011					
Cost	8,018	62,968	147,599	1,323	219,908
Accumulated depreciation	—	(2,953)	(16,347)	(349)	(19,649)
Net book amount	8,018	60,015	131,252	974	200,259

Depreciation has been charged as follows:

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010	Period from 1 January 2011 to 16 August 2011
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	—	6,623	11,011
Selling and distribution cost	—	1	4
Administrative expenses	—	401	352
	—	7,025	11,367
Capitalised into inventories	—	831	426
	—	7,856	11,793

Bank borrowings are secured on buildings and equipment with carrying amounts of RMB193,489,000 and RMB182,693,000 as at 31 December 2010 and 16 August 2011, respectively.

(xi) Intangible assets

	Computer software
	RMB'000
Period from 4 November 2009 (date of incorporation) to 31 December 2009	
Additions	—
Amortisation charge (Note v)	—
Closing net book amount	—
Year ended 31 December 2010	

	Computer software
	RMB'000
Opening net book amount	—
Additions	99
Amortisation charge (Note v)	(4)
Closing net book amount	95
At 31 December 2010	
Cost	99
Accumulated amortisation	(4)
Net book amount	95
Period from 1 January 2011 to 16 August 2011	
Opening net book amount	95
Additions	—
Amortisation charge (Note v)	(13)
Closing net book amount	82
At 16 August 2011	
Cost	99
Accumulated amortisation	(17)
Net book amount	82

Amortisation of intangible assets have been included in "administrative expenses" for the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011.

(xii) Deferred income tax assets

Deferred taxation is calculated in full on temporary differences under the liability method using the tax rate applicable to profits of FMS Guangzhou.

The movement in deferred income tax assets during the period/year is as follows:

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Balance brought forward	—	—	—
Credited to the income statement	—	—	2,803
Balance carried forward	—	—	2,803

During the period from 1 January 2011 to 16 August 2011, FMS (Guangzhou) has recognised deferred income tax assets arising from tax losses brought forward in prior years.

Deferred income tax assets recognised are expected to be recovered within 12 months. The deferred income tax assets recognised relate to accumulated tax losses brought forward in prior years net of the amount utilised in offsetting the profits made by FMS Guangzhou for the period from 1 January 2011 to 16 August 2011. The credit to the income statement represents originating tax loss brought forward in prior years.

(xiii) Inventories

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	—	15,622	22,719
Work in progress	—	1,023	1,021
Finished goods	—	4,470	5,747
	—	21,115	29,487

The cost of inventories recognised as expense and included in "cost of sales" amounting to RMB60,197,000 and RMB194,151,000 for the year ended 31 December 2010 and the period form 1 January 2011 to 16 August 2011, respectively.

(xiv) Financial instruments by category

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Assets as per balance sheets			
Loans and receivables			
Trade receivables	—	37,375	83,915
Other receivables	31	9,926	12,433
Cash and cash equivalents	10,480	12,344	21,958
Liabilities as per balance sheets			
Other financial liabilities at amortised cost			
Trade payables	—	16,554	67,144
Other payables and accruals	—	24,181	18,585
Amount due to the immediate holding company	—	51,193	49,245
Borrowings	—	162,618	181,093

(xv) Trade receivables

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	—	37,375	83,915

FMS Guangzhou's credit terms granted to customers are generally ranged from 30 to 60 days. At 31 December 2009 and 2010 and 16 August 2011, the ageing analysis of the trade receivables, based on invoice date, is as follows:

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
1-60 days	—	37,375	67,335
61-120 days	—	—	16,580
Over 120 days	—	—	—
	—	37,375	83,915

As at 31 December 2010 and 16 August 2011, trade receivables of RMB6,443,000 and RMB16,580,000, respectively, were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. At the balance sheet date, the ageing analysis of the trade receivables, by due date, is as follows:

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Past due 1-60 days	—	6,443	16,580
Past due 61-120 days	—	—	—
Past due over 120 days	—	—	—
	—	6,443	16,580

There were no movements on the provision for impairment of trade receivables during the Relevant Periods.

The maximum exposure to credit risk of trade receivables at the balance sheet date is their fair values. FMS Guangzhou does not hold any collateral as security.

The carrying amounts of the trade receivables are denominated in the following currencies:

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
RMB	—	1,355	1,599
US dollars	—	36,020	82,316
	—	37,375	83,915

As at 31 December 2009 and 2010 and 16 August 2011, the carrying amounts of trade receivables approximate their fair values.

(xvi) Prepayment and other receivables

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	—	76	92
Value-added tax and other tax recoverable	—	8,345	7,922
Other receivables	31	1,581	4,511
	31	10,002	12,525

As at 31 December 2009 and 2010 and 16 August 2011, the carrying amounts of prepayments and other receivables approximate their fair values and are denominated in RMB.

(xvii) Cash and cash equivalents

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks and in hand	10,480	12,344	21,958

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
RMB	1,944	1,393	3,583
US dollars	8,536	10,951	18,375
	10,480	12,344	21,958

RMB is not freely convertible into other currencies. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, FMS Guangzhou is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business in the PRC.

As at 31 December 2009 and 2010 and 16 August 2011, the weighted average interest rate on FMS Guangzhou's bank balances is 0.1%, 0.1% and 0.1% per annum, respectively.

(xviii) **Borrowings**

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Non-current — bank borrowings			
— Secured	—	73,049	61,298
— Unsecured	—	—	—
Current — bank borrowings			
— Secured	—	28,810	49,689
— Unsecured	—	60,759	70,106
Total borrowings	—	162,618	181,093

Bank borrowings at principal amount were repayable as follows:

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	—	89,569	119,795
Between 1 and 2 years	—	66,139	61,298
Between 2 and 5 years	—	6,910	—
Wholly repayable within 5 years	—	162,618	181,093

Bank borrowings amounting to RMB55,500,000 and RMB53,330,000 as at 31 December 2010 and 16 August 2011, respectively, were secured by land use rights, buildings and equipment.

The carrying amounts of the bank borrowings which approximate their fair values are denominated in the following currencies:

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
RMB	—	55,500	53,330
US dollars	—	107,118	127,763
	—	162,618	181,093

The weighted average interest rates at the balance sheet date were as follows:

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings	N/A	4.08%	4.11%

Guarantees provided by a related party

As at 31 December 2010 and 16 August 2011, FMS Guangzhou's bank borrowings amounting to RMB46,359,000 and RMB57,657,000, respectively, were guaranteed by FMS Co., Ltd., the then immediate holding company. Up to the date of this report, these bank borrowings have been fully settled and the respective guarantees have been released accordingly.

Unutilised facilities

FMS Guangzhou has the following undrawn facilities:

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Expiring within one year	—	9,000	12,888
Expiring beyond one year	—	—	—
	—	9,000	12,888

(xix) Trade payables

	As at 31 December		As at 16 August
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	—	16,554	67,144

At the 31 December 2009 and 2010, and 16 August 2011, the ageing analysis of the trade payables, based on invoice date, is as follows:

	As at 31 December		As at 16 August
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
1-60 days	—	9,798	54,585
61-120 days	—	5,552	12,559
121-180 days	—	1,204	—
Over 180 days	—	—	—
	—	16,554	67,144

The carrying amounts of the trade payables are denominated in the following currencies:

	As at 31 December		As at 16 August
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
RMB	—	1,061	1,557
US dollars	—	15,493	65,587
	—	16,554	67,144

(xx) Other payables and accruals

	As at 31 December		As at 16 August
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Salary and wages payable	—	1,414	1,248
Other payables and accruals	—	22,218	16,288
Interest payable	—	549	1,049
	—	24,181	18,585

As at 31 December 2010 and 16 August 2011, other payables and accruals included payables for the purchase of property, plant and equipment amounting to RMB10,216,000 and RMB2,939,000, respectively.

As at 31 December 2009 and 2010 and 16 August 2011, the carrying amounts of other payables and accruals approximate their fair values. The carrying amounts of other payables and accruals are denominated in the following currencies:

	As at 31 December		As at 16 August
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
RMB	—	22,015	16,542
US dollars	—	2,166	2,043
	—	24,181	18,585

(xxi) Amount due to the then immediate holding company

FMS Guangzhou had the following material trade and non-trade balances with the then immediate holding company:

	As at 31 December		As at 16 August
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Amount due from/(to) the then immediate holding company			
— trade	—	6,575	(9,011)
— non-trade	—	(51,123)	(33,792)
Loan from the then immediate holding company	—	(6,645)	(6,442)
	—	(51,193)	(49,245)

The balances with the then immediate holding company are denominated in US dollars.

As at 31 December 2009 and 2010, and 16 August 2011, the balances are interest free, unsecured, repayable on demand and approximate their fair values.

(xxii) Paid-up capital

	As at 31 December		As at 16 August
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Registered capital	54,626	68,270	68,270
Paid-up capital	10,925	68,270	68,270

Upon the incorporation of FMS Guangzhou, FMS Guangzhou has US$8,000,000 and US$1,599,980 registered capital and paid-up capital, respectively. On 31 March 2010, FMS Guangzhou raised the registered capital from US$8,000,000 to US$10,000,000. The registered capital were fully paid up as at 31 December 2010.

(xxiii) Notes to cash flow statements

(a) Reconciliation of (loss)/profit before income tax to cash (used in)/generated from operations

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010	Period from 1 January 2011 to 16 August 2011
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before income tax	(171)	(24,497)	3,686
Adjustments for:			
— Depreciation (Note x)	—	7,025	11,367
— Amortisation of land use rights (Note ix)	—	260	195
— Amortisation of intangible assets (Note xi)	—	4	13
— Exchange loss/(gain) (Note iv and vii)	4	(3,492)	(4,918)
— Interest income	(1)	(17)	(9)
— Interest expense	—	2,425	5,211
Operating (losses)/profits before working capital changes	(168)	(18,292)	15,545
Changes in working capital:			
— Inventories	—	(20,284)	(7,946)
— Trade receivables	—	(38,047)	(48,464)
— Prepayment and other receivables	(31)	(9,972)	(2,523)
— Trade payables	—	16,809	52,190
— Other payables and accruals	—	13,465	(13,147)
— Amount due to/(from) the then immediate holding company	—	1,567	22,707
Cash (used in)/generated from operations	(199)	(54,754)	18,362

As at 31 December 2010 and 16 August 2011, the purchase of property, plant and equipment amounting to RMB10,216,000 and RMB2,939,000 has not yet been settled to third parties, respectively.

Contingent liabilities

FMS Guangzhou did not have any significant contingent liabilities as at 31 December 2009 and 2010 and 16 August 2011.

(xxiv) Commitments

Operating lease commitments

As lessee

FMS Guangzhou leases certain of its motor vehicles under operating lease arrangements.

At the balance sheet date, FMS Guangzhou had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December		**As at 16 August**
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
No later than 1 year	—	94	214
Later than 1 year and no later than 5 years	—	39	48
	—	133	262

(xxv) Related party transactions

For the purposes of these financial statements, parties are considered to be related to FMS Guangzhou if the party has the ability, directly or indirectly, to control or exercise significant influence over FMS Guangzhou in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of FMS Guangzhou where those parties are individuals. Parties are also considered to be related if they are subject to common control.

(a) The directors of FMS Guangzhou are of the view that the following company was related party that had transactions or balances with FMS Guangzhou during the period from 4 November 2009 (date of incorporation) to 31 December 2009, the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011.

Name of the related party	**Principal business activities**	**Relationship with FMS Guangzhou**
FMS Co., Ltd	(i) Manufacture and sale of metallic components for use in LCD TVs, notebook computers and computer monitors; (ii) Manufacture of audio and video systems for automobiles.	The then immediate holding company

(b) ***Transactions with related parties***

The following transactions were undertaken by FMS Guangzhou with the then immediate holding company during the period from 4 November 2009 (date of incorporation) to 31 December 2009, the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011.

Non-continuing transactions

	Period from 4 November 2009 (date of incorporation) to 31 December 2009	**Year ended 31 December 2010**	**Period from 1 January 2011 to 16 August 2011**
	RMB'000	*RMB'000*	*RMB'000*
Purchases of raw materials	—	61,320	30,523
Purchase of plant and equipments	—	108,290	—
Provision of technical support services and royalties expenses	—	5,304	—

In the opinion of the directors of FMS Guangzhou, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between FMS Guangzhou and the then immediate holding company.

(c) ***Loan from the then immediate holding company***

	As at 31 December		As at 16 August
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Loan from the then immediate holding company			
At 4 November/1 January	—	—	(6,645)
Loans advanced during the period/year	—	(6,623)	—
Interest charged	—	(22)	(43)
Interest paid	—	—	60
Exchange gains	—	—	186
At 31 December/16 August	—	(6,645)	(6,442)

As at 31 December 2010, the loan from the then immediate holding company was unsecured, carried at 1% interest rate per annum and has been repaid by 31 August 2011. The carrying amount of the balance approximates its fair value.

(xxvi) Earnings per share

No earnings per share information is presented as its inclusion is not considered meaningful.

(xxvii) Dividends

No dividends were declared by FMS Guangzhou throughout the period from 4 November 2009 (date of incorporation) to 31 December 2009, the year ended 31 December 2010 and the period from 1 January 2011 to 16 August 2011.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2011. No dividend or distribution has been declared or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2011.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set forth in this Appendix II does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this Prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountant's Report set out in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the net tangible assets as at 31 December 2011 as if the Global Offering had taken place on that date. The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the net tangible assets had the Global Offering been completed as at 31 December 2011 or at any future date. The unaudited pro forma adjusted net tangible assets is based on the audited combined net tangible assets of the Group attributable to equity holders as at 31 December 2011 as shown in the Accountant's Report of the Company, the text of which is set out in Appendix I to this Prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2011 (Note 1)	**Estimated net proceeds from the New Issue (Note 2 and 5)**	**Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company as at 31 December 2011**	**Unaudited pro forma adjusted net tangible assets per Share (Note 3 and 5)**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$0.68 per Share	557,544	117,345	674,889	0.67	0.80
Based on an Offer Price of HK$0.98 per Share	557,544	177,970	735,514	0.74	0.89

Notes:

(1) The audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2011 is extracted from the Accountant's Report of the Company as set out in Appendix I to this Prospectus, which is based on the audited combined net assets of the Group attributable to equity holders of the Company as at 31 December 2011 of RMB561,220,000, with an adjustment for the intangible assets as at 31 December 2011 of RMB3,676,000.

(2) The estimated net proceeds from the New Issue are based on the Offer Price of HK$0.68 (equivalent to approximately RMB0.57) per Share and HK$0.98 (equivalent to approximately RMB0.82) per Share, respectively, after deduction of estimated related fees, expenses and underwriting commissions payable by the Group and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-Allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments as described in Note 2 above and on the basis that 1,000,000,000 Shares were in issue assuming that the completion of the Reorganisation, the Capitalisation Issue and the Global Offering have been completed on 31 December 2011, but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option or of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, referred to the section headed the "Share Option Scheme" in Appendix VI or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate as described in the section headed the "Share Capital" or otherwise.

(4) As at 30 April 2012, the Group's property interests were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix IV — Property Valuation. The net revaluation surplus, representing the excess of market value of the property interests over their book value, is approximately RMB28 million. Such revaluation surplus has not been included in the Group's combined financial information as at 31 December 2011 and will not be included in the Group's financial statements for the year ending 31 December 2012. The above adjustment does not take into account the above revaluation surplus. Had the property interests been stated at such valuation, an additional depreciation of approximately RMB1.7 million per annum would be charged against the consolidated income statement for the year ending 31 December 2012.

(5) For the purpose of the estimated net proceeds from the New Issue and this unaudited pro forma adjusted net tangible assets per Share, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.8333.

(6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2011.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The unaudited pro forma forecast earnings per Share prepared in accordance with Rule 4.29 of the Listing Rules is set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2012. The unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering.

Forecast consolidated profit attributable to equity holders of the Company for the six months ending 30 June 2012 (Note 1)	not less than RMB77.5 million (equivalent to approximately HK$93.0 million)
Unaudited pro forma forecast earnings per Share for the six months ending 30 June 2012 (Note 2)	not less than RMB0.0775 (equivalent to approximately HK$0.0930)

Notes:

(1) The forecast consolidated profit attributable to equity holders of the Company for the six months ending 30 June 2012 is extracted from the section headed "Financial Information — Profit Forecast For The Six Months Ending 30 June 2012". The basis on which the above profit forecast has been prepared is summarised in Appendix III to this Prospectus. The forecast consolidated profit attributable to equity holders of the Company for the six months ending 30 June 2012 has been prepared based on the unaudited consolidated results based on management accounts of the Group for the five months ended 31 May 2012 and a forecast of the consolidated results of the Group for the remaining one month ending 30 June 2012. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 3 of Section II of the Accountant's Report of the Company, the text of which is set out in Appendix I to this Prospectus.

(2) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast consolidated profit attributable to equity holders of the Company for the six months ending 30 June 2012, on the basis that 1,000,000,000 Shares were in issue assuming that the Shares to be issued pursuant to the Reorganisation, the Capitalisation Issue and the Global Offering had been in issue since 1 January 2012, but takes no account of any Shares which may be issued upon the exercise of Over-allotment Option or any Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme referred to the section headed "Share Option Scheme" in Appendix VI or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate as described in the section headed "Share Capital" or otherwise.

(3) Amounts stated in Renminbi have been converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.8333.

C. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF FINE HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Fine Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages II-1 to II-3 under the headings of "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" and "Unaudited Pro Forma Forecast Earnings Per Share" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's prospectus dated 29 June 2012 (the "Prospectus"), in connection with the proposed initial public offering of the shares of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-3 of the Prospectus.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" ("HKSIR 300") issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited combined net assets of the Group as at 31 December 2011 with the accountant's report as set out in Appendix I of the Prospectus, comparing the unaudited forecast consolidated profit attributable to equity holders of the Company for the six months ending 30 June 2012 with the profit forecast as set out in the section headed "Financial Information — Profit Forecast For The Six Months Ending 30 June 2012" in the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has been carried out in accordance with HKSIR 300 as set out in this report and has not been carried out in accordance with the professional standards and practices of any jurisdiction other than Hong Kong and accordingly should not be relied upon as if it had been carried out in accordance with the professional standards and practices of any jurisdiction other than Hong Kong.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the adjusted net tangible assets of the Group as at 31 December 2011 or any future date, or

- the earnings per share of the Group for the six months ending 30 June 2012 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 29 June 2012

The forecast of the consolidated profit attributable to equity holders of the Company for the six months ending 30 June 2012 is set out in the section headed "Financial Information — Profit Forecast For The Six Months Ending 30 June 2012" in this Prospectus.

(A) BASES AND ASSUMPTIONS

We have prepared our forecasted profit attributable to equity holders of the Company for the six months ending 30 June 2012 based on the unaudited consolidated results of the Group based on management accounts for the five months ended 31 May 2012 and a forecast of the consolidated results of the Group for the remaining one month ending 30 June 2012. Our profit forecast has been presented on a basis consistent in all material respects with the accounting policies normally adopted by us as summarised in the Accountant's Report in Appendix I. We have made the following principal assumptions in the preparation of our profit forecast:

- It is assumed that the Group will be able to continue in business and will not be materially interrupted by any unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including the occurrence of natural disasters or catastrophes.

- It is assumed that there will be no material changes in existing government policies or political, legal (including changes in legislation or regulations or rules), fiscal or economic conditions in the People's Republic of China (the "PRC") or any other territories in which the Group operates during the forecast period.

- It is assumed that there will be no significant changes in the bases and rates of taxation, surcharges or other government levies in the countries or territories in which the Group operates.

- It is assumed that there will be no material changes in inflation or interest rates from those currently prevailing in the PRC and any other countries where our customers and suppliers operate during the forecast period.

- It is assumed that there will be no material changes in exchange rates during the forecast period.

- It is assumed that the Group's operations, results and financial position will not be adversely affected by the occurrence of any of the events described in the risk factors as mentioned in the Prospectus.

(B) LETTERS

(1) LETTER FROM THE REPORTING ACCOUNTANT ON THE PROFIT FORECAST

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

29 June 2012

The Directors
Fine Holdings Limited

China Everbright Capital Limited

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the consolidated profit attributable to equity holders of Fine Holdings Limited (the "Company") for the six months ending 30 June 2012 (the "Profit Forecast") as set out in the subsection headed "Profit Forecast For The Six Months Ending 30 June 2012" in the section headed "Financial Information" in the prospectus of the Company dated 29 June 2012 (the "Prospectus").

We conducted our work in accordance with Auditing Guideline 3.341 on "Accountants' report on profit forecasts" ("AG3.341") issued by the Hong Kong Institute of Certified Public Accountants.

Our work has been carried out in accordance with AG3.341 as set out in this letter and has not been carried out in accordance with the professional standards and practices of any jurisdiction other than Hong Kong and accordingly should not be relied upon as if it had been carried out in accordance with the professional standards and practices of any jurisdiction other than Hong Kong.

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as "the Group") based on management accounts for the five months ended 31 May 2012 and a forecast of the consolidated results of the Group for the remaining one month ending 30 June 2012 on the basis that the current group structure had been in existence throughout the whole financial period ending 30 June 2012.

In our opinion, the Profit Forecast, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out on page III-1 of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in Note 3 of section II of the Financial Information section in Appendix I of the Prospectus.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

(2) LETTER FROM THE SOLE SPONSOR ON THE PROFIT FORECAST

The following is the text of a letter prepared for inclusion in this prospectus by the Sole Sponsor in connection with the profit forecast of our Group for the six months ending 30 June 2012.

光大證券
EBS INTERNATIONAL

China Everbright Capital Limited
17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

29 June 2012

The Directors
Fine Holdings Limited

Dear Sirs,

We refer to the forecast (the "**Profit Forecast**") of the consolidated profit of Fine Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") for the six months ending 30 June 2012 as set forth in the paragraphs under "Profit Forecast For The Six Months Ending 30 June 2012" in the section headed "Financial Information" in the prospectus issued by the Company dated 29 June 2012.

The Profit Forecast, for which the Directors are solely responsible, has been prepared by them based on the unaudited consolidated results of the Group based on management accounts for the five months ended 31 May 2012 and a forecast of the consolidated results of the Group for the remaining one month ending 30 June 2012 on the basis that the current group structure had been in existence throughout the whole financial period ending 30 June 2012.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 29 June 2012 addresses to you and us from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Profit Forecast, for which you as the Directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
Richard Chu
Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 April 2012 of the property interests of the Group.

JONES LANG LASALLE® 仲量聯行

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tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

29 June 2012

The Board of Directors
Fine Holdings Limited

Dear Sirs,

In accordance with your instructions to value the properties in which Fine Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 April 2012 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

Due to the nature of the buildings and structures of the property and the particular location in which it is situated, there are unlikely to be relevant market sales comparables readily available. The property interests of property nos. 1-3 in Group I have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have valued the property interests nos. 4-9 in Group I by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

We have attributed no commercial value to the property interest in Group II, which is leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Beijing Kangda Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

The site inspection was carried out during the period from 10 June 2011 to 15 October 2011 by Gilbert C.H. Chan and Mathew P.W. Ma who is a probationer of HKIS.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Gilbert C.H. Chan
MRICS MHKIS RPS (GP)
Director

Note: *Gilbert C.H. Chan is a Chartered Surveyor who has 20 years' experience in the valuation of properties in the PRC and 19 years of property valuation experience in Hong Kong, the United Kingdom, Central-Asia region as well as relevant experience in the Asia-Pacific region.*

SUMMARY OF VALUES

Group I — Property interests held and occupied by the Group in the PRC

No.	**Property**	**Capital value in existing state as at 30 April 2012** *RMB*
1.	A parcel of land 3 buildings and various structures located at Sourthern Kaitai Avenue Northern Xinrui Road Science City Development District Guangzhou Guangdong Province the PRC	77,440,000
2.	A parcel of land 4 buildings and various structures located at No. 7 Xijin Road No. 106#-A Development District New District Wuxi Jiangsu Province the PRC	78,320,000
3.	A parcel of land 7 industrial buildings and various structures located at No. 118 Meiyu Road Wuxi Jiangsu Province the PRC	154,700,000
4.	Unit 501 on Level 5, Block 1 Yichun Apartment No. 162 Changjiang North Road Xufeng Village Nanzhan Town New District Wuxi Jiangsu Province the PRC	1,170,000

No.	Property	Capital value in existing state as at 30 April 2012 *RMB*
5.	Unit 901 on Level 9, Block 7 Yichun Apartment No. 162 Changjiang North Road Xufeng Village Nanzhan Town New District Wuxi Jiangsu Province the PRC	930,000
6.	Unit 401 on Levels 4, Block 4 Shihui Huayuan No. 99 Suhui Road Suzhou Jiangsu Province the PRC	2,200,000
7.	Unit 601 on Level 6, Block 30 Tianyu Garden No. 188 Xinghan Street Suzhou Jiangsu Province the PRC	3,600,000
8.	Unit 1903 on Level 19 Block 73 Wankejiayuan Wuxi Jiangsu Province the PRC	1,170,000
9.	Unit 2103 on Level 21 Block 73 Wankejiayuan Wuxi Jiangsu Province the PRC	1,180,000
	Sub-total:	**320,710,000**

Group II — Property interest rented and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 30 April 2012 *RMB*
10.	An industrial building located at No. 122D Hi-Technology Development Zone Wuxi Jiangsu Province the PRC	No commercial value
	Sub-total:	**Nil**
	Total:	**320,710,000**

VALUATION CERTIFICATE

GROUP I — PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2012 *RMB*
1.	A parcel of land 3 buildings and various structures located at Southern Kaitai Avenue Northern Xinrui Road Science City Development District Guangzhou Guangdong Province the PRC	The property comprises a parcel of land with a site area of approximately 25,209 sq.m. and 3 buildings erected thereon which were completed in 2010. The buildings have a total gross floor area of approximately 20,327.3 sq.m. The buildings mainly include industrial buildings, security office and a dormitory. The structures mainly include fence and transformer room. The land use rights of the property have been granted for a term expiring on 10 March 2060 for industrial use.	The property is currently occupied by the Group for industrial and staff quarter purposes.	77,440,000

Notes:

1. Pursuant to a State-Owned Land Use Rights Certificate — Xi Guo Yong Yi (05) Di No. 000026, the land use right of the property with a site area of approximately 25,209 sq.m. have been granted to FMS Guangzhou Electronic Co., Ltd (廣州富美斯電子有限公司) ("FMS Guangzhou"), a wholly-owned subsidiary of the Company, for a term expiring on 10 March 2060 for industrial use.

2. Pursuant to a Building Ownership Certificate — Yue Fang Di Quan Zheng Zi Di No. 0510008008, the property which includes 3 buildings with a total gross floor area of approximately 20,327.3 sq.m. are held by to FMS Guangzhou.

3. Pursuant to a Mortgage Contract of Maximum Amount — 2010 Xiang Mu Di Zi No. 00003, the 3 buildings with a total gross floor area of approximately 20,327.3 sq.m. as mentioned in note 2 are subject to a mortgage in favour of Industrial and Commercial Bank of China Holdings Limited Guangzhou Economic Development Zone Branch, as security to guarantee the principal obligation for a maximum amount of RMB47,500,000 with the security term from 15 April 2010 to 31 December 2013.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. FMS Guangzhou is the sole owner of the property and has right to occupy, use, lease, transfer, and mortgage or otherwise dispose of the property.

   b. Except for the aforesaid mortgage, the property is not subject to any restrictions arising from any other mortgage, sequestration or any third parties rights.

5. Since the property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

(a) General description of location of the property	:	Situated between Xinrui Road and Kaitai Avenue and abutted to the north side of Xinrui Road, Science City of Guangzhou Development District. The site of the property is in rectangular shape and neighbouring buildings consist mainly of low to medium rise industrial blocks. It is accessible to various main roads within the area connecting the property to the downtown area of Guangzhou City.
(b) Details of encumbrances, liens, pledges, mortgages against the property	:	Please see note 3.
(c) Environmental Issue	:	No environmental study is carried out.
(d) Details of investigations, notices, pending litigation, breaches of law or title defects	:	Nil
(e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	Nil

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2012 *RMB*
2.	A parcel of land 4 buildings and various structures located at No. 7 Xijin Road Lot No. 106# - A Development District New District Wuxi Jiangsu Province the PRC	The property comprises a parcel of land with a site area of approximately 40,981.8 sq.m. and 4 buildings erected thereon which were completed in 2003. The buildings have a total gross floor area of approximately 31,368.2 sq.m. The buildings mainly include an industrial buildings and a dormitory. The structures mainly include boundary wall, roads, water tanks and gates. The land use rights of the property have been granted for a term expiring on 14 November 2052 for industrial use.	The property is currently occupied by the Group for industrial and staff quarter purposes.	78,320,000 100% interest attributable to the Group: RMB78,320,000

Notes:

1. Pursuant to a State-Owned Land Use Rights Certificate — Xi Xin Guo Yong (2009) Di No. 108, the land use rights of the property with a site area of approximately 40,981.8 sq.m. have been granted to Jiangsu Fine DNC (江蘇凡潤電子有限公司) for a term expiring on 14 November 2052 for industrial use.

2. Pursuant to 4 Building Ownership Certificates — Xi Fang Quan Zheng Xin Qu Zi Di Nos. XQ1000117504, XQ1000136809, XQ10000136810 and XQ10000170624, the property with a total gross floor area of approximately 31,368.2 sq.m. are held by Jiangsu Fine DNC.

3. Pursuant to a Mortgage Contract of Maximum Amount — Z66XD2011047, a parcel of land with a site area of approximately 40,981.8 sq.m. as mentioned in note 1 and buildings with a total gross floor area of approximately 31,368.2 sq.m. as mentioned in note 2 are subject to a mortgage in favor of Bank of China Limited of Wuxi Branch, as security to guarantee the principal obligation for a maximum amount of RMB65,178,300 with the security term from 13 January 2012 to 12 January 2014.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jiangsu Fine DNC is the sole owner of the property and has right to occupy, use, lease, transfer, and mortgage or otherwise dispose of the property.

   b. Expect for the aforesaid mortgage, the property is not subject to any restrictions arising from any other mortgage, sequestration or any third parties rights.

5. Since the property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

Details of the material property

(a) General description of location of the property	:	At the junction between Xijin Road and Xinmei Road, New District of Development District of Wuxi City. The site of the property is in trapezium shape and neighbouring buildings consist mainly of low to medium rise industrial blocks. It is accessible to various main roads within the area connecting the property to the downtown area of Wuxi City. Moreover, Wuxi Shuofang Airport is located about 2km from the property at the south-eastern side of Wuxi City.
(b) Details of encumbrances, liens, pledges, mortgages against the property	:	Please see note 3.
(c) Environmental Issue	:	No environmental study is carried out.
(d) Details of investigations, notices, pending litigation, breaches of law or title defects	:	Nil
(e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	Nil

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2012 *RMB*
3.	A parcel of land 7 industrial buildings and various structures located at No. 118 Meiyu Road Wuxi Jiangsu Province the PRC	The property comprises a parcel of land with a site area of approximately 65,138.3 sq.m. with 7 industrial buildings and various structures constricted thereon which were completed in 2011. The buildings have a total gross floor area of approximately 46,752.43 sq.m.. The buildings mainly include an industrial building, a staff canteen, two warehouses and two guard houses. The structure mainly include bounderly walls, internal roads and parkspaces. The land use rights of the property have been granted for a term expiring on 7 January 2061 for industrial use.	The property is currently occupied by the Group for industrial purpose.	154,700,000 100% interest attributable to the Group: RMB154,700,000

Notes:

1. Pursuant to a State-Owned Land Use Rights Certificate — Xi Xin Guo Yong (2011) Di No. 1027, the land use right of the property with a site area of approximately 65,138.3 sq.m. have been granted to Jiangsu Fine DNC (江蘇凡潤電子有限公司) for a term expiring on 1 July 2061 for industrial use.

2. Pursuant to 3 Building Ownership Certificates — Xi Fang Quan Zheng Zi Di Nos. XQ1000527888-1, XQ1000527888-2 and XQ1000527888-3, the 7 buildings with a total gross floor area of approximately 46,752.43 sq.m. are held by Jiangsu Fine DNC.

3. Pursuant to a Mortgage Contract of Maximum Amount — CBCWCK2011KFQ002, a parcel of land with a site area of approximately 65138.3 sq.m. as mentioned in notes 1 and the buildings with a total gross floor area of approximately 46,752.43 sq.m. as mentioned in note 2 are subject to a mortgage in favour of China Construction Bank Limited of Wuxi High-tech Industrial Development Zone Sub Branch, as security to guarantee the principal obligation for a maximum amount of RMB100,780,000 with the security term from 28 September 2011 to 30 July 2013.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jiangsu Fine DNC is the sole owner of the property and has right to occupy, use, lease, transfer, and mortgage or otherwise dispose of the property.

5. Since the property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group :

Details of the material property

(a) General description of location of the property	:	At the junction between Chenjia Bay, Meiyu Road and Xidong Avenue, Wuxi City. The site of the property is in rectangular shape and neighbouring buildings consist mainly of low to medium rise industrial blocks. It is accessible to various main roads within the area connecting the property to the downtown area of Wuxi City. Moreover, Wuxi Shuofang Airport is located about 3km from the property at the south-eastern side of Wuxi City.
(b) Details of encumbrances, liens, pledges, mortgages against the property	:	Nil
(c) Environmental Issue	:	No environmental study is carried out.
(d) Details of investigations, notices, pending litigation, breaches of law or title defects	:	Please see note 3.
(e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	Nil

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2012 *RMB*
4.	Unit 501 on Level 5, Block 1 Yichun Apartment No.162 Changjiang North Road Xufeng Village Nanzhan Town New District Wuxi Jiangsu Province the PRC	The property comprises a unit on Level 5 of a 17-storey residential building completed in about 2007. The unit has a gross floor area of approximately 166.44 sq.m. The land use rights of the property have been granted for a term expiring on 19 December 2072 for residential use.	The property is currently occupied by the Group for residential purpose.	1,170,000 100% interest attributable to the Group: RMB1,170,000

Notes:

1. Pursuant to a Building Ownership Certificate — Xi Fang Quan Zheng Xin Qu Zi Di No. 65035647, the property with a gross floor area of approximately 166.44 sq.m. is held by Fine DNC (Wuxi) Ltd. (凡潤電子(無錫)有限公司) now known as Jiangsu DNC (江蘇凡潤電子有限公司).

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jiangsu Fine DNC is the sole owner of the property and has right to occupy, use, lease, transfer, and mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2012 *RMB*
5.	901 on Level 9 Block 7 Yichun Apartment No.162 Changjiang North Road Xufeng Village Nanzhan Town New District Wuxi Jiangsu Province the PRC	The property comprises a unit on Level 9 of a 17-storey residential building completed in about 2007. The unit has a gross floor area of approximately 129.27 sq.m. The land use rights of the property have been granted for a term expiring on 19 December 2072 for residential use.	The property is currently occupied by the Group for residential purpose.	930,000 100% interest attributable to the Group: RMB930,000

Notes:

1. Pursuant to a Building Ownership Certificate — Xi Fang Quan Zheng Xin Qu Zi Di No. 65035648, the property with a gross floor area of approximately 129.27 sq.m. is held by Fine DNC (Wuxi) Co., Ltd. (凡潤電子(無錫)有限公司) now known as Jiangsu Fine DNC (江蘇凡潤電子有限公司).

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jiangsu Fine DNC is the sole owner of the property and has right to occupy, use lease, transfer, and mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2012 *RMB*
6.	Unit 401 on Levels 4, Block 4 Shihui Huayuan No. 99 Suhui Road Suzhou Jiangsu Province the PRC	The property comprises a duplex unit on Levels 4 and 5 of a 25-storey residential building completed in about 2004. The unit has a gross floor area of approximately 171.11 sq.m. The land use rights of the property have been granted for a term expiring on 31 December 2066 for residential use.	The property is currently occupied by the Group for residential purpose.	2,200,000 100% interest attributable to the Group: RMB2,200,000

Notes:

1. Pursuant to a Land Use Rights Certificate — Su Gong Yuan Guo Yong (2009) Di No. 39305, the land use right of the property with an apportioned area of approximately 13.38 sq.m. have been granted to Jiangsu Fine DNC (江蘇凡潤電子股份有限公司) for a term expiring on 31 December 2066 for residential use.

2. Pursuant to a Building Ownership Certificate — Su Fang Quan Zheng Yuan Qu Zi Di No. 00279823, the property with a gross floor area of approximately 171.11 sq.m. is held by Jiangsu Fine DNC.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jiangsu Fine DNC is the sole owner of the property and has right to occupy, use, lease, transfer, and mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2012 *RMB*
7.	Unit 601 on Level 6, Block 30 Tianyu Garden No. 188 Xinghan Street Suzhou Jiangsu Province the PRC	The property comprises a unit on Level 4 of a 25-storey residential building completed in about 2005. The unit has a gross floor area of approximately 187.21 sq.m. The land use rights of the property have been granted for a term expiring on 31 December 2066 for residential use.	The property is currently occupied by the Group for residential purpose.	3,600,000 100% interest attributable to the Group: RMB3,600,000

Notes:

1. Pursuant to a Land Use Rights Certificate — Su Gong Yuan Guo Yong (2009) Di No. 59951, the land use right of the property with an apportioned area of approximately 11.68 sq.m. have been granted to Jiangsu Fine DNC (江蘇凡潤電子股份有限公司) for a term expiring on 31 December 2066 for residential use.

2. Pursuant to a Building Ownership Certificate — Su Fang Quan Zheng Yuan Qu Zi Di No. 00300633, the property with a gross floor area of approximately 171.11 sq.m. is held by Jiangsu Fine DNC.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jiangsu Fine DNC is the sole owner of the property and has right to occupy, use lease, transfer, and mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2012 *RMB*
8.	Unit 1903 on Level 19 Block 73 Wankejiayuan Wuxi Jiangsu Province the PRC	The property comprises a unit on Level 19 of a 31-storey residential building completed in about 2008. The unit has a gross floor area of approximately 141.15 sq.m. The land use rights of the property have been granted for a term expiring on 21 August 2076 for residential use.	The property is currently occupied by the Group for residential purpose.	1,170,000 100% interest attributable to the Group: RMB1,170,000

Notes:

1. Pursuant to a Land Use Rights Certificate — Xi Gong Yuan Guo Yong (2010) Di No. 06003603, the land use right of the property with an apportioned area of approximately 4.6 sq.m. have been granted to Jiangsu Fine DNC (江蘇凡潤電子股份有限公司) for a term expiring on 21 August 2076 for residential use.

2. Pursuant to a Building Ownership Certificate — Xi Fang Quan Zheng Xin Qu Zi Di No. XQ1000267416, the property with a gross floor area of approximately 141.15 sq.m. is held by Jiangsu Fine DNC.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Jiangsu Fine DNC is the sole owner of the property and has right to occupy, use lease, transfer, and mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2012 *RMB*
9.	Unit 2103 on Level 21 Block 73 Wankejiayuan Wuxi Jiangsu Province the PRC	The property comprises a unit on Level 21 of a 31-storey residential building completed in about 2008. The unit has a gross floor area of approximately 141.15 sq.m. The land use rights of the property have been granted for a term expiring on 21 August 2076 for residential use.	The property is currently occupied by the Group for residential purpose.	1,180,000 100% interest attributable to the Group: RMB1,180,000

Notes:

1. Pursuant to a Land Use Rights Certificate — Xi Gong Yuan Guo Yong (2010) Di No. 06003604, the land use right of the property with an apportioned area of approximately 4.6 sq.m. have been granted to Jiangsu Fine DNC (江蘇凡潤電子股份有限公司) for a term expiring on 21 August 2076 for residential use.

2. Pursuant to a Building Ownership Certificate — Xi Fang Quan Zheng Xin Qu Zi Di No. XQ100026744, the property with a gross floor area of approximately 141.15 sq.m. is held by Jiangsu Fine DNC.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jiangsu Fine DNC is the sole owner of the property and has right to occupy, use lease, transfer, and mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

GROUP II — PROPERTY INTEREST RENTED AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2012 *RMB*
10.	An industrial building located at No. 122D Hi-Technology Development Zone Wuxi Jiangsu Province the PRC	The property comprises a 3-storey industrial building completed in about 2006. The property has a total gross floor area of approximately 8,600 sq.m. Pursuant to a Tenancy Agreement made between Jiangsu Fine DNC (江蘇凡潤電子股份有限公司) a wholly-owned subsidiary of the Company, as Lessee and Wanli Technology (Wuxi) Limited (萬立科技(無錫)有限公司), as Lessor and independent party, the property is leased by the Group for a term of 2 years commencing from 20 July 2010 and expiring on 19 July 2012 at rental of RMB111,800 per month exclusive of other outgoing expenses.	The property is currently occupied by the Group for industrial purpose.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Lessor is the legal owner and has right to lease out the property. Both parties signed the Tenancy Agreement is valid, legally binding and enforceable in accordance with PRC Laws.

Introduction

This Appendix V contains a summary of the Articles of Association. The principal objective is to provide potential investors with an overview of the Articles of Association. Given that the information contained below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed "Documents Available for Inspection" in Appendix VII — "Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, a copy of the Articles is available for inspection.

The Articles of Association were adopted on 24 June 2012. The following is a summary of certain provisions of the Articles. The powers conferred or permitted by the Articles are subject to the provisions of the Companies Ordinance, subsidiary legislation and the Listing Rules.

Change in capital

Our Company may exercise any powers conferred or permitted by the Companies Ordinance or any other ordinance, from time to time, to purchase or otherwise acquire its own shares and warrants (including any redeemable shares) at any price or to give, directly or indirectly, by means of a loan, guarantee, the provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any shares or warrants in our Company. Should our Company purchase or otherwise acquire its own shares or warrants, neither our Company nor the Board will be required to select the shares or warrants to be purchased or otherwise acquired rateably or in any other particular manner as between the holders of shares or warrants of the same class or as between them and the holders of shares or warrants of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares, provided always that, (i) purchases not made through the stock market or by tender shall be limited to a maximum price; and (ii) if purchases are by tender, tenders shall be available to all members of our Company alike.

In a general meeting our Company may, from time to time by ordinary resolution increase its authorised share capital by the creation of new shares. Such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution prescribes.

Our Company may from time to time by ordinary resolution:

(i) consolidate or divide all or any of its share capital into shares of a larger or smaller amount than its existing shares;

(ii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;

(iii) make provision for the issue and allotment of shares which do not carry any voting rights;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Ordinance; and

(v) divide its shares into different classes of shares, and attach to them any preferential, deferred, qualified or special rights, privileges or conditions, subject to the provisions of the Companies Ordinance.

Our Company may from time to time by special resolution reduce its share capital and any capital redemption reserve fund or any share premium account in any manner authorised and subject to any conditions prescribed by law.

Modification of rights

All or any of the special rights (unless otherwise provided for by the terms of issue of the Share) attached to the shares or any class of shares (if the capital is divided into different classes of shares) may, at any time, subject to the provisions of the Companies Ordinance, be altered or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares or issued shares of that class (if the capital is divided into different classes of shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares or at a separate general meeting of the holders of shares of that class (if the capital is divided into different classes of shares). The provisions of the Articles relating to general meetings shall apply mutatis mutandis to every such separate general meeting, but so that the necessary quorum is not less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class.

Transfers of shares

The instrument of transfer of any shares in our Company shall be effected in writing in the usual common form or in the form prescribed by the Stock Exchange or in such other form as the Board may accept and may be under hand only or, if the transferor or the transferee is a recognised clearing house within the meaning of the SFO or its nominee(s), by hand or by machine imprinted signature or such other manner of execution as the Board may approve from time to time. The instrument of transfer of any share must be executed by or on behalf of the transferor and transferee. The transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All instruments of transfer must be lodged at the registered office of our Company or at such other place as the Board may appoint.

The Board may, subject to section 69 of the Companies Ordinance at any time, in its absolute discretion and without assigning any reason, decline to register a transfer of any share (not being a fully paid-up share). The Board may also decline to register any instrument of transfer unless:

(i) a fee not exceeding the maximum fee prescribed or permitted from time to time by the Stock Exchange is paid to our Company in respect thereof;

(ii) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

(iii) the instrument of transfer is in respect of only one class of share;

(iv) the shares concerned are free of any lien in favour of our Company;

(v) the instrument of transfer is properly stamped;

(vi) in the case of a transfer to joint holders, the number of transferees does not exceed four; or

(vii) such other conditions as our Directors may from time to time impose for the purpose of guarding against losses arising from forgery are satisfied.

No transfer of shares (not being a fully paid up share) shall be made to an infant or to a person of unsound mind or under other legal disability.

General meeting

Our Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The annual general meeting shall be held at such time (within a period of not more than fifteen months, or such longer period as the Registrar of Companies may authorise in writing, after the holding of the last preceding annual general meeting) and place as may be determined by our Directors. All other general meetings shall be called extraordinary general meetings. Our Directors may wherever they think fit, and shall on requisition in accordance with the Companies Ordinance, proceed to convene an extraordinary general meeting.

Subject to section 116C of the Companies Ordinance, an annual general meeting and a meeting called for the passing of a special resolution shall be called by not less than twenty-one clear days' notice in writing, and any other general meeting shall be called by not less than fourteen clear days' notice in writing. The notice shall specify the place, date and time of meeting, and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. There shall appear on every such notice with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a member of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that specified in the Articles of Association or required by the Companies Ordinance, it shall be deemed to have been duly called if it is so agreed (a) in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and (b) in the case of any other meeting, by a majority in number of the members having the right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

The accidental omission to give notice of a meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send such instrument of proxy to, or the non-receipt of notice of a meeting or such instrument of proxy by, any person entitled to receive such notice shall not invalidate the proceedings at that meeting.

Voting at general meetings

Subject to the Articles of Association and any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a representative duly authorised under section 115 of the Companies Ordinance at any general meeting shall have one vote for every fully paid-up share of which he is the holder but so that no amount paid up or credited as paid up on a shares in advance of calls or instalments is treated for the foregoing purposes as paid up on the share.

A resolution put to vote of a meeting shall be decided by way of poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

For purposes of the Articles, procedural and administrative matters are those that (i) are not on the agenda of the general meeting or in any supplementary circular that may be issued by the Company to its members; and (ii) relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all members a reasonable opportunity to express their views.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

Proceedings at general meetings

Where a show of hands is allowed before or on the declaration of the result of the show of hands a poll may be demanded by:

(a) at least three members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(b) any member or members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or

(c) any member or members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in our Company conferring a right to attend and vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member.

Borrowing powers

The Board may from time to time in its discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company or of any third party and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Board may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and, in particular by the issue of debentures, debenture stock, bonds or other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Directors' appointment, removal and retirement

At each annual general meeting, one third of our Directors for the time being, or, if their number is not three or a multiple of three, then the number of Directors nearest to but not greater than one third of the total number of Directors, shall retire from office by rotation.

Our Directors to retire in every year shall be those who have been longest in office since their last election. As between persons who become Directors on the same day, our Directors to retire shall be (unless otherwise agreed amongst themselves) in order by which such Directors were appointed on the day of their last election. There are no provisions relating to retirement of Directors upon reaching any age limit.

Our Company may, from time to time, by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board. Our Directors shall have power, exercisable at any time and from time to time, to appoint any other person as a Director, either to fill a casual vacancy or as an addition to the Board but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time (if any) by the shareholders in general meeting and any directors so appointed shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election, but shall not be taken into account in determining our Directors or the number of Directors who are to retire by rotation at each annual general meeting. A Director is not required to hold any shares in our Company by way of qualification.

Our Company may by ordinary resolution remove any Director notwithstanding anything in the articles of association or in any agreement between him and our Company (but without prejudice to any right of damages for termination), and may, if thought fit, by ordinary resolution appoint another person in his stead. Unless and until otherwise determined by any ordinary resolution of our Company, the number of directors shall not be fewer than three, and there shall be no maximum number of Directors.

The office of a Director shall be vacated if:

(a) he becomes prohibited by law or court order from being a Director;

(b) he becomes bankrupt or a receiving order is made against him or he makes any arrangement or composition with his creditors;

(c) he becomes of unsound mind;

(d) he absents himself from the meetings of the Board (unless his alternate Director attends in his stead) for a continuous period of six months, without special leave of absence from the Board, and the Board passes a resolution that he has by reason of such absence vacated his office;

(e) he shall be removed from office by notice in writing served upon him signed by all his co-directors;

(f) he resigns his office;

(g) he is removed by an ordinary resolution of our Company; or

(h) he is convicted of an indictable offence.

Directors' remuneration

Our Directors are entitled to be paid out of the funds of our Company by way of fees for their services as Directors such sums (if any) as our Directors may from time to time determine (not exceeding in aggregate an annual sum excluding amounts payable under the Articles of Association as our Company may by ordinary resolution determine). Such sum (unless otherwise directed by the resolution) is to be divided amongst our Directors as they shall agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only receive such sum in proportion to the time for which he has held office. Our Directors are also entitled to be repaid their reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of our Company or on the discharge of their duties as Directors. The Board may grant extra remuneration (by way of salary, percentage of profits or otherwise) to any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of our Company or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director.

Directors' interests

If a Director or any of his associates is in any way, whether directly or indirectly, interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with our Company, the Director shall declare the nature of his interest or the interest of any of his associates at the earliest meeting of the Board at which it is practicable for him so to do notwithstanding that the question of entering into the contract, transaction or arrangement is not taken into consideration at that meeting.

Subject to the Companies Ordinance, no Director or intended Director shall be disqualified by his office from contracting with our Company. Nor shall any such contract or arrangement entered into by or on behalf of our Company with any Director or any firm or company in which any Director is in any way interested be liable to be avoided, nor any Director so contracting or being so interested be liable to account to our Company for any remuneration, profit or other benefits realised by any such contract or arrangement by reason only of such Director holding that office or of the fiduciary relationship thereby established. This is provided that such Director shall disclose the nature of his interest in any contract or arrangement in which he is interested at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote or be counted in the quorum present at the meeting on any resolution of the Board approving any contract or arrangement or proposal in which he or any of his associate(s) is/are to his/their knowledge materially interested, and if he does so his vote will not be counted or be counted in the quorum for that resolution. This prohibition does not apply to:

(i) any contract or arrangement for the giving of any security or indemnity either (a) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of our subsidiaries, or (b) to a third party in respect of a debt or obligation of our Company or any of our subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which our Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iii) any proposal or arrangement concerning the benefit of employees of our Company or its subsidiaries including (a) the adoption, modification or operation of any employees' incentive scheme involving the issue or grant of options over shares or other securities, or the conditional right to obtain shares or other securities, by our Company to, or for the benefit of, the employees of our Company or its subsidiaries, under which the Director or his associate(s) may benefit, or (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associate(s) and employees of our Company or any of our subsidiaries and does not provide in respect of any Director or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to whom such scheme or fund relates; or

(iv) any contract or arrangement in which the director or any of his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

A Director may hold any other office or place of profit under our Company (other than the office of auditor) and he or any firm of which he is a member may act in a professional capacity for the Company in conjunction with his office of Director for such period and upon such terms (as to remuneration or otherwise), as the Board may determine.

A Director may continue to be or become a director or other officer or member of, any other company in which our Company may be interested, and (unless otherwise agreed) shall not be liable to account to our Company for any remuneration or other benefits received by him as a director or any officer or member of such other company. The Board may also exercise the voting power conferred by the shares in any other company held or owned by our Company or exercisable by it as directors of such other company in such manner in all respects as it thinks fit. This includes the exercise thereof in favour of any resolution appointing any of the Directors to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director of our Company may be or become a director of any company promoted by the Company or in which it may be interested as a vendor, shareholder or otherwise and no such Director will be accountable for any benefits received as a director or member of such company.

Dividends

Our Company may by ordinary resolution declare dividends but no such dividend shall exceed the amount recommended by our Directors.

No dividend shall be payable except out of the profits or other distributable reserves of the Company. No dividend shall bear interest as against our Company.

Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid up on the shares in respect whereof the dividend is paid, but no amount paid up or credited as paid up on a share in advance of calls will for this purpose be treated as paid up on the share.

The Board may retain any dividend or other monies payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts and liabilities in respect of which the lien exists. The Board may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to our Company an account of calls, instalments or otherwise.

The Board may, if they think fit, from time to time, resolve to pay to the members such interim dividends as appear to our Directors to be justified by the reserves of our Company. The Board shall declare such dividend on all shares ranking pari passu in a single currency (which may be any currency) even if such shares are denominated in different currencies. Our Directors may also resolve to pay at half-yearly or at other suitable intervals to be settled by them any dividend which may be payable at a fixed rate if they are of the opinion that the reserves of our Company justify the payment.

In respect of any dividend which the Board or our Company in general meeting have resolved be paid or declared or sanctioned or proposed to be declared or sanctioned or proposed to be declared, the Board may further resolve either (a) that shareholders entitled thereto will receive in lieu of such dividend (or such part thereof as the Board may think fit) an allotment of shares credited as fully paid up on the basis that the shares so allotted shall be of the same class or classes as the class or classes already held by the allottee, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend shall be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Directors may think fit on the basis that the shares so allotted shall be of the same class or classes as the class or classes of shares already held by the allottee. Our Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Our Directors may distribute in specie or in kind among the members in satisfaction in whole or in part of any dividend any of the assets of our Company, including shares or securities of other companies to which our Company is entitled and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue fractional certificates, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend and such appointment shall be effective.

All dividends unclaimed for one year after having become payable may be invested or otherwise made use of by the Board for the benefit of our Company until claimed.

Our Company will not be constituted as a trustee in respect thereof. All dividends unclaimed for six years after having become payable may be forfeited by the Board and will revert to our Company.

Winding up

Subject to the rights of the holders of any shares which may be issued on special terms or conditions, if our Company shall be wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid-up capital, they shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid upon on the shares held by them respectively.

If our Company shall be wound up, the liquidator (whether voluntary or official) may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of our Company or vest any part of the assets of our Company in trustees upon such trusts for the benefit of the members or any of them as the resolution shall provide. Any such resolution may provide for and sanction a distribution of any specific assets amongst different classes of members otherwise than in accordance with their existing rights, but each member shall in that event have a right of dissent and other ancillary rights in the same manner as if such resolution were a special resolution passed pursuant to section 237 of the Companies Ordinance.

In the event of a winding-up of our Company in Hong Kong, every member of our Company who is not for the time being in Hong Kong shall be bound, within fourteen days after the passing of an effective resolution to wind up our Company voluntarily, or within the like period after the making of an order for the winding up of our Company, to serve notice in writing on our Company appointing some person resident in Hong Kong upon whom all summonses, notices, processes, orders and judgements in relation to or under the winding up of our Company may be served and, in default of such nomination, the liquidator of our Company shall be at liberty on behalf of such member to appoint some such person, and service upon any such appointee shall be deemed to be a good personal service on such member for all purposes, and where the liquidator makes any such appointment he shall, with all convenient speed, give notice thereof to such member by advertising in such English language daily newspaper circulating in Hong Kong as he shall deem appropriate or by a registered letter sent through the post and addressed to such member at his address as appearing in the Register, and such notice shall be deemed to be served on the day on which the advertisement appears or the letter is posted.

Untraceable shareholders

Without prejudice to the rights of our Company, our Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.

Our Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a shareholder who is untraceable, but no such sale shall be made unless:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Articles of our Company have remained uncashed;

(ii) so far as it is aware at the end of the relevant period, our Company has not at any time, during the relevant period received any indication of the existence of the shareholder who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law;

(iii) our Company has caused an advertisement to be inserted in English in one English language daily newspaper and in Chinese in one Chinese language daily newspaper advertising its intention to sell such shares and a period of three months has elapsed since the date of such advertisement; and

(iv) our Company has notified the Stock Exchange in the relevant territory of its intention to effect such sale.

For the purpose of the foregoing, "relevant period" means the period commencing twelve years before the date of publication of the advertisement referred to in paragraph (ii) above and ending at the expiry of the period referred to in that paragraph.

To give effect to any such sale, the Board may authorise any person to transfer the said shares and the instrument of transfer signed or otherwise executed by or on behalf of such person shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to our Company and, upon receipt by the Company of such proceeds, it shall become indebted to the former shareholder by carrying all moneys in respect thereof to a separate account for an amount equal to such net proceeds. No trusts shall be created in respect of such debt and no interest shall be payable in respect of it and our Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of our Company or as it thinks fit.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in Hong Kong under the Companies Ordinance with limited liability on 2 June 2011. The registered office of our Company as at the date of this prospectus is situated at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

As our Company was incorporated in Hong Kong, it operates subject to the Companies Ordinance and to our constitution which comprises a memorandum and articles of association. A summary of certain relevant parts of our constitution is set out in Appendix V to this prospectus.

2. Changes in share capital of our Company

As at the date of our Company's incorporation, our authorised share capital was HK$10,000 divided into 10,000 shares of HK$1.00 each. The following sets out the changes in the share capital since the date of our Company's incorporation:

(a) On 2 June 2011, one share of HK$1.00 was allotted and issued to Infinity as subscriber.

(b) On 28 November 2011, we sub-divided our shares from one share of HK$1.00 into 10 Shares of HK$0.10 each.

(c) On 28 November 2011, our authorised share capital was increased from HK$10,000 divided into 100,000 Shares to HK$300,000,000 divided into 3,000,000,000 Shares.

(d) On 4 February 2012, we allotted and issued 99,990 Shares as set out in the section headed "History, Reorganisation and Group Structure" of this prospectus.

Immediately following completion of the Global Offering and the Capitalisation Issue, but taking no account of any Shares which may fall to be issued upon the exercise of any options which may be granted under the Share Option Scheme and the Over-allotment Option, our authorised share capital will be HK$300,000,000 divided into 3,000,000,000 Shares and our issued share capital will be HK$100,000,000 divided into 1,000,000,000 Shares, all fully paid or credited as fully paid, and 2,000,000,000 Shares will remain unissued. Other than pursuant to the exercise of any option which may be granted under the Share Option Scheme and the Over-allotment Option and pursuant to the general mandate to issue Shares as referred to in the paragraph headed "Written resolutions passed by all the Shareholders on 24 June 2012", 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 our Company.

Except as described in this Appendix VI and the section headed "History, Reorganisation and Group Structure" of this prospectus, there have been no changes in the share capital of our Company since its incorporation.

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

Further information on our subsidiaries is set forth in the Accountants' Report as set out in Appendix I to this prospectus.

Save as set forth in this paragraph and the section headed "History, Reorganisation and Group Structure" in this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

4. Written resolutions passed by all the Shareholders on 24 June 2012

By resolutions approved in writing by all the Shareholders on 24 June 2012, the followings were, among other things, resolved:

(a) our Company approved and adopted the Articles of Association, the terms of which are summarized in the section headed "Summary of the Constitution of our Company" in Appendix V of this prospectus;

(b) that conditional on (i) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares which may be issued pursuant to the Over-allotment Option or options which may be granted under the Share Option Scheme); (ii) the Offer Price has been determined by the Company (for itself and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) by entering the Price Determination Agreement by the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise:

  (i) the Global Offering was approved and our Directors were unconditionally authorised to effect the same and to allot and issue, New Shares pursuant to the Global Offering;

  (ii) the Over-allotment Option was approved and our Directors were authorised to effect the Over-allotment Option and to allot and issue the Shares which may be required to be issued if the Over-allotment Option is exercised;

  (iii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme, and to take all such actions as may be necessary and/or desirable to implement and give effect to the Share Option Scheme; and

(iv) conditional on the share premium account of our Company being credited as a result of the issue of the Shares by our Company pursuant to the Global Offering, our Directors were authorised to capitalize the amount of up to of HK$74,990,000 standing to the credit of the share premium account of our Company by applying such sum in paying in full at par 749,900,000 Shares for allotment and issue to the Shareholders whose names appeared on the register of members of our Company as of close of business on 8 June 2012 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their existing shareholdings in our Company so that the Shares to be allotted and issued pursuant to the authority shall rank pari passu in all respects (save and except the Capitalisation Issue) with the existing Shares in issue but no Shareholder shall be entitled to be allotted or issued any fraction of Share and our Directors were authorised to give effect to such appropriation, capitalisation and distribution, and to do all such things and sign all such documents thereof;

(c) a general unconditional mandate was given to our Directors to exercise all the power of our Company to allot, issue and deal with Shares and to make and grant offers, agreements and options which would or might require Shares to be allotted and issued (otherwise than by way of rights issue, script dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, an issue of Shares upon the exercise of the Over-allotment Option, an issue of Shares upon the exercise of the subscription rights under the Share Option Scheme or other similar arrangement or pursuant to specific authority granted by the Shareholders in general meeting) with an aggregate nominal amount of not more than 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares that may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme);

(d) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase its Shares on the Stock Exchange or any other approved stock exchange on which the Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares shall not exceed 10% of the aggregate nominal amount of the issued share capital of our Company immediately following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme); and

(e) the general unconditional mandate as mentioned in paragraph (c) above was extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above.

Each of the general mandates referred to in paragraphs (c), (d) and (e) above will remain in effect until the earliest of (aa) the conclusion of the next annual general meeting of our Company; (bb) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or (cc) 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 our Group underwent a reorganisation to rationalize our Group's structure in preparation for the Listing, pursuant to which our Company became the holding company of our Group. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Group Structure" in this prospectus.

6. Repurchases by our Company of our own securities

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

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

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

(i) *Shareholders' Approval*

All proposed repurchases of securities 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.

Note: Pursuant to the resolutions in writing passed by all the Shareholders on 24 June 2012, a general unconditional mandate ("Repurchase Mandate") were given to our Directors to repurchase up to 10% of the aggregate nominal value of the issued share capital of our 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 and any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme) on the Stock Exchange or on any other approved stock exchange on which the Shares may be listed and recognized 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 general meeting of our Company, (ii) the expiration of the period within which our Company's next annual 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 an ordinary resolution of the Shareholders in a general meeting.

(ii) *Source of Funds*

Repurchase must be made out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws of Hong Kong. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than 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***

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have general authority 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 when our Directors believe that such repurchases will benefit our Company and its Shareholders.

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

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

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

The exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 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 and any options which may be granted under the Share Option Scheme), could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the course of the period prior to the earliest of (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by the applicable laws and the Articles of Association to be held; or (iii) the revocation or variation by an ordinary resolution of the Shareholders in a general meeting.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which, in the opinion of our Directors, are from time to time appropriate for our Company. However, there might be a material adverse impact on the working capital requirement of our Company in the event that the Repurchase Mandate is exercised in full.

(e) ***General***

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates has any present intention to sell any of the 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, the Articles of Association and the applicable laws of Hong Kong.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. At present, our 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.

We have not made any repurchases of our own securities in the past six months.

No Connected Person has notified our Company that he/she/it has a present intention to sell his/her/its Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

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

(a) an equity interests transfer agreement dated 1 July 2011 and entered into between (i) our Company and (ii) Infinity Partners Limited whereby Infinity Partners Limited agreed to transfer 78.3290% of its equity interests in 江蘇凡潤電子股份有限公司 (Jiangsu Fine DNC Co., Ltd.) to our Company at a consideration of RMB369,302,478;

(b) an equity interests transfer agreement dated 20 July 2011 and entered into between (i) our Company, (ii) China Bay International Limited, (iii) Fine & Pacific Holdings Limited, (iv) Chang-Han Cooperation Fund L.P., (v) Asia Orchid Venture Fund I, (vi) 無錫凡創貿易有限公司 (Wuxi Fanchuang Trading Co., Ltd.), (vii) 無錫合氣貿易有限公司 (Wuxi Heqi Trading Co., Ltd.), and (viii) 江蘇鷹能創業投資有限公司 (Jiangsu Eagle Power Investment Co., Ltd.) ((ii) to (viii) together, the "Investors") whereby the Investors, together agreed to transfer 18.2714% of their respective equity interests in 江蘇凡潤電子股份有限公司 (Jiangsu Fine DNC Co., Ltd.) to our Company at a total consideration of RMB86,145,275.64;

(c) an agreement dated 20 July 2011 and entered into between (i) our Company, (ii) 香港鑫蘇有限公司 (Hong Kong Xin Su Limited), (iii) Chang-Han Cooperation Fund L.P., (iv) Asia Orchid Venture Fund I, (v) Infinity Partners Limited, (vi) Fine DNC. Co., Ltd, (vii) Fine Technix Co., Ltd., and (viii) 江蘇凡潤電子股份有限公司 (Jiangsu Fine DNC Co., Ltd.) whereby, among other things, (i) Infinity Partners Limited agreed to subscribe for 1.6975% interests in our Company at a consideration of RMB8,790,500 (subject to adjustment against the result of the relevant tender, auction, listing-for-sale process); (ii) Hong Kong Xin Su Limited agreed to subscribe for 3.4042% interests in our Company at a consideration of RMB16,049,987.82 (subject to adjustment against the relevant tender, auction, listing-for-sale process); and (iii) our Company agreed to allot and issue 7.2310% and 2.9874% interests of our Company to Chang-Han Cooperation Fund L.P. and Asia Orchid Venture Fund I respectively in consideration for the transfer of their equity interests in 江蘇凡潤電子股份有限公司 (Jiangsu Fine DNC Co., Ltd.) to our Company under the equity interests transfer agreement referred to in paragraph (b) above;

(d) an equity interests transfer agreement dated 20 July 2011 (the "FMS Transfer Agreement") and entered into between (i) our Company and (ii) FMS Co., Ltd. (FMS 株式會社) whereby FMS Co., Ltd. agreed to transfer 100% of its equity interests in 富美斯(廣州)電子有限公司 (FMS (Guangzhou) Electronics Co., Ltd.) to our Company at a consideration of US$7,500,000;

(e) a loan agreement dated 28 September 2011 (the "CCBC Loan Agreement") and entered into between (i) 江蘇凡潤電子股份有限公司 (Jiangsu Fine DNC Co., Ltd.) and (ii) 中國建設銀行股份有限公司無錫開發區支行 (China Construction Bank Corporation Wuxi Development Zone Sub-branch) whereby 中國建設銀行股份有限公司無錫開發區支行 (China Construction Bank Corporation Wuxi Development Zone Sub-branch) agreed to make available to 江蘇凡潤電子股份有限公司 (Jiangsu Fine DNC Co., Ltd.) a loan of US$15,000,000;

(f) an equity interests transfer agreement dated 24 November 2011 and entered into between (i) our Company and (ii) 江蘇高科技投資集團有限公司 (Jiangsu Hightech Investment Group Limited) whereby Jiangsu Hightech Investment Group Limited agreed to transfer its 1.7021% equity interests in 江蘇凡潤電子股份有限公司 (Jiangsu Fine DNC Co., Ltd.) to our Company at a consideration of RMB8,814,300;

(g) a loan agreement dated 5 January 2012 and entered into between (i) 江蘇凡潤電子股份有限公司 (Jiangsu Fine DNC Co., Ltd.) and (ii) 中信銀行股份有限公司無錫分行 (China CITIC Bank Corporation Limited Wuxi Branch) whereby 中信銀行股份有限公司無錫分行 (China CITIC Bank Corporation Limited Wuxi Branch) agreed to make available to 江蘇凡潤電子股份有限公司 (Jiangsu Fine DNC Co., Ltd.) a loan of US$5,060,000;

(h) an agreement dated 10 January 2012 and entered into between (i) our Company and (ii) 北京首創建設有限公司 (Beijing Shouchuang Construction Co. Ltd.) whereby Beijing Shouchuang Construction Co. Ltd. agreed to transfer its 1.6975% equity interests in 江蘇凡潤電子股份有限公司 (Jiangsu Fine DNC Co., Ltd.) to our Company at a consideration of RMB8,800,000;

(i) a loan agreement dated 19 January 2012 (the "BOC Loan Agreement") and entered into between (i) 江蘇凡潤電子股份有限公司 (Jiangsu Fine DNC Co., Ltd.) and (ii) 中國銀行股份有限公司無錫分行 (Bank of China Limited Wuxi Branch) whereby 中國銀行股份有限公司無錫分行 (Bank of China Limited Wuxi Branch) agreed to make available to 江蘇凡潤電子股份有限公司 (Jiangsu Fine DNC Co., Ltd.) a loan of US$10,000,000;

(j) a subscription agreement dated 31 January 2012 and entered into between (i) Fine & Pacific Holdings Limited and (ii) our Company whereby Fine & Pacific Holdings Limited agreed to subscribe for 466 ordinary shares of our Company at a consideration of RMB2,195,663.98;

(k) a supplemental agreement dated 5 June 2012 and entered into between (i) 江蘇凡潤電子有限公司 (Jiangsu Fine DNC) (formerly known as 江蘇凡潤電子股份有限公司 (Jiangsu Fine DNC Co., Ltd.)) and (ii) 中國建設銀行股份有限公司無錫開發區支行 (China Construction Bank Corporation Wuxi Development Zone Sub-branch) to supplement the CCBC Loan Agreement whereby 中國建設銀行股份有限公司無錫開發區支行 (China Construction Bank Corporation Wuxi Development Zone Sub-branch) and 江蘇凡潤電子有限公司 (Jiangsu Fine DNC) agreed to extend the date of the repayment of the loan;

(l) a supplemental agreement dated 14 June 2012 and entered into between (i) 江蘇凡潤電子有限公司 (Jiangsu Fine DNC) and (ii) 中國銀行股份有限公司無錫分行 (Bank of China Limited Wuxi Branch) to supplement the BOC Loan Agreement whereby 江蘇凡潤電子有限公司(Jiangsu Fine DNC) and 中國銀行股份有限公司無錫分行 (Bank of China Limited Wuxi Branch) agreed to revise the repayment amounts in different schedules;

(m) a supplemental agreement dated 15 June 2012 and entered into between (i) our Company and (ii) FMS Co., Ltd. to supplement the FMS Transfer Agreement whereby FMS Co., Ltd. and our Company agreed to amend the date of payment of the remaining balance of the consideration;

(n) a deed of indemnity dated 20 June 2012 and entered into between (i) Hong Sung Chun, (ii) Infinity Partners Limited, (iii) Fine DNC. Co., Ltd and (iv) Fine Technix Co., Ltd., in favour of our Company for itself and as trustee for our subsidiaries in connection with certain estate duty and tax indemnities; and

(o) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

(a) *Patents*

As of the Latest Practicable Date, our Group had registered the following patents in the PRC:

	Title of Invention	Type	Patent owner	Patent Number	Date of Application	Effective period
1.	液晶顯示器模組殼體 (Module case for LCD display panel*)	Utility Model	Jiangsu Fine DNC	ZL 2007 2 0074301.4	31 August 2007	31 August 2007 to 30 August 2017
2.	液晶顯示器模組殼體 (Module case for LCD display panel*)	Utility Model	Jiangsu Fine DNC	ZL 2007 2 0074302.9	31 August 2007	31 August 2007 to 30 August 2017
3.	LCD控制板底座 (LCD control base panel*)	Utility Model	Jiangsu Fine DNC	ZL 2007 2 0074303.3	31 August 2007	31 August 2007 to 30 August 2017
4.	一種LCD顯示器模組殼體加工方法 (One type of processing method for LCD display panel module case*)	Patent of Invention	Jiangsu Fine DNC	ZL 2010 1 0250153.3	11 August 2010	11 August 2010 to 10 August 2030
5.	LCD背板一體式螺紋孔 (Integrated type thread hole for LCD backplane*)	Utility Model	Jiangsu Fine DNC	ZL 2011 2 0103531.5	11 April 2011	11 April 2011 to 10 April 2021
6.	LCD面板外框的去毛刺衝壓模具 (Deburring stamping die for LCD panel frame*)	Utility Model	Jiangsu Fine DNC	ZL 2011 2 0102657.0	11 April 2011	11 April 2011 to 10 April 2021
7.	LED 顯示器的背板發光組件 (Light-emitting components on backplane of LED display panel*)	Utility Model	Jiangsu Fine DNC	ZL 2011 2 0103524.5	11 April 2011	11 April 2011 to 10 April 2021

As of the Latest Practicable Date, our Group had applied for the registration of the following patents in the PRC, but registration of which has not been granted:

	Title of Invention	Applicant	Type	Date of Application	Application Number
1.	LCD模組殼體外框的製造模具及製造方法 (Mould production and production methods for LCD module case frame*)	Jiangsu Fine DNC	Patent of Invention	23 July 2010	201010235015.8
2.	一種LED顯示器的背板發光組件 (One type of light-emitting components on backplane of LED display panel*)	Jiangsu Fine DNC	Utility Model	29 December 2011	201120563011.2
3.	一種製造LED顯示器背板的連續模 (One type of production of continuous mould for backplane of LED display panel*)	Jiangsu Fine DNC	Utility Model	29 December 2011	201120561936.3
4.	一種LED顯示器背板的連續模製造方法 (One type of continuous production method for backplane of LED display panel*)	Jiangsu Fine DNC	Patent of Invention	29 December 2011	201110449552.7
5.	一種LED顯示器的背板發光元件的加工、組裝方法 (One type of processing and assembling method for light-emitting components on backplane of LED display panel*)	Jiangsu Fine DNC	Patent of Invention	29 December 2011	201110450049.3
6.	LED顯示器背板發光元件板的加工方法 (Processing method for light-emitting components on backplane of LED display panel*)	Jiangsu Fine DNC	Patent of Invention	31 December 2011	201110458768.X
7.	LED顯示器背板發光組件板的衝壓模具 (Stamping die for light-emitting components on backplane of LED display panel*)	Jiangsu Fine DNC	Utility Model	31 December 2011	201120572755.0

(b) ***Domain name***

As of the Latest Practicable Date, we had registered the following domain name:

Domain name	Registrant	Date of Registration	Expiry Date
fineholdings.hk	Jiangsu Fine DNC	22 July 2011	22 July 2012

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.

C. DISCLOSURE OF INTERESTS

1. Interests and short positions of our Directors and chief executives in the Shares, underlying shares and debentures of our Company and our 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 our Directors and 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 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 Issuers contained in the Listing Rules, to be notified to our Company and the Stock Exchange (all of the aforesaid being "Discloseable Interests") will be as follows:

Long position in Shares

Name of Director	Capacity	Total Number of Shares	Approximate percentage of issued Shares
Mr. Hong*(Notes 1 and 2)*	Interest of a controlled corporation	631,005,000	63.10%
Mr. Park Ilmo*(Note 3)*	Interest of a controlled corporation	16,830,000	1.683%

Notes:

1. As at the Latest Practicable Date, Mr. Hong was interested in approximately 21.71% and 34.02% in Fine DNC Korea and Fine Technix, respectively. Mr. Hong's brother, Mr. Hong Sung So, is interested in approximately 0.02% and 0.02% of the issued share capital of Fine DNC Korea and Fine Technix, respectively. Fine DNC Korea owns approximately 4.59% in Fine Technix. Fine DNC Korea and Fine Technix holds 49% and 51% interests in Infinity, respectively. Mr. Hong is the sole director of Infinity.

2. As at the Latest Practicable Date, Mr. Hong, Mr. Hong's wife, Cho Myeung Sook and Mr. Hong's son, Hong Joo Kee were interested in 50%, 25% and 25% of the issued share capital of Winward Investments Limited, respectively, which in turn, is interested in 100% of the issued share capital of China Bay.

3. As at the Latest Practicable Date, Mr. Park Ilmo held approximately 32.70% of the issued share capital of Fine & Pacific and is the sole director of Fine & Pacific.

Long position in our associated corporations

Name of associated corporation	Name of director	Capacity	Total number of shares in the associated corporation	Approximate percentage of shareholding
Infinity *(Note 1)*	Mr. Hong	Interest of a controlled corporation	51,459,000	51%
Fine Technix *(Note 1)*	Mr. Hong	Beneficial owner	2,099,937	25.47%
Fine Technix *(Note 1)*	Mr. Hong	Interest of a controlled corporation	705,312	8.55%
Fine Technix *(Note 2)*	Mr. Hong	Beneficial owner	939,226	11.39%

Note 1: As at the Latest Practicable Date, Mr. Hong was interested in approximately 25.47% in Fine Technix. Codes, a corporation in which Mr. Hong was entitled to control or control the exercise of one-third or more of the voting power at general meeting, was interested in approximately 8.55% in Fine Technix. Mr. Hong's brother, Mr. Hong Sung So, was interested in approximately 0.02% in Fine Technix. As such, Mr. Hong and his associates were interested in approximately 34.04% in Fine Technix. Fine Technix is interested in 51% of the issued share capital of Infinity. Infinity will hold approximately 60.02% of the issued share capital of the Company upon completion of the Global Offering and the Capitalization Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

Note 2: As at the Latest Practicable Date, Mr. Hong held bond with warrant amounting to 939,226 shares in Fine Technix and if Mr. Hong exercised his option in full at the Latest Practicable Date,

(i) such shares would represent approximately 10.23% of the enlarged issued share capital of Fine Technix;

(ii) the shareholding interest of Mr. Hong and Codes in Fine Technix would represent approximately 33.09% and 7.68% of the enlarged issued share capital of Fine Technix, respectively; and

(iii) Mr. Hong's brother, Mr. Hong Sung So would be interested in 0.01% of the enlarged issued share capital of Fine Technix.

Save as disclosed above, so far as our Directors are aware, none of our Directors or chief executive of our 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 Interests (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 the SFO

So far as our Directors are aware, immediately following completion of the Global Offering and Capitalisation (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 our Directors or chief executive of our Company, the following persons will have an interest or a short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity	Number of Shares	Approximate percentage of issued Shares
Infinity *(Note)*	Beneficial owner	600,202,500	60.02%
Fine DNC Korea *(Note)*	Interest of a controlled corporation	600,202,500	60.02%
Fine Technix *(Note)*	Interest of a controlled corporation	600,202,500	60.02%

Notes:

As at the Latest Practicable Date, Mr. Hong was interested in approximately 21.71% and 34.02% in Fine DNC Korea and Fine Technix, respectively. Mr. Hong's brother, Mr. Hong Sung So, is interested in approximately 0.02% and 0.02% of the issued share capital of Fine DNC Korea and Fine Technix, respectively. Fine DNC Korea and Fine Technix holds 49% and 51% interests in Infinity, respectively. Mr. Hong is the sole director of Infinity. Fine DNC Korea owns approximately 4.59% in Fine Technix.

Save as disclosed above, our Directors are not aware of any person (not being a Director or chief executive of our 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 or upon the exercise of any options which may be granted under the Share Option Scheme), have an interest or a short position in Shares or, underlying shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, 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 our Group.

D. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Particulars of service contracts

(a) Each of our executive Directors has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date unless terminated by not less than three months' prior notice in writing served by either party on the other expiring at the end of the initial term or at any time thereafter.

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

	HK$
Executive Directors	
Hong Sung Chun (洪性天)	2,100,000
Park Ilmo (朴日模)	1,200,000
Kang Hosuk (姜澔錫)	60,000

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

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

(b) Each of the independent non-executive Directors has signed an appointment letter with our Company which shall take effect from the Listing Date and shall last for a period of three years.

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

	HK$
Independent non-executive Director	
Yum Kyu Ok (廉圭玉)	84,000
Zhao Zengyao (趙增耀)	60,000
Lu Faming (陸發明)	60,000

2. Directors' remuneration

Remuneration and benefits in kind of approximately RMB1.5 million, RMB1.5 million, and RMB1.7 million in aggregate were paid and granted by our Group to our Directors in respect of the financial years ended 31 December 2009, 2010 and 2011, respectively.

Pursuant to the service contracts and appointment letters, the aggregate remuneration and benefits in kind which our Directors including independent non-executive Directors are entitled to receive for the financial year ending 31 December 2012, excluding the discretionary bonuses payable to the executive Directors, is expected to be approximately HK$1,800,000.

3. Fees or commissions received

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

E. DISCLAIMERS

Save as disclosed in this prospectus:

(a) none of our Directors nor any of the parties listed in the paragraph headed "Qualifications of experts" in the section headed "Other Information" of this Appendix is interested in the promotion of our 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 our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(c) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation), and

(d) none of the experts referred to in the paragraph headed "Qualifications of experts" in the section headed "Other Information" of this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

F. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme. The terms of the Share Option Scheme are in accordance with the provision of Chapter 17 of the Listing Rules.

(a) *Purpose*

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate Eligible Participants to optimise their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) *Who may join*

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including executive, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and

(iv) related entities who, in the sole opinion of the Board, will contribute or have contributed to the Group.

(collectively, the "Eligible Participants")

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) ***Maximum number of Shares***

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, excluding for this purpose Shares which would have been issuable pursuant to the Over-allotment Option and options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to the Shareholders shall contain a generic description of specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the 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 schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with paragraph (q) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

(d) ***Maximum number of options to any one individual***

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

(e) ***Price of Shares***

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(f) ***Granting options to connected persons***

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options 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% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by the Company to the Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

(iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

(g) ***Restrictions on the times of grant of Options***

A grant of options may not 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 published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's annual, half-year, quarterly or other interim period results (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to publish an announcement of its annual or half-year, or quarterly or other interim period results (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results announcement.

(h) ***Rights are personal to grantee***

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

(i) ***Time of exercise of Option and duration of the Share Option Scheme***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

(j) ***Performance target***

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) ***Rights on ceasing employment or death***

If the grantee of an option ceases to be an employee of the Company or any of its subsidiaries:

(i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, his option to the extent not already exercised on the date of such cessation (which date shall be the last actual working day with our Group or the related entity whether salary is paid in lieu of notice or not) shall lapse automatically on the date of cessation; or

(ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) ***Rights on dismissal***

If the grantee of an option ceases to be an employee of the Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(m) ***Rights on takeover***

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) ***Rights on winding-up***

In the event a notice is given by the Company to its members 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 forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of the Company referred to above 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, allot the relevant Shares to the grantee credited as fully paid.

(o) ***Rights on compromise or arrangement between the Company and its members or creditors***

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which the Company was incorporated, the Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) ***Ranking of Shares***

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of exercise.

(q) ***Effect of alterations to capital***

In the event of any alteration in the capital structure of the Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of the Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of the Company for which any grantee of an option is entitled to subscribe pursuant to options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) ***Expiry of option***

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

(i) the date of expiry of the option as may be determined by the Board;

(ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);

(iii) the date on which the scheme of arrangement of the Company referred to in paragraph (o) becomes effective;

(iv) subject to paragraph (n), the date of commencement of the winding-up of the Company;

(v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of the Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date on which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) ***Alteration of the Share Option Scheme***

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

(i) any alteration to the advantage of the grantees or Eligible Participants (as the case may be) in respect of matters contained in Rule 17.03 of the Listing Rules; and

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(t) ***Cancellation of Options***

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

(u) ***Termination of the Share Option Scheme***

The Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) ***Administration of the Board***

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) ***Condition of the Share Option Scheme***

The Share Option Scheme is conditional on:

(i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;

(iii) the approval of the rules of the Share Option Scheme by the Shareholders in general meeting; and

(iv) the commencement of dealings in Shares on the Stock Exchange.

(x) ***Disclosure in annual and interim reports***

The Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(y) ***Present status of the Share Option Scheme***

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

G. OTHER INFORMATION

1. Deed of indemnity

Our Controlling Shareholders have entered into a deed of indemnity in favour of our Company (for itself and as trustee for each of its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, Hong Kong estate duty which might be payable by any member of our Group, by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong, as amended by the Revenue (Abolition of Estate Duty) Ordinance) to any member of our Group on or before the date on which dealings in Shares first commence on the Stock Exchange (the "Effective Date").

The deed of indemnity also contain, amongst other things, indemnities given by our Controlling Shareholders in respect of taxation resulting from income, profits, gains, transactions, events, matters or things earned, accrued, received entered into or occurring on or before the Effective Date which might be payable by any member of our Group.

2. Litigation

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

3. Preliminary expenses

The estimated preliminary expenses of our Company are estimated to be approximately HK$116,785 and are payable by our Company.

4. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

5. Qualifications of experts

The following are the qualifications of the experts who have given their opinions or advice for this prospectus:

Name	Qualification
China Everbright Capital Limited	Licenced corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
PricewaterhouseCoopers	Certified public accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuers
Beijing Kang Da Law Firm	PRC legal advisers
Kim, Chang & Lee	Korean legal advisers

6. Consents of experts

Each of the experts referred to in the paragraph headed "Qualifications of experts" has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its reports and/or letters and/or valuation certificates and/or opinions and/or the references to its name included herein in the form and context in which it is respectively included.

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

7. Bilingual prospectus

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

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. Particulars of Selling Shareholders

Name	Address	Description	Number of Sale Shares
Chang-Han Cooperation Fund L.P.	Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands	an exempted limited partnership registered in the Cayman Islands, the partners of which include government department of Korea, financial institutions in Korea and other private equity funds	26,542,000
Asia Orchid Venture Fund I	720-2, Yeoksam-dong Gangnam-gu Seoul, Korea	a fund registered in Korea, the partners of which include financial institutions, securities companies and private equity funds	10,963,500
Hong Kong Xin Su Limited	Room 502, 5/F Tung Sun Commercial Centre, 194-200 Lockhart Road, Wanchai, Hong Kong	a company incorporated in Hong Kong with limited liability and is wholly owned by Jiangsu Hightech	12,494,500

10. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our Company's subsidiaries has been issued or agreed to be issued or is proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our Company's subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) neither our Company nor any of our Company's subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(iv) our Company has no outstanding convertible debt securities or debentures;

(v) no commissions, discounts, brokerages or other special terms has been granted in connection with the issue or sale of any share or loan capital of our Company or any of our Company's subsidiaries; and

(vi) no commission has been paid or payable (except commissions to underwriters) for subscribing, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company or any of our Company's subsidiaries.

(b) There are no founder shares, management shares or deferred shares nor any debentures in our Company or any of our Company's subsidiaries.

(c) None of the equity or debt securities of any members of our 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.

(d) All necessary arrangements have been made enabling the securities to be admitted into CCASS.

(e) Save as disclosed in the Accountant's Report in Appendix I to this prospectus, our Company or any of our Company's subsidiaries has no material mortgage or charge.

(f) There has not been any interruption in the business of our Group which may have or has had material adverse change in the financial position or prospects of our Group in the twelve (12) months preceding the date of this prospectus.

(g) Our Directors confirm that there has been no material adverse change in the financial and trading position or prospects of our Group since 31 December 2011 (being the date to which the latest audited consolidated financial statements of our Group were made up).

(h) There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the Application Forms;

(b) the written consents referred to in the section headed "Statutory and General Information — Other information — Consents of experts" in Appendix VI to this prospectus;

(c) a copy of each of the material contracts referred to in the section headed "Statutory and General Information — Further Information About The Business of Our Group — Summary of material contracts" in Appendix VI to this prospectus; and

(d) a copy of a statement of particulars of the Selling Shareholders.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sidley Austin at 39/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum and Articles of Association;

(b) the accountant's report of our Company from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the audited financial statements of the companies comprising our Group for each of the three years ended 31 December 2011;

(d) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(e) the letters from PricewaterhouseCoopers and the Sole Sponsor relating to the profit forecast, the texts of which are set out in Appendix III to this prospectus;

(f) the letter, the summary of values and valuation certificates relating to our property interests prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the texts of which are set out in Appendix IV to this prospectus;

(g) the Companies Ordinance;

(h) the legal opinions issued by Beijing Kang Da Law Firm in respect of our Group's business operations and property interests in the PRC;

(i) the legal opinion issued by Kim, Chang & Lee in respect of certain aspects of our Group in Korea;

(j) the material contracts referred to in the section headed "Statutory and General Information — Further Information About The Business of Our Group — Summary of material contracts" in Appendix VI to this prospectus;

(k) the service agreements with each of the Directors referred to in the paragraph headed "Statutory and General Information — Further Information About Our Directors, Substantial Shareholders and Experts — Particulars of service contracts" in Appendix VI to this prospectus;

(l) the written consents referred to in the section headed "Statutory and General Information — Other Information — Consents of experts" in Appendix VI to this prospectus;

(m) the rules of the Share Option Scheme; and

(n) a statement of particulars of the Selling Shareholders.

Fine Holdings Limited
飛穎集團有限公司