JIYI HOUSEHOLD INTERNATIONAL HOLDINGS LIMITED

集一家居國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 1495

GLOBAL OFFERING

Sole Sponsor

CINDA INTERNATIONAL 信達國際

Sole Global Coordinator,
Sole Bookrunner and Sole Lead Manager

CINDA INTERNATIONAL 信達國際

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

Jiyi Household International Holdings Limited
集一家居國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	90,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	9,000,000 Shares (subject to adjustment)
Number of International Offer Shares	:	81,000,000 Shares (subject to adjustment and the Over-allotment Option)
Offer Price	:	Not more than HK$1.60 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and expected to be not less than HK$1.10 per Offer Share
Nominal Value	:	HK$0.10 per Share
Stock Code	:	1495

Sole Sponsor

信達國際
CINDA INTERNATIONAL

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

信達國際
CINDA INTERNATIONAL

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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 30 October 2015 and, in any event, not later than 12:00 noon on Wednesday, 4 November 2015. The Offer Price will not be more than HK$1.60 per Offer Share and is currently expected to be not less than HK$1.10 per Offer Share, unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$1.60 for each Offer Share together with a brokerage fee of 1 %, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price as finally determined should be lower than HK$1.60 per Offer Share.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK$1.10 to HK$1.60 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notice(s) of the reduction in the number of Offer Shares in the Global Offering and/or the indicative Offer Price range will be published on the website of our Company at www.jiyihousehold.com and on the website of the Stock Exchange at www.hkexnews.hk. 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, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. Further details are set out in 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 carefully consider all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription of, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the paragraph headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus. 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 or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

27 October 2015

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement on the websites of the Hong Kong Stock Exchange at ***www.hkexnews.hk*** and our Company at ***www.jiyihousehold.com.***

Latest time to complete electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2] . . . . 11:30 a.m. on Friday, 30 October 2015

Application lists of the Hong Kong Public Offering open[3] . . . . 11:45 a.m. on Friday, 30 October 2015

Latest time to lodge **WHITE** and **YELLOW** Application Forms . . . . 12:00 noon on Friday, 30 October 2015

Latest time to give **electronic application instructions** to HKSCC[4]. . . . . 12:00 noon on Friday, 30 October 2015

Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . 12:00 noon on Friday, 30 October 2015

Application lists of the Hong Kong Public Offering close[3] . . . . 12:00 noon on Friday, 30 October 2015

Expected Price Determination Date[5] . . . . Friday, 30 October 2015

(1) Announcement of:

- the final Offer Price;
- an indication of the level of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.jiyihousehold.com**[6] on or before . . . . Thursday, 5 November 2015

(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.jiyihousehold.com**[6] (please refer to the paragraph headed "How to Apply for Hong Kong Offer Shares -11. Publication of Results" in this prospectus) from . . . . Thursday, 5 November 2015

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.jiyihousehold.com**[6] from . . . . . Thursday, 5 November 2015

Results of allocations for the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function . . . . Thursday, 5 November 2015

Dispatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7] . . . . Thursday, 5 November 2015

Dispatch of White Form e-Refund payment instructions/refund cheques on or before[8] . . . . Thursday, 5 November 2015

Dealings in Shares on the Hong Kong Stock Exchange to commence on . . . . Friday, 6 November 2015

Notes:

(1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.

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

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Friday, 30 October 2015, the application lists will not open or close on that day. Please refer to the paragraph headed "How to Apply for Hong Kong Offer Shares —10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or around Friday, 30 October 2015 and, in any event, not later than Wednesday, 4 November 2015. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company by Wednesday, 4 November 2015, the Global Offering will not proceed and will lapse.

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) **Share certificates are expected to be issued on Thursday, 5 November 2015 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Friday, 6 November 2015. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely of their own risk**.

(8) **e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.**

You should read carefully the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and Share certificates.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and 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 offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale 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 made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified by its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment in the Offer Shares. We set out some of the particular risks in investing in the Offer Shares in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Founded in 1997, we are a well-established and integrated building and home improvement materials and furnishings supplier and interior design and engineering services provider in the PRC. According to the Euromonitor Report, as at 28 February 2015, we were operating the largest and the third largest number of sales outlets for home improvement materials and furnishings in Meizhou and Guangdong Province, respectively. We are mainly engaged in the sale and distribution of building and home improvement materials and furnishings, under which we procure merchandise from our suppliers on outright basis and sell such merchandise to our customers through our own sales channels for our own accounts. We are also engaged in the provision of interior design and engineering services to customers, under which we offer various services relating to renovation and refurbishment of residential and commercial units, institutional and public facilities, with ourselves and through subcontractors, for a service fee. Our sale and distribution of merchandise represented our core business, accounting for approximately 99.9%, 99.0%, 89.4% and 95.3% of our total revenue for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively.

The following table sets forth the breakdown of our revenue, the respective percentage of revenue and gross profit margin, by business operations for the periods indicated:

	For the year ended 31 December									For the four months ended 30 April					
	2012			2013			2014			2014			2015		
	Revenue	Percentage of total revenue	Gross profit margin	Revenue	Percentage of total revenue	Gross profit margin	Revenue	Percentage of total revenue	Gross profit margin	Revenue	Percentage of total revenue	Gross profit margin	Revenue	Percentage of total revenue	Gross profit margin
	RMB'000	%	%	*RMB'000*	%	%	*RMB'000*	%	%	*RMB'000* (Unaudited)	%	%	*RMB'000*	%	%
Sale and distribution of merchandise	253,201	99.9	23.7	283,692	99.0	27.8	298,514	89.4	26.2	94,756	93.6	27.0	79,220	95.3	26.3
Provision of services	259	0.1	(42.9)	2,771	1.0	(2.9)	35,304	10.6	24.1	6,446	6.4	14.4	3,908	4.7	5.4
Total	253,460	100.0	23.7	286,463	100.0	27.5	333,818	100.0	26.0	101,202	100.0	26.2	83,128	100.0	25.3

We position ourselves in the market as a one-stop provider of merchandise and services relevant to building, property renovation and home improvement. We pride ourselves on the product and service range that we are able to offer for customers. As of 30 April 2015, our product portfolio comprised more than 10,000 varieties of merchandise covering (i) building materials (such as steel, pipe and fittings, electrical wires, cement and building mortar and glass); (ii) home improvement materials (such as ceramics, electrical materials, flooring and doors, and sanitary ware); and (iii) furnishings (such as lightings, furniture, textile and home accessories), across varying brand tiers and price range. We also offer interior design and engineering services for corporate and household projects. We offer to our customers advice and services in the area of interior design, property renovation and improvement, selection and procurement of the required building or home improvement materials and project implementation, aiming at giving "one-stop" shopping experience for customers who could gain access to a wide collection of high quality merchandise and ancillary services from us under one roof.

The following table sets forth a breakdown of our revenue, the respective percentage of revenue and gross profit margin, by product category of our sale and distribution of merchandise operation for the periods indicated:

	For the year ended 31 December									For the four months ended 30 April					
	2012			2013			2014			2014			2015		
Product category	Revenue	Percentage of segment revenue	Gross profit margin	Revenue	Percentage of segment revenue	Gross profit margin	Revenue	Percentage of segment revenue	Gross profit margin	Revenue	Percentage of segment revenue	Gross profit margin	Revenue	Percentage of segment revenue	Gross profit margin
	RMB'000	%	%	*RMB'000*	%	%	*RMB'000*	%	%	*RMB'000* *(Unaudited)*	%	%	*RMB'000*	%	%
Building materials	176,195	69.6	14.8	169,696	59.8	16.9	183,305	61.4	17.9	56,197	59.3	19.9	50,561	63.8	16.9
Home improvement materials	43,703	17.3	42.7	55,853	19.7	40.5	58,123	19.5	35.4	22,552	23.8	35.7	12,201	15.4	42.1
Furnishings	33,303	13.1	45.8	58,143	20.5	47.6	57,086	19.1	43.5	16,007	16.9	39.9	16,458	20.8	43.3
Total	253,201	100.0	23.7	283,692	100.0	27.8	298,514	100.0	26.2	94,756	100.0	27.0	79,220	100.0	26.3

To ensure that our product offering will evolve to suit the changing requirements of our target customers, we from time to time optimise our product mix and source a variety of merchandise from different suppliers. We have maintained a strong supply sourcing network in the PRC, including manufacturers, brand owners as well as trading companies. For each of the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, we made procurement from over 160, 170, 200 and 110 suppliers, respectively, and as at 30 April 2015, we were the distributor of 44 suppliers. Our top five suppliers during the Track Record Period are primarily manufacturers, brand owners and trading companies of building and home improvement materials in China, such as steel, cement and building mortar, pipe and fittings, electrical materials, ceramics, sanitary ware and doors, who have had one year and up to 15 years of business relationship with us. Our purchases from top five suppliers accounted for approximately 60.6%, 54.9%, 50.9% and 51.8% of our total purchases for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. For the same periods, purchases from our largest supplier accounted for approximately 38.3%, 25.3%, 16.0% and 17.4% of our total purchases, respectively. Our largest supplier for the years ended 31 December 2012 and 2013 was one of the PRC major steel manufacturers and wholesalers listed on the Shenzhen Stock Exchange and our largest supplier for the year ended 31 December 2014 and the four months ended 30 April 2015 was an associated company of such steel manufacturer.

To better serve our key customers and handle purchase orders for standard or frequently ordered merchandise, we have designated four sales teams of 16 staff members focusing on handling direct purchase orders from key customers under certain product categories and directing such orders to our procurement team. Each sales team is assigned for a particular product sector(s), such as cables, steel and metal products, or product brands, depending on their experience in the relevant sector(s), and the team members actively approach potential customers in their responsible sectors through business visits to solicit sale orders. In addition, as at the Latest Practicable Date, we had established branch offices and subsidiaries operating a regional sales outlet network comprising 15 sales outlets strategically situated in the third- to fourth-tiers county-level cities across eastern part of Guangdong, Fujian and Jiangxi Provinces. Our sales outlet not only serves as a physical venue for customers to shop for merchandise in person, but also functions as our local sales office where we assign staff to develop local market, handle orders received from different channels and maintain customers' relationship in a designated region. Each sales outlet also serves as a marketing platform and showroom, through which customers would gain access to and select our wide collection of merchandise relevant to home decoration and improvement. After years of our dedication to developing our sales channels, we have built a stronghold in Guangdong Province with Meizhou as our largest market. As at the Latest Practicable Date, seven out of 15 of our sales outlets were located in Meizhou. Sales contribution from Meizhou represented approximately 93.4%, 89.3%, 89.2% and 89.7% of our total revenue for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. With our strategic presence and proven track record in the industry, we have established ourselves as a well-recognised regional seller in our chosen field.

To minimize our initial capital expenditure, except for our flagship mall in Meizhou and one sales outlet in Mejiang District, which were being operated on the properties owned by us, as at the Latest Practicable Date, we operated our sales outlets, warehouse and storage facilities on leased properties. The term of these existing leases ranges from approximately one year to 15 years for our sales outlets and approximately nine years to ten years for our warehouse and storage facilities. As at the Latest Practicable Date, tenancy agreements were entered into between us and the relevant landlords relating to 21 properties and the expiry period of our leases ranged from August 2015 to April 2026 for our sales outlets and November 2019 to December 2023 for our warehouse and storage facilities, respectively. Among them, one lease has expired on 31 August 2015 which we have obtained confirmation from the lessor of such lease that it agrees to renew the terms of the lease with us and the renewal procedure was underway as at the Latest Practicable Date, and two leases will expire during 2016.

We serve a large and diverse customer base. For sale and distribution of merchandise, customers who place direct purchase orders or through tendering are mainly property developers, equipment manufacturers, construction companies, individual retailers and dealers of building and home improvement materials, and some of them are key or recurring customers. Customers who purchase at our sales outlets are mainly individuals from the general public. Our top five customers during the Track Record Period were entities established in the PRC and principally engaged in the business of property development, construction, equipment manufacturing and dealing of building and home improvement materials in the PRC, and we have had business relationship with them for one year up to seven years. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, revenue generated from sales to our top five customers in aggregate represented approximately 18.9%, 18.1%, 26.6% and 33.8%, respectively, of our total revenue, and revenue generated from sales to our largest customer for the same periods represented approximately 5.5%, 5.7%, 6.8% and 9.5%, respectively, of our total revenue.

COMPETITIVE STRENGTHS

We believe that we have the following competitive advantages that differentiate us from our competitors:

- prominent building and home improvement materials and furnishings supplier based in Meizhou with proven track record;
- one-stop provider for property renovation and home improvement;
- effective supplier management in China;
- strategic market presence in the fast-growing economy; and
- energetic and experienced management team.

BUSINESS STRATEGIES

Our long-term goal is to become our suppliers' and customers' first choice for the sale and distribution of building and home improvement materials and furnishings in China, offering a full range of products and services that are relevant to our customers' needs. Our short- to mid-term goals are to capture market share in our existing market and continue to enhance our competitive strengths. We intend to take advantage of these opportunities and build upon our competitive strengths by pursuing the following strategies:

- expand and upgrade our sales network to further strengthen our leading position;
- establish a new logistics centre in Meizhou;
- upgrade our information system; and
- further strengthen our interior design capability and expand our direct sales team.

CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account 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), Ms. Hou will, through her wholly-owned company (namely Xinling), be entitled to exercise or control the exercise of 52.52% of the issued share capital of our Company and thus she together with Xinling will become our Controlling Shareholders. Please refer to the section headed "Relationship with Controlling Shareholders" beginning on page 171 of this prospectus. Mr. Liu Shui, Mr. Lin Songtian and Honest Winner are our pre-IPO investors, as set out in the paragraph headed "History, Development and Reorganisation — Reorganisation — Pre-IPO Investments" beginning on page 95 of this prospectus.

PRE-IPO INVESTORS

From December 2014 to February 2015, each of Mr. Liu Shui, Mr. Lin Songtian and Honest Winner acquired and/or contributed for a total of approximately 14.77% of equity interest in Jiyi Household (on the assumption that such interest is calculated immediately following completion of the Global Offering and the Capitalisation Issue and assuming the Over-allotment Option is not exercised), for an aggregate consideration of approximately RMB36,364,750. The total consideration for the Pre-IPO Investments was fully settled by 17 March 2015. The investment cost per Share represents 39% discount to the mid-point of our Offer Price range. Each of the Pre-IPO Investors is an Independent Third Party. Our Directors are of the view that our Company will benefit from their respective investments in our Company as such investments would strengthen and diversify our Group's shareholder portfolio and serve as an endorsement of our operation, performance, and prospects. Please refer to the paragraph headed "History, Development and Reorganisation — Reorganisation — Pre-IPO Investment" beginning on page 95 of this prospectus for further details.

SUMMARY OF SELECTED FINANCIAL AND OPERATIONAL INFORMATION

The following tables present our summary of consolidated financial information as of and for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015. We have derived this summary from our consolidated financial information sets forth in the Accountant's

Report in Appendix I to this prospectus. You should read this summary in conjunction with our consolidated financial information included in the Accountant's Report in Appendix I to this prospectus, including the accompanying notes, and the information set out in the section headed "Financial Information" beginning on page 200 of this prospectus.

Summary consolidated statements of comprehensive income

The following table summarises the selected items in our consolidated statements of comprehensive income for the Track Record Period, extracted from the Accountant's Report in Appendix I to this prospectus.

	For the year ended 31 December			For the four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue	253,460	286,463	333,818	101,202	83,128
Cost of sales	(193,515)	(207,600)	(247,051)	(74,675)	(62,095)
Gross profit	59,945	78,863	86,767	26,527	21,033
Selling expenses	(11,717)	(16,229)	(17,349)	(5,537)	(5,613)
Administrative expenses	(7,002)	(13,377)	(9,419)	(3,601)	(7,577)
Other income and gain/(losses) - net	455	(63)	873	(167)	(4)
Operating profit	41,681	49,194	60,872	17,222	7,839
Finance income	325	253	291	180	136
Finance expenses	(3,663)	(3,628)	(6,552)	(2,106)	(2,040)
Finance expenses - net	(3,338)	(3,375)	(6,261)	(1,926)	(1,904)
Profit before income tax	38,343	45,819	54,611	15,296	5,935
Income tax expense	(9,806)	(11,650)	(12,607)	(3,753)	(1,990)
Profit for the year/period	28,537	34,169	42,004	11,543	3,945

The increase in our revenue during the years ended 31 December 2012, 2013 and 2014 was attributable to our stable growth in the sale and distribution of merchandise and the significant increase in the revenue derived from our provision of services. Since our establishment of Xinya Decoration in September 2012, attributable to the increase in number of projects and the completion of certain major corporate projects, revenue contribution from our provision of services operation increased significantly during the years ended 31 December 2013 and 2014. The decrease in our revenue for the four months ended 30 April 2015 as compared to the four months ended 30 April 2014 was mainly attributable to the decrease in overall level of orders received from customers, which we believe was mainly due to the substantial completion of our customers' projects in 2014, leading to a decrease in their demand for our products and services before they have undertaken new projects. Our revenue from the provision of services for the four months ended 30 April 2015 also decreased compared to the corresponding period in 2014, which was mainly attributable to the decrease in the number of projects secured and undertaken by us during the four months ended 30 April 2015.

The fluctuation in our gross profit margin during the Track Record Period was primarily attributable to the change in our business and product mix which contributed different gross profit margins. For the sale and distribution of merchandise operation, our gross profit margin during the Track Record Period remained relatively stable. The decrease in our gross profit margin of home improvement materials for the year ended 31 December 2014 compared to the year ended 31 December 2013 was primarily attributable to the decrease in sales of high-priced products such as sanitary ware because of the change in market sentiments which lower the demand for luxury and high-end products in 2014. Attributable to the relatively lower levels of sales of flooring and doors, which entail relatively lower margin, our gross profit margin of home improvement materials increased for the four months ended 30 April 2015. For the provision of services operation, since our Xinya Decoration was established in September 2012 and in a ramp-up stage during 2012 and 2013, we recorded gross loss of approximately RMB111,000 and RMB79,000 for the years ended 31 December 2012 and 2013, respectively. As we completed more projects and achieved better economies of scale, our provision of services operation recorded gross profit of approximately RMB8.5 million for the year ended 31 December 2014. However, due to the decrease in number of and revenue from projects and the increase in staff costs mainly as we reallocated certain internal resources and manpower to our provision of services operation, we recorded gross profit of only approximately RMB0.2 million and gross profit margin of approximately 5.4% for the four months ended 30 April 2015.

Summary consolidated balance sheets

The table below sets forth our consolidated balance sheets as at the dates indicated:

	As at 31 December			As at 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	60,462	65,544	68,023	65,997
Current assets	157,338	213,177	240,360	223,653
Total assets	217,800	278,721	308,383	289,650
Non-current liabilities	—	—	—	—
Current liabilities	96,803	124,355	133,213	143,860
Total liabilities	96,803	124,355	133,213	143,860
Net current assets	60,535	88,822	107,147	79,793
Total equity	120,997	154,366	175,170	145,790
Total equity and liabilities	217,800	278,721	308,383	289,650
Total assets less current liabilities	120,997	154,366	175,170	145,790

Summary consolidated cash flow statements

The following table sets forth a summary of our cash flows for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Net cash generated from/(used in) operating activities	9,274	17,026	52,175	(1,391)	(1,075)
Net cash used in investing activities	(16,013)	(10,744)	(17,307)	(2,670)	(2,555)
Net cash generated from/(used in) financing activities	23,100	24,729	(25,725)	(40,050)	(15,265)
Net increase/(decrease) in cash and cash equivalents	16,361	31,011	9,143	(44,111)	(18,895)
Cash and cash equivalents at beginning of the year/period	2,583	18,944	49,955	49,955	59,098
Cash and cash equivalents at end of the year/period	18,944	49,955	59,098	5,844	40,203

We recorded negative operating cash flow of RMB1.1 million for the four months ended 30 April 2015, primarily attributable to (i) the fact that our customers mainly settle their trade balances in the second half of a year which led to the increase in trade receivable during the four months ended 30 April 2015; and (ii) the decrease in profit before income tax mainly resulting from the listing expenses of RMB4.1 million we incurred for the period.

Key financial ratios

The following table sets forth our key financial ratios for the periods or as at the dates indicated:

	For the year ended 31 December			For the four months ended 30 April
	2012	2013	2014	2015
Gross Profit Margin (%)	23.7	27.5	26.0	25.3
Net Profit Margin (%)	11.3	11.9	12.6	4.7
Return on equity (%)	26.7	24.8	25.5	2.5
Return on total assets (%)	15.6	13.8	14.3	1.3
Interest coverage	11.5	13.6	9.3	3.9

	As at 31 December			As at 30 April
	2012	2013	2014	2015
Current ratio	1.6	1.7	1.8	1.6
Quick ratio	1.1	1.3	1.6	1.3
Gearing ratio (%)	51.9	57.2	47.8	55.6
Net debt to equity ratio (%)	32.3	21.4	11.0	23.1

Please refer to the paragraph headed “Financial Information — Key Financial Ratios” beginning on page 238 of this prospectus for further information on these ratios.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, based on the unaudited consolidated financial information of our Group, our average monthly revenue for the four months ended 31 August 2015 significantly increased compared to that for the four months ended 30 April 2015. Such increase was mainly attributable to (i) the purchase orders we secured from three new customers who are principally engaged in the business of construction of properties and engineering of electrical power facilities; (ii) the increase in purchase orders from two existing customers in connection with their several new or existing construction projects undertaken in Meizhou; and (iii) the increase in sales of furniture which was partly stimulated by the introduction of a new brand to our product offerings in April 2015. Despite the relatively lower level of sales we experienced during the four months ended 30 April 2015, attributable to our improvement in sales performance during the four months ended 31 August 2015, our revenue for the eight months ended 31 August 2015 improved as compared to that for the same period in 2014. Our overall gross profit margin for the four months ended 31 August 2015 remained relatively stable compared to that for the four months ended 30 April 2015. Due to the fact that our customers mainly settle their trade balances in the second half of a year, and attributable to the settlements by our customers in July and August 2015, our trade receivables turnover days for the four months ended 31 August 2015 improved as compared to that for the four months ended 30 April 2015. However, due to our preparation for the Listing and certain listing expenses recognised in May 2015 to August 2015, we continue to record a low net profit margin for the four months ended 31 August 2015. We anticipate that the expenses incurred and to be incurred in connection with the preparation of Listing and Global Offering will have an adverse impact to the results of our operations for the year ending 31 December 2015.

We believe that our business for the year ending 31 December 2015 has been and will continue to be supported by the gradual growth in customers’ demand in our target market as driven by the growing urbanisation, stable economic outlook and growth of the property market and level of construction activities in Meizhou. According to the Statistics Bureau of Meizhou, the GDP of Meizhou reached approximately RMB44.0 billion for the first half of 2015, which was approximately 8.4% higher than that for the same period in 2014 and also approximately 0.7% and 1.4% higher than that of Guangdong Province and China for the same period, respectively. During the same period, the total investment in property development in Meizhou amounted to approximately RMB8.1 billion and the total completed area of residential houses in Meizhou amounted to approximately 1.8 million sq.m., representing a growth of approximately 35.0% and 135.3%, respectively, compared to the same period in 2014. Further, according to Meizhou Bureau of Housing and Urban-rural Development, the total area of newly sold residential houses in Meizhou increased by 73.4% in the first half of 2015 compared to the same period in 2014. Local government initiatives such as town planning and urban development of Qinyang Peninsula (芹洋半島) across Meixian and Meijiang Districts were promulgated in recent years which are also expected to benefit and foster the continuous expansion of local construction industry and property market, thereby enlarging our customer base. Based on the above and taking into account the improvement in our Group's overall financial performance including the settlement status of our customers as of 31 August 2015, we expect that the factors or events leading to the deterioration of our financial performance for the four months ended 30 April 2015 are not persistent. We will implement our expansion plan to establish a new flagship mall and other plans to develop our target market in accordance with the strategies disclosed under the paragraph headed "Business — Business Strategies" in this prospectus, and will closely monitor the prevailing market condition and fine tune our plans as and when appropriate. Please refer to the sections headed "Industry Overview" and "Business — Business Strategies" in this prospectus for further details. Please also refer to the section headed "Risk Factors" in this prospectus for discussions of factors which may adversely affect our Group's future financial performance and implementation of expansion plans should they become materialised.

Our Directors have confirmed, after performing all the due diligence work which our Directors consider appropriate, that save as disclosed above, there is no event which could materially affect the information shown in our consolidated financial information included in the Accountant's Report set forth in Appendix I to this prospectus since 30 April 2015, and as of the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Global Offering and the Listing. Assuming an Offer Price of HK$1.35 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, our total listing expenses to be borne by us are estimated to be RMB25.9 million, of which RMB8.2 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity, and the remaining amount of RMB17.7 million has been or will be reflected in our consolidated statements of comprehensive income. Listing expenses of RMB0.3 million and RMB4.1 million incurred in relation to services already performed by relevant parties were reflected in our consolidated statements of comprehensive income for the year ended 31 December 2014 and the four months ended 30 April 2015, respectively, and an additional amount of RMB13.3 million is expected to be recognised in our consolidated statements of comprehensive income subsequent to the Track Record Period and upon Listing. As such, our results of operations for the year ending 31 December 2015 is expected to be adversely affected by the listing expenses incurred in the period.

USE OF PROCEEDS

Assuming an Offer Price of HK$1.35 per Offer Share (being the mid-point of the indicative Offer Price range of HK$1.10 to HK$1.60 per Offer Share), we estimate that we will receive net proceeds of approximately HK$89.9 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering, assuming the Over-allotment Option is not exercised. We intend to use our net proceeds from the Global Offering for the purposes and in the amounts set out below:

(i) 51.0%, or approximately HK$45.8 million, will be used for the establishment of one flagship mall in Meijiang District of Meizhou;

(ii) 35.0%, or approximately HK$31.5 million, will be used for the establishment of our new logistics centre to enhance our logistics and delivery efficiency;

(iii) 4.0%, or approximately HK$3.6 million, will be used for refurbishing our Meijiang Outlet to strengthen our brand influence and reputation;

(iv) 3.5%, or approximately HK$3.1 million, will be used for the establishment of one sales outlet in Wuhua County of Meizhou;

(v) 1.5%, or approximately HK$1.4 million, will be used for upgrading our information system to increase our overall efficiency and optimize our operational flow; and

(vi) 5.0%, or approximately HK$4.5 million, will be used as working capital and other general corporate purposes.

For details, please refer to the section headed "Future Plans and Use of Proceeds" beginning on page 245 of this prospectus.

OFFER STATISTICS

The following table sets forth certain statistics of the Global Offering, assuming that the Global Offering has been completed and 360,000,000 Shares are in issue. Please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for details.

	Based on an Offer Price of HK$1.10 per Offer Share	Based on an Offer Price of HK$1.60 per Offer Share
Market capitalisation of the Shares(1)	HK$396.0 million	HK$576.0 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(2)	HK$0.70	HK$0.82

(1) The calculation of market capitalization is based on 360,000,000 Shares expected to be in issue immediately following the completion of the Global Offering.

(2) The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after the adjustments referred to in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus. The unaudited pro forma adjusted consolidated net tangible assets do not take into account our financial results or other transactions after 30 April 2015.

DIVIDEND POLICY

During the Track Record Period, a dividend of RMB80.0 million was declared in January 2015. As at the Latest Practicable Date, such dividend had been fully settled to the relevant Shareholders by our cash flow generated from operations and our proceeds from deemed contribution. Save as disclosed above, we have no plan to pay or declare any dividends prior to the Listing. We do not intend to pay or declare any dividends in relation to accumulated profits as at 30 April 2015. The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Directors consider that, in general, the amount of any future dividends to be declared by our Company will depend on our operating results, working capital, cash position, capital requirements, the provisions of the relevant laws and other factors as may be considered relevant at such time by our Directors at their absolute discretion. Future dividend payments will also depend on the availability of dividends received from our subsidiaries in China, which is subject to the relevant PRC laws and regulations. Our Group does not have any dividend policy. For further details, please refer to the paragraph headed "Financial Information — Dividends and Dividend Policy" beginning on page 241 of this prospectus.

RISK FACTORS

There are a number of risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business, (ii) risks relating to our industry, (iii) risks relating to conducting business in China, and (iv) risks relating to the Global Offering. We believe that the following are some of the major risks that may have a material adverse effect on us:

- our future growth relies, to a certain extent, on the successful maintenance and expansion of our sales to key customers. As a result, any loss of key customers or substantial reduction in the amount of purchase by them could significantly and adversely affect our business, results of operations, financial condition and prospects;

- our business is concentrated in Meizhou of Guangdong Province and neighbouring regions and is highly susceptible to any adverse economic or market development in these regions, which would materially and adversely affect the demand for our merchandise;

- we may fail to accurately identify and effectively respond to changes in market demand, which may materially and adversely affect our business;

- we rely on the relationship with our suppliers, and our business, results of operations and prospects may be adversely affected by any termination of our relationship with them and their branding and marketing strategies. Our operations, to a certain extent, are subject to various requirements imposed by certain suppliers and any failure to comply with such requirements could adversely affect our relationship with our suppliers;

- if we cannot successfully implement our expansion plans, our business and growth prospects may be adversely affected; and

- we are susceptible to any adverse development in the real estate market in the PRC.

NON-COMPLIANCES

There were certain deficiencies in our legal compliance in the PRC during the Track Record Period, namely: (i) non-compliance in relation to social insurance and housing provident fund contributions; (ii) non-compliance relating to our leased properties; and (iii) failure to obtain fire safety inspection approval or certificate. Pursuant to the relevant laws and regulations, the possible legal consequences and liabilities include administrative penalties or punitive measures imposed on the relevant member of our Group, payment of fines, payment of outstanding contributions and/or overdue penalty, and order by the relevant authority to evict from the leased properties occupied by us, as the case may be. Please refer to the paragraph headed "Business — Regulatory Compliance" beginning on page 165 of this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:

"Anyuan Jiyi"	Anyuan County Jiyi Household Building Materials Company Limited* (安遠縣集一家居建材有限公司), a limited liability company established in the PRC on 25 June 2012 and an indirect wholly-owned subsidiary of our Company
"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s) or, where the context so requires, any of them
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on 6 October 2015 and will come into effect upon Listing, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board of Directors" or "Board"	the board of Directors of our Company
"Business Day" or "business day"	a day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	British Virgin Islands
"Capitalisation Issue"	the issue of Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company as referred to in the paragraph headed "A. Further Information about our Group — 3. Resolutions in writing of our Shareholders passed on 6 October 2015" in Appendix IV to this prospectus
"Cayman Islands Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, consolidated or supplemented from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation

"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Changting Jiyi"	Changting County Jiyi Household Building Materials Company Limited* (長汀縣集一家居建材有限公司), a limited liability company established in the PRC on 11 June 2012 and an indirect wholly-owned subsidiary of our Company
"China" or "PRC"	the People's Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Sole Sponsor"	Cinda International Capital Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of SFO
"Sole Global Coordinator" or "Sole Bookrunner" or "Sole Lead Manager"	Cinda International Securities Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) regulated activities for the purpose of the SFO
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or modified from time to time
"Company" or "our Company"	Jiyi Household International Holdings Limited (集一家居國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 2 February 2015
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Ms. Hou and Xinling
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Corporate Image"	Corporate Image Limited, an exempted company incorporated in the Cayman Islands with limited liability on 20 January 2014 and is indirectly wholly-owned by Mr. Lin Kuanming, one of our Shareholders
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Deed of Indemnity"	the deed of indemnity dated 6 October 2015 entered into by our Controlling Shareholders in favour of our Company to provide certain indemnities, particulars of which are set out in the paragraph headed "D. Other Information — 2. Tax and other indemnities" in Appendix IV to this prospectus
"Deed of Non-competition"	a deed of non-competition dated 6 October 2015 given by our Controlling Shareholders in favour of our Company, particulars of which are set out in the paragraph headed "Relationship with Controlling Shareholders — Non-competition Undertakings" in this prospectus
"Director(s)"	the director(s) of our Company
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法)
"electronic application instruction(s)"	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Hong Kong Offer Shares
"Euromonitor"	Euromonitor International Limited, a global research organisation established in 1972, which engages in the provision of international market intelligence, and an Independent Third Party
"Euromonitor Report"	an independent market research report dated 27 October 2015, which was commissioned by our Company and prepared by Euromonitor for the purpose of this prospectus
"GDP"	an acronym for gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited

"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries or, where the context so requires, with respect to the period before which our Company became the holding company of our current subsidiaries, our Company's current subsidiaries or the businesses operated by such subsidiaries or their predecessors (as the case may be)
"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, a wholly-owned subsidiary of HKSCC
"Honest Winner"	Honest Winner International Limited (中實國際有限公司), a limited liability company incorporated in Hong Kong on 14 March 2014 and is wholly-owned by Corporate Image
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$" or "HKD"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 9,000,000 newly issued Shares offered by us for subscription under the Hong Kong Public Offering, representing 10% of the initial number of the Offer Shares subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares by our Company for subscription by members of the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus), and subject to the terms and conditions stated herein and in the Application Forms
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the paragraph headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 26 October 2015 relating to the Hong Kong Public Offering entered into between, amongst others, our Company, our Controlling Shareholders, the Sole Global Coordinator and the Hong Kong Underwriters, particulars of which are set out in the section headed "Underwriting" in this prospectus

"IFRS"	the International Financial Reporting Standards, as issued by the International Accounting Standards Board
"Independent Third Party(ies)"	individual(s) or company(ies) not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their respective associates
"International Offer Shares"	the 81,000,000 Shares being offered by our Company for subscription under the International Offering subject to adjustment and together, where relevant, with any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option (subject to adjustments as further described in the section headed "Structure of the Global Offering" in this prospectus)
"International Offering"	the conditional placing of the International Offer Shares for and on behalf of our Company outside the United States (including professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S, subject to adjustment and the exercise of the Over-allotment Option as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriting Agreement"	the conditional underwriting agreement expected to be entered into on or about the Price Determination Date, between, amongst others, our Company, our Controlling Shareholders, the Sole Global Coordinator and the International Underwriters in respect of the International Offering, particulars of which are set forth in the section headed "Underwriting" in this prospectus
"International Underwriters"	the group of international underwriters and the Sole Global Coordinator with whom we expect to enter into the International Underwriting Agreement to underwrite the International Offering
"Jiesi Global Investments"	Jiesi Global Investments Limited (傑思環球投資有限公司), a limited liability company incorporated in the BVI on 10 December 2014 and is wholly-owned by Mr. Hou Bo, our non-executive Director and one of our Shareholders
"Jiyi Electronic Commerce"	Guangzhou Jiyi Electronic Commerce Company Limited* (廣州集一電子商務有限公司), a limited liability company established in the PRC on 19 December 2013 which is owned as to 40% by Ms. Wang Lanying and 60% by Ms. Du Chaoyan, each of whom is an Independent Third Party

"Jiyi Household"	Guangdong Jiyi Household Building Materials Chain Co., Ltd* (廣東集一家居建材連鎖有限公司) (formerly known as Meizhou Jiyi Household Building Materials Chain Co., Ltd.* (梅州市集一家居建材連鎖有限公司)), a limited liability company established in the PRC on 21 April 1997 and an indirect wholly-owned subsidiary of our Company
"Jiyi Investments"	Jiyi Investments Limited (集一投資有限公司), a limited liability company incorporated in Hong Kong on 16 February 2015 and an indirect wholly-owned subsidiary of our Company
"Latest Practicable Date"	18 October 2015, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Liancheng Jiyi"	Liancheng County Jiyi Household Building Materials Company Limited* (連城縣集一家居建材有限公司), a limited liability company established in the PRC on 16 May 2012 and an indirect wholly-owned subsidiary of our Company
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date on which dealings in the Shares on the Main Board commences
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Meizhou"	Meizhou, a county-level city in Guangdong Province of the PRC (中華人民共和國廣東省梅州市)
"Meizhou Jisheng"	Meizhou Jisheng Household Building Materials Company Limited* (梅州市集勝家居建材有限公司) (formerly known as Meizhou Jisheng Investments Company Limited* (梅州市集勝投資有限公司)), a limited liability company established in the PRC on 9 January 2015 and an indirect wholly-owned subsidiary of our Company

"Meizhou Jiyi Realty"	Meizhou Jiyi Realty Development Company Limited* (梅州市集一實業發展有限公司), a limited liability company established in the PRC on 23 December 2013 which is owned as to 49% by Mr. Wen Jingfeng, the nephew-in-law of Ms. Hou and the son of Ms. Deng Haiming (whereas Ms. Deng Haiming is a director of Jiyi Household), and 51% by Mr. Liang Chun, the nephew-in-law of Ms. Hou
"Meizhou Xikang"	Meizhou Xikang Construction Company Limited* (梅州市禧康建築工程有限公司), a limited liability company established in the PRC on 12 April 2007 which is owned as to 95% by Mr. Hou Xinxiang, the father of Ms. Hou and Mr. Hou Bo, our non-executive Director, and is our connected person
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company, adopted on 6 October 2015 and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
"Metro Hill International"	Metro Hill International Limited (宏山國際有限公司), an international company with limited liability incorporated in the Independent State of Samoa on 16 April 2014 and is wholly-owned by Mr. Liu Xinping, one of our Shareholders
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部)
"Ms. Hou" or "Ms. Hou Wei"	Ms. Hou Wei (侯薇), our chairlady, executive Director, chief executive officer and our Controlling Shareholder
"Offer Price"	the final price for each Offer Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee payable thereon) of not more than HK$1.60 per Offer Share and is expected to be not less than HK$1.10 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Global Offering
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by us to the Sole Global Coordinator, exercisable by it on behalf of the International Underwriters pursuant to the International Underwriting Agreement

"PRC government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
"PRC Legal Adviser"	Jingtian & Gongcheng, a qualified PRC law firm as the PRC legal adviser to our Company for the application for Listing
"Pre-IPO Investments"	the acquisitions of equity interests in Jiyi Household by Mr. Liu Shui and Mr. Lin Songtian and the capital contribution made by Honest Winner in Jiyi Household, details of which are set out in the paragraph headed "History, Development and Reorganisation — Reorganisation — Pre-IPO Investments" in this prospectus
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the laws of Hong Kong) as in force before 3 March 2014
"Price Determination Date"	the date on which the final Offer Price is to be determined by our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), which is expected to be on or about Friday, 30 October 2015 and in any event not later than Wednesday, 4 November 2015
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing as described in the paragraph headed "History, Development and Reorganisation — Reorganisation" in this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Shanghang Jiyi"	Shanghang County Jiyi Household Building Materials Company Limited* (上杭縣集一家居建材有限公司), a limited liability company established in the PRC on 18 November 2011 and an indirect wholly-owned subsidiary of our Company
"Share(s)"	share(s) of HK$0.10 each in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 6 October 2015, a summary of principal terms of which is set out in the paragraph headed "D. Other Information — 1. Share Option Scheme" in Appendix IV to this prospectus
"Shareholder(s)"	holder(s) of Shares
"Sheng Guan Investments"	Sheng Guan Investments Limited (盛貫投資有限公司), a limited liability company incorporated in the BVI on 2 January 2015 and is wholly-owned by Mr. Li Jianhua, one of our Shareholders
"Sonic Trade Investments"	Sonic Trade Investments Limited (業迅投資有限公司), a limited liability company incorporated in the BVI on 30 October 2014 and is wholly-owned by Mr. Lin Songtian, one of our Shareholders
"Stabilising Manager"	Cinda International Securities Limited
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Track Record Period"	the period comprising the financial years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015
"Underwriters"	The Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USD" or "US$"	United States dollars, the lawful currency of the United States

"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations as promulgated thereunder
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require such Hong Kong Offer Shares to be issued in the applicants' own names
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Wuping Jiyi"	Wuping County Jiyi Household Building Materials Company Limited* (武平縣集一家居建材有限公司), a limited liability company established in the PRC on 16 June 2011 and an indirect wholly-owned subsidiary of our Company
"Xinling"	Xinling Limited (欣領有限公司), a limited liability company incorporated in the BVI on 15 December 2014 and is wholly-owned by Ms. Hou
"Xinya Decoration"	Guangdong Jiyi Xinya Decoration and Design Construction Company Limited* (廣東集一信雅裝飾設計工程有限公司), a limited liability company established in the PRC on 7 September 2012 and an indirect wholly-owned subsidiary of our Company
"Xunwu Jiyi"	Xunwu County Jiyi Household Building Materials Company Limited* (尋烏縣集一家居建材有限公司), a limited liability company established in the PRC on 24 October 2011 and an indirect wholly-owned subsidiary of our Company
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require such Hong Kong Offer Shares to be deposited directly in CCASS
"Yiju Holdings"	Yiju Holdings Limited (溢鉅控股有限公司), a limited liability company incorporated in the BVI on 2 January 2015 and is wholly-owned by Mr. Liu Shui, one of our Shareholders
"Zhan Yun"	Zhan Yun Holdings Limited (展韻控股有限公司), a limited liability company incorporated in the BVI on 9 December 2014 and a wholly-owned subsidiary of our Company

"Zhongshan Jiyi"	Zhongshan Jiyi Household Building Materials Company Limited* (中山市集一家居建材有限公司), a limited liability company established in the PRC on 21 December 2010 and an indirect wholly-owned subsidiary of our Company
"%"	per cent

Unless expressly stated or the context requires otherwise:

- *amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items;*

- *all data in this prospectus is as of the date of this prospectus;*

- *all references to any shareholdings in our Company assume no exercise of the Over-allotment Option unless otherwise specified;*

- *solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars at specified rate. You should not construe these translations as representations that the Renminbi amounts could actually be, or have been, converted into Hong Kong dollar amounts (as applicable) at the rate indicated or at all. Unless we indicate otherwise, the translations of Renminbi amounts into Hong Kong dollars have been made at the rate of RMB1.00 to HK$1.2193.*

For ease of reference, the names of the PRC established companies, entities, laws and regulations have been included in this prospectus in both Chinese and English. The name in Chinese is the official name of each such company, entity, law or regulation (as the case may be), while that in English is only an unofficial translation, and in the event of any inconsistency, the Chinese name shall prevail.

* *For identification purpose only*

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

"CAGR"	compound annual growth rate
"first-tier cities"	Beijing, Shanghai, Guangzhou, and Shenzhen
"fourth-tier cities"	a group of selected county-level cities that register larger population and/or greater GDP value and consumer affluence (e.g. Kunshan, Yuyao) than the other county-level cities. There are a total of 368 fourth-tier cities in China
"GFA"	gross floor area
"m^2" or "sq.m."	square meter(s)
"second-tier cities"	the aggregation of China's municipalities (excluding Beijing and Shanghai), most of the provincial capitals, and a number of developed cities in coastal areas (e.g. Guangdong, Fujian, Jiangsu, Zhejiang, Shandong, Liaoning and Hebei). There are a total 46 second-tier cities in China
"third-tier cities"	all the prefecture-level cities not listed within first-tier cities and second-tier cities, including the provincial capitals within less developed areas such as Lhasa, Xining, Yinchuan, Lanzhou, Haikou. There are a total of 241 third-tier cities in China

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

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy; and
- our views with respect to future events, operations or performance.

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

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

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

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. Any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, may materially and adversely affect our business, financial condition or operating results, or otherwise cause a decrease in the trading price of the Offer Shares and cause you to lose part or all of the value of your investment in the Offer Shares.

RISKS RELATING TO OUR BUSINESS

Our future growth relies, to a certain extent, on the successful maintenance and expansion of our sales to key customers. As a result, any loss of key customers or substantial reduction in the amount of purchase by them could significantly and adversely affect our business, results of operations, financial condition and prospects

Due to the nature and varieties of merchandise we carry, we serve a diverse customer base. However, for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, approximately 18.9%, 18.1%, 26.6% and 33.8% of our total revenue was derived from our sales to top five customers, respectively. Our top five customers during the Track Record Period were entities engaging in the business of property development, construction, equipment manufacturing and dealing of building and home improvement materials. While we will continue our effort in developing and retaining this customer group, there is no assurance that these customers will continue to make purchase with us at the same or higher level as in the previous years, or at all. The level of purchase by our customers might be affected by their business performance, financial conditions and other factors that beyond our control. Further, as our customers make purchase from us per order basis, we generally do not enter into long-term sales agreements with them, and thus, there is also no assurance that we will be able to maintain business relationship with our customers. We experienced a decrease in revenue by approximately 17.9% from approximately RMB101.2 million for the four months ended 30 April 2014 to approximately RMB83.1 million for the four months ended 30 April 2015. Such decrease was mainly attributable to the decrease in overall level of orders received from customers due to the substantial completion of our customers' projects in 2014, thereby leading to the decrease in their demand for our products and services before they have undertaken new projects. Our net profit also decreased by approximately 66.1% from approximately RMB11.5 million for the four months ended 30 April 2014 to approximately RMB3.9 million for the four months ended 30 April 2015, which was mainly resulted from our decrease in revenue as discussed above and the listing expenses of RMB4.1 million we incurred for the four months ended 30 April 2015. As a result, any loss of key customer or substantial reduction in the amount of purchase by our customers could significantly and adversely affect our business, results of operations, financial condition and prospects.

Our business is concentrated in Meizhou of Guangdong Province and neighbouring regions and is highly susceptible to any adverse economic or market development in these regions, which would materially and adversely affect the demand for our merchandise

Our business is based in Meizhou which is situated in the eastern part of Guangdong Province. We expect to continue to derive a majority of our revenue from this market. In addition, as at the Latest Practicable Date, we operated 15 sales outlets (including one flagship mall) of which seven sales outlets were situated in Meizhou of Guangdong Province. Each sales outlet serves as our sales office and local sales window to the customers in the vicinity. Sales contribution from Meizhou represented approximately 93.4%, 89.3%, 89.2% and 89.7% of our total revenue for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. Historically, our business development and results of operations have benefited from the rapid economic growth in China generally and in the third- to fourth-tier cities of Guangdong Province particularly, which has led to increasing urbanization and purchasing power of the local population and hence created surging demand for building and home improvement materials and furnishings. As such, the future prospects of building materials and home improvement market in Guangdong Province, in particular, Meizhou, are heavily dependent on the continuous economic prosperity and social conditions of the region. Any material adverse change in the economic and social conditions in the area including:

- a sudden downturn in the local economy, change in customer preference or slowdown in construction activities or property upgrade;

- natural disasters, epidemics, other acts of god or breakdown in the transportation system, which may disrupt our inventory supplies and product delivery;

- change in local government policies, rules or regulations such as property market tightening measures; or

- change in competitive landscape, such as the emergence of competitors with stronger brand recognition and financial resources than us,

may lead to a significant decrease in the demand for our merchandise and services or significant increase in our cost of operations, and our business, results of operations, expansion plan and prospects would be materially and adversely affected.

We may fail to accurately identify and effectively respond to changes in market demand, which may materially and adversely affect our business

Our success depends, to a considerable extent, on our ability to continue to anticipate, identify and respond to the changing market trends and customer demands in a timely manner by, for example, optimising our existing product and service mix and the number of brands that we carry. As at 30 April 2015, our product portfolio comprised more than 10,000 varieties of merchandise across varying brand tiers and price range, and we procure merchandise from our suppliers mainly based on the analysis and survey of the perceived demands and market trend by our sales team. As we source all the merchandise from our suppliers, our performance also depends on the customers' acceptance of the brands of merchandise we sourced from our suppliers and whether the brands correspond to the market trends.

There is no assurance that our effort in identifying market trend will be effective or we will be able to continue to procure and offer merchandise or services or change our product and service mix which are appealing to or popular amongst our customers or successfully meet their constantly changing demands in future. Further, since we serve a large and diverse customer group, it is difficult for us to accurately track their consumption or procurement patterns and effectively plan our procurement and marketing campaigns in response to changing market trends or consumer demands. Our failure to effectively anticipate, identify or respond to the changing market trends or consumer demands or any negative publicity about our supplier's brands could adversely affect the level of acceptance by customers of our merchandise. If this occurs, we may experience lower sales, increasing inventories and lower gross profit margins, which in turn could materially and adversely affect our business, results of our operations and prospects.

In addition, our business is susceptible to adverse changes in customers' spending or procurement patterns due to, for example, falling purchasing power, changing business cycle, deterioration of economic conditions, economic uncertainty, inflation or increasing unemployment rate, which could materially and adversely affect their demand for our merchandise and services and hence our business, results of operations and prospects.

Risks associated with our relationship with our suppliers

During the Track Record Period, most of our revenue was derived from the sale and distribution of merchandise procured from our suppliers. Accordingly, our business is affected by our relationship with our suppliers, and the associated risks include:

We rely on the relationship with our suppliers, and our business, results of operations and prospects may be adversely affected by any termination of our relationship with them and their branding and marketing strategies

As we engage in the sale and distribution of building and home improvement materials and furnishings, pursuant to our business model, we source merchandise from suppliers, including manufacturers, brand owners and trading companies of such products, and we sell such merchandise to our customers through our own sales channels for our own accounts. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our cost of inventories sold accounted for approximately 99.0%, 97.5%, 88.3% and 93.1% of our cost of sales, respectively. As such, we rely on our suppliers to continue to supply high quality and newly launched merchandise on a timely basis and at competitive price to sustain our operation. Prices of merchandise offered by our suppliers may be subject to fluctuation for reasons beyond our control such as greater industry demand, shortage of supplies or change in their marketing strategies. We also cannot assure you that our suppliers will not consolidate their businesses, such that they will be in a stronger bargaining position in their contract negotiations with us. Our failure to effectively maintain our business relationship with our suppliers may also impair our ability to secure competitive terms for our procurement. Any significant increase in our cost of inventories sold and our failure to pass on the increased cost burden to our customers could have a material adverse effect on our business, financial condition and results of operations.

Further, the success of our sale and distribution of merchandise is, to a certain extent, dependent on the effectiveness of our suppliers' pricing and marketing strategies, brand management, and market acceptance, quality control and commercial success of the merchandise that we sourced from them. Any negative media coverage about our suppliers or their brands, incident of product recall by our suppliers or the supply of poor quality or defective merchandise by them may adversely impact our business performance and reputation.

Our operations, to a certain extent, are subject to various requirements imposed by certain suppliers and any failure to comply with such requirements could adversely affect our relationship with our suppliers

As at 31 December 2012, 2013 and 2014 and 30 April 2015, we were appointed as the distributor of 26, 35, 46 and 44 suppliers, respectively, under the respective distribution agreements. The relevant distribution agreements provide for various requirements to be performed or observed by us, such as the requirements of product distribution in a designated location, pre-fixed sales target, brand protection, suggested selling prices and preferred store layout and product display as well as the consequence of failing to comply with such requirements. Any imposition of onerous conditions by our suppliers under these distribution agreements may adversely affect our flexibility in managing our business operations in response to changing market condition and customers' preference, and our inability to comply with such conditions such as our failure to fulfil the pre-fixed sales target may expose us to potential claims or early termination of agreements by our suppliers. The occurrence of these events among us and our major suppliers would materially and adversely our business, results of operations and financial condition. For details of the salient terms of these agreements, please refer to the paragraph headed "Business — Our Suppliers and Procurement — Agreements signed with our suppliers" in this prospectus.

We normally do not have long-term agreements with our major suppliers and our cessation of business relationship with them may adversely affect our business operation if we are not able to identify any alternative suppliers on commercially acceptable terms, or at all

To maintain the varieties and flexibility of merchandise and brands that we carry in our sale and distribution operation, we normally enter into supply or distribution agreements with our major suppliers for a term typically ranging from one to two years. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our cost of purchase from our top five suppliers accounted for approximately 60.6%, 54.9%, 50.9% and 51.8% of our total cost of purchase. We cannot assure that we will be able to continue our business relationship or renew our supply or distribution agreements with them upon expiry of the term. Our major suppliers may also choose to deal with our competitors or engage another distributor for their products, thereby intensifying market competition. If our major suppliers do not renew the agreements with us or cease to supply merchandise to us for any reason or they encounter difficulties which result in delays or failures in delivery of products, there is no assurance that we will be able to identify alternative suppliers on time at competitive price, or at all. If any of such events occur, we might have to adjust our product offering and marketing strategy and face shortage of supply of merchandise, which may have adverse effect on our business operation and impair our competitiveness and our ability to fulfil customers' purchase orders. As a result, our business, results of operations and prospects could be materially and adversely affected.

Our business may be adversely affected by the delay in product delivery by our suppliers

Furthermore, our business depends, to a certain extent, on receiving efficient sourcing from suppliers and delivery of merchandise to our customers on a timely basis. Factors beyond our control such as natural disasters, pandemics, adverse weather conditions, riots, labour strikes, mishandling of products, or a problem with our or our suppliers' logistics system may cause disruption to our logistics arrangements and adversely affect the delivery of merchandise from our suppliers or us and to our customers. Such disruptions would delay or prevent us from getting the products we need and we may face loss of customers and business opportunities. As a result, our business and reputation may be adversely affected.

We may be required to make prepayment to suppliers for our purchases, and our suppliers' failure to perform their respective contractual obligations would materially and adversely affect our business, results of operations and financial condition

During the Track Record Period, a majority of our major suppliers required us to pay the full amount or a portion of the purchase prices of the merchandise we ordered before delivery. As at 31 December 2012, 2013 and 2014 and 30 April 2015, our prepayment of purchases amounted to approximately RMB14.0 million, RMB20.3 million, RMB19.8 million and RMB12.0 million, respectively, representing approximately 8.9%, 9.5%, 8.2% and 5.4% of our total current assets as at the respective dates. As such, we are subject to counter-party risk that may arise from the failure on the part of our suppliers to perform their respective contractual obligations, which if it is materialised, would materially and adversely affect our business, financial condition and results of operations.

If we cannot successfully implement our expansion plans, our business and growth prospects may be adversely affected

In addition to organic growth and capture to new business opportunities, we will implement various expansion plans after the Listing. As part of our expansion plans, we intend to open one flagship mall in Meijiang District (梅江區) of Meizhou and one sales outlet in Wuhua County (五華縣) of Meizhou, refurbish our sales outlets, establish a new logistic centre, upgrade our information system and enrich our product and service offering. For further details, please refer to the sections headed "Business — Business Strategies" and "Future Plans and Use of Proceeds" in this prospectus. There is no assurance that our expansion plans will be successfully implemented or result in profitability as expected or that our revenue will continue to grow in the future at the same rate as it did during the Track Record Period, or at all. For our planned opening of new sales outlets in the area where we have little market presence, we need to overcome the hurdles that such market may have different competitive landscape, consumer preferences and spending patterns from our existing markets. We may also need to incur substantial cost to develop our business in such markets and to hire, train and retain employees who share our business philosophy and culture. If our expansion plans prove to be unsuccessful, our business, results of operations and prospects may be materially and adversely affected.

In addition, our expansion plans may place substantial demands on our management and our operational, technological, financial and other resources. To manage and support our growth, we may need to improve our existing operational and administrative systems, improve our financial and management controls, enhance our ability to recruit, train and retain additional qualified management personnel and other administrative, sales and marketing staff, and continue managing our relationships with our suppliers and customers. All of these endeavours will require substantial attention and time from our management and significant additional expenditures. We cannot assure you that we will be able to manage any future growth effectively and efficiently, and our ability to capitalise on new business opportunities may be materially and adversely affected if we fail to do so, which would in turn materially adversely affect our business, results of operations, financial condition and prospects.

We may need additional capital to fund the expansion plan and growth in the future, which we may not be able to obtain on acceptable terms, or at all

We may need additional capital to fund our capital expenditure associated with our expansion plans. There is no assurance that we will generate sufficient cash flow from our operating activities for our intended expansion plans. In the event that we do not have sufficient operating cash flow, we will need to obtain alternative financing. There is no assurance that we will be able to obtain adequate financing on acceptable terms, or at all. Our ability to obtain additional capital on acceptable terms will be subject to a variety of uncertainties, including:

- investor perceptions of and appetite for securities of companies engaged in the industry in which we are operating our business;
- conditions in the capital and financial markets in which we may seek to raise funds;
- our future cash flows, financial condition and results of operations; and
- economic, political and other conditions in the PRC and the rest of the world.

We may be required to scale back our planned capital expenditures, which may adversely affect our ability to achieve economies of scale and implement our planned growth strategy. If we raise additional funding, our interest and debt repayment obligations will increase. The terms of any future debt facilities may also impose restrictive covenants that may restrict our business and operations or result in dilution of shareholding of the Shareholders in the case of equity financing. Our inability to raise additional funds in a timely manner and on terms favourable to us, or at all, may have a material adverse effect on our financial condition, results of operations and prospects.

Our expansion plan could increase our depreciation charges significantly which could adversely affect our financial performance

We currently plan to open one flagship mall in Meijiang District and one sales outlet in Wuhua County of Meizhou, refurbish our existing outlet, establish a new logistic centre in Meizhou as well as to upgrade our information system. Our Directors estimate that our aggregate capital expenditure for such plans for the three years ended 31 December 2017 would be approximately RMB82.5 million. We expect that our expansion plan could increase our depreciation charges significantly in the future. Please refer to paragraph headed "Business — Business Strategies" in this prospectus for details of the abovementioned future plan. As such, our results of operations in the future would be adversely affected by the significant increase in depreciation charges in relation to our expansion plan.

We may be exposed to product liability claims and latent defect liability claims, which could adversely affect our results of operations, financial condition and reputation

We are subject to product liability claims if the merchandise we sell is defective. Generally, suppliers who produce or sell defective products to us are liable for any damages or personal injury caused by the defects of such products. We cannot assure you that we will not be subject to any product liability claims or adverse publicity due to deficiencies in our product quality in the future. If any merchandise sourced from our suppliers and sold by us to our customers are defective or faulty, these customers may bring product liability or other claims against us and there is no assurance that we are able to make corresponding claims against our suppliers or that any amount recovered from them will be sufficient to cover our exposure to the relevant claims by our customers. In addition, when we are engaged in the provision of interior design and engineering services, we are exposed to potential defect liability and may be subject to claims as a result thereof.

Regardless of the merits or the outcome of these claims, we may be required to address and, if necessary, defend against such claims, which may divert management attention and other resources from our business and operations. If any product liability claim is brought against us in the future, whether or not the claim is ultimately successful, the negative publicity associated with such claims could adversely affect our reputation. Further, any claim may also result in legal costs and costs incurred in connection with a product recall campaign or in rectifying any product defects which may not be recoverable, any of which could have an adverse effect on our business, results of operations and financial condition.

We rely on subcontractors to undertake work in the course of our provision of interior design and engineering services we provide to our customers and our business, results of operations and reputation may be adversely affected if such subcontractors fail to fulfil our requirements

During the Track Record Period, we engaged external subcontractors to undertake certain work involved in the course of our provision of interior design and engineering services, such as electrical, plastering, painting and carpentry owing to the labour intensive nature of the work involved and the technical expertise or qualification or manpower that may be required for undertaking such work, where appropriate. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our subcontracting fees amounted to approximately RMB0.2 million, RMB1.5 million, RMB11.0 million and RMB0.8 million, respectively, representing approximately 0.1%, 0.7%, 4.5% and 1.3%, respectively, of our cost of sales for the same period. Although our project team closely monitors the work quality and performance of our subcontractors, there can be no assurance that we are able to monitor or manage these subcontractors' performance as directly and effectively as our staff members and that the services rendered by any of such subcontractor will be completed in a timely manner or of satisfactory quality. If our subcontractors' services are not timely delivered or of acceptable quality, there is no assurance that we will be able to engage subcontractors for replacement to undertake the remedial work on a commercially acceptable terms or at all. As a result, we may incur substantial costs to complete the projects and remedy any defects and our reputation could be significantly harmed. Furthermore, any subcontractor who experiences financial or other difficulties, including labour disputes with its employees, may affect its ability to carry out work required on time or at all, resulting in a delay in the completion of our projects or in additional costs. The occurrence of any of these events may adversely affect our business, results of operations and reputation.

We make estimation of our project costs in our fee proposals or tenders for the provision of interior design and engineering services and any failure to properly estimate the costs involved in the implementation of a project may lead to cost overruns or even result in losses in our projects

Before we agree to undertake a corporate or household project or participate in a tender for the provision of interior design and engineering services, our project team will prepare a detailed budget for each project, taking into account: (i) the scope and complexity of the project; (ii) the estimated duration of the project; (iii) the quotation obtained from our suppliers and subcontractors, estimated future inflation and possible escalation in prices; and (iv) the resources of our Group, such as manpower, to be allocated to the project. There is no assurance that our estimation or the assumption upon which we rely when making such estimation is accurate. In the event that we fail to properly or accurately estimate the project costs, or if there is any unforeseen factor leading to any substantial increase in cost, we may be subject to cost overruns, which will in turn result in lower profit margin or even a loss for a project. In respect of our provision of services operation, we recorded gross loss of approximately RMB111,000 and RMB79,000 during a ramp-up stage for the years ended 31 December 2012 and 2013, respectively.

We are exposed to credit risks with respect to the settlement by our customers. Any significant delay in payment or defaults by our customers may materially and adversely affect our financial condition and results of operations

We are subject to the credit risks of our customers and our profitability and cash flow are dependent on timely settlement of payments by our customers for the products and services we provide to them. Our trade receivables turnover days show an increasing trend from approximately 60 days for the year ended 31 December 2012 to 171 days for the four months ended 30 April 2015. Based on the management accounts of our Group, as at 30 September 2015, approximately 84.3% of our Group's total trade receivables outstanding as at 30 April 2015 were settled. For further discussions on the increasing trade receivables turnover days of our Group during the Track Record Period, please refer to the paragraph headed "Financial Information — Description of Selected Items of Consolidated Balance Sheets — Trade and other receivables — (i) Trade receivables" in this prospectus.

We cannot assure you that we will be able to collect all or any of our trade receivables within the credit period that we granted to our customers. If any of our customers face unexpected situations, including, but not limited to, financial difficulties caused by general economic downturn or fiscal constraints, we may not be able to receive payment of uncollected debts in full or at all from such customers and we may need to make provisions for receivables, which could in turn materially and adversely affect our financial condition and results of operations.

If retention money is not released to us upon expiry of the warranty period, our liquidity position may be adversely affected

For customers of certain corporate projects, pursuant to the relevant service agreement, a retention money which accounts for approximately 3% to 5% of the total contract sum will be kept and settled upon their satisfaction of our services at the end of the warranty period. As at 31 December 2012, 2013 and 2014 and 30 April 2015, the amount of retention money unsettled by our customers amounted to approximately nil, nil, RMB1.0 million and RMB1.0 million, respectively.

There is no assurance that the retention money or any future retention money will be paid by our customers to us on a timely basis and in full. Any failure by our customers to make remittance on time and in full may have an adverse effect on our future liquidity position.

We are exposed to risks relating to the real estate rental market

We rent the retail and storage spaces for sales outlets, warehouse and storage facilities in Guangdong, Fujian and Jiangxi Provinces in the PRC. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our operating lease expenses amounted to approximately RMB2.9 million, RMB4.0 million, RMB4.1 million and RMB1.2 million, respectively, representing approximately 15.2%, 13.5%, 15.5% and 9.3% of our total selling and administrative expenses, respectively. In the past few years, the overall cost for securing retail spaces in the PRC through rental arrangements has been increasing. Although we have maintained a relatively stable rental costs as a percentage of total selling and administrative expenses historically, this ratio may increase in the future as rental costs in these provinces may continue to rise. As a result, our increased rental obligations may render us vulnerable to adverse economic conditions, limit our ability to obtain additional financing and reduce our cash available for other purposes.

Non-compliances related to certain properties leased by us in the PRC may adversely affect our use of such properties

As at the Latest Practicable Date, we entered into tenancy agreements relating to 21 properties situated in the PRC, of which the landlords in respect of four leased properties were not able to provide the relevant title certificates. In addition, as at the Latest Practicable Date, the leased properties in respect of five of our sales outlets had not been used in whole or in part in accordance with the permitted use specified on the land use rights certificates. Furthermore, we have not obtained the construction works planning and commencement permits in respect of the construction of our warehouse in Meixian District of Meizhou as required by the relevant PRC laws and regulations. Please refer to the paragraphs headed "Business — Properties — Leased properties" and "Business — Regulatory Compliance" in this prospectus for further details.

As a result of the non-compliances related to these properties leased by us, we may be required to evict from or demolish relevant leased properties or subject to penalties, as the case may be. If any of the government agencies in the PRC takes enforcement action against us for such non-compliant incidents, we may be evicted from the properties, incur legal costs arising from any legal action against us, and may be exposed to negative media coverage. Furthermore, we cannot assure you that our lease for the relevant properties will not be challenged or terminated due to such event, or that we will be able to secure alternative properties for our business if we are required to relocate. If any of the above occurs, our business, results of operations, financial condition and prospects may be adversely affected.

Failure to obtain, renew, or retain licenses, permits or approvals may affect our ability to conduct or expand our business

We are required to hold various licenses, permits and approvals such as Fire Safety Inspection Certificate For Public Place Before Operations* (公眾聚集場所投入使用、營業前消防安全檢查合格證) and engineering design and construction qualification certificates* (工程設計與施工資質證書) issued by relevant authorities which are necessary for our business operations. For details of our licences and permits, please refer to the paragraph headed "Business — Licenses and Permits" in this prospectus. Any suspension or revocation of these licenses, permits and approvals may have a material adverse impact on our business and operations. In addition, we cannot assure you that approvals or licenses necessary for our business operations will be granted to or renewed by us in a timely manner, or at all. If we experience delays in obtaining, or are unable to obtain, such required approvals or licenses, our operations and business and our overall financial performance will be materially and adversely affected. For further details, please refer to the section headed "Regulatory Overview" in this prospectus.

We are exposed to risks of obsolete and slow-moving inventory which may adversely impact our cash flow and liquidity

As at 31 December 2012, 2013 and 2014 and 30 April 2015, the total amount of our inventories were approximately RMB47.4 million, RMB45.5 million, RMB31.7 million and RMB32.2 million, respectively, and the average inventory turnover days of our products were 84 days, 83 days, 59 days and 64 days, respectively. Provision for impairment of inventories of our Group as at 31 December 2012, 2013 and 2014 and 30 April 2015 was approximately RMB0.6 million, RMB1.1 million, RMB1.0 million and RMB1.2 million, respectively. We keep a limited level of inventory of home improvement merchandise and furnishings for shop display, and we also maintain a safety level of inventory for certain merchandise, such as building materials with standard specification, best-selling or frequently ordered merchandise to ensure our customers' demand could be timely satisfied and manage any possible fluctuation in the cost of supply by our upstream suppliers. As further illustrated in the paragraph headed "Risks Relating to our Business — We may fail to accurately identify and effectively respond to changes in market demand, which may materially and adversely affect our business" in this section, the demand and inventory requirement for our merchandise are highly dependent on a number of factors such as customers' preferences and market conditions, which may be beyond our control. Any increase in inventory may adversely affect our working capital. If we cannot manage our inventory level effectively or if we fail to source appropriate merchandise to suit consumer preferences in the future, we may not achieve optimal level of inventory resulting in either a shortage of goods or overstocking of merchandise, and we may need to either sell off such inventory at a lower price or write off such inventory. In such circumstances, our financial condition and results of operations may be materially and adversely affected.

In addition, warehousing inventory involves costs and risks. In the event that our inventory is damaged (such as by flood or by fire), this may disrupt our business and may adversely affect our results of operations if such loss is not covered by our insurance policy.

Our business could be adversely affected by difficulties in recruiting and retaining qualified employees as well as increase in the costs of labour

Our success depends in part upon our ability to attract, retain and motivate a sufficient number of employees, including employees for sales, marketing and strategic planning, procurement, store operation, logistics and warehousing. As at 30 April 2015, we employed 252 full time employees. Highly service-oriented and qualified individuals are in short supply and competition for these employees is intense.

We have implemented a number of initiatives in an effort to attract, retain and motivate our qualified and competent staff. There is no assurance that such measures will be effective. Our failure to hire and retain enough qualified employees could delay our planned expansion or result in higher employee turnover, either of which could have a material adverse effect on our business, results of operations and prospects.

Further, substantially our entire workforce is employed in the PRC. The average labour cost in the PRC has been steadily increasing over the past years as a result of government-mandated wage increases and other changes in PRC labour laws. The labour cost may continue to increase in the future. Competition for employees may result in higher level of wages, which in turn would result in higher labour costs. Further, we require additional employees as a result of the implementation of our business strategies and organic growth of our business. If we implement such strategies but fail to realise the benefits and efficiencies we anticipate and we are unable to offset the increase in our labour costs or pass along these increased labour costs to our customers, our profitability and results of operations could be materially and adversely affected.

Our success and continued growth are dependent on our key management members. Any loss of any key personnel without appropriate replacement could have a material adverse effect on our business, financial condition, results of operations and prospects

The success of our business depends largely on our ability to retain our key personnel, such as Ms. Hou and Mr. Ling Yongshan, and members of our senior management team, whose business network and industry experience are of particular importance to us.

There is no assurance that we will be able to retain our key personnel. These individuals might move to our competitors or form a competing company and compete with us for customers, business partners, and other key professionals of ours using their experience and expertise. Although most of our key personnel have signed confidentiality and non-competition agreements, there is no assurance that we will be able to enforce these agreements successfully and prevent our current key personnel from moving to one of our competitors or forming their own competing companies.

As a result, the loss of any of our key personnel without appropriate replacement could have a material adverse effect on our business, results of operations and prospects.

We may not have adequate insurance coverage and the occurrence of uninsured damages could have material adverse effects on our business, financial condition and results of operations

Although we have maintained insurance policies with respect to our inventory, assets, properties at our sales outlets, potential claims in connection with our operations and risks with respect to our employees, there is no assurance that our current insurance will adequately protect us against all potential hazards and liabilities incidental to our business, including, among others, losses resulting from our operation, natural disaster or other business interruption which might result in our incurring substantial costs and the diversion of our resources. Further, as there is no applicable PRC laws and regulations compulsively requiring us to maintain insurance for product liability, we do not currently maintain any product liabilities insurance to cover any claims arising from defective products sold by us which in line with market practice. The occurrence of uninsured damages could have material adverse effects on our business, financial condition and results of operations.

Our business depends, to a certain extent, on the market recognition of our brand name “ ”, and infringement of intellectual property rights by any third party or by us may adversely affect our reputation

We have invested resources to establish brand recognition among consumers, and we believe that our continued success will depend largely on our ability to protect and enhance the value of our brand. To effectively manage consumer perception of our brand, our image is also built on the selection and presentation of merchandise in our sales outlets, and the layout and design of our sales outlets. Any incident that erodes customers’ trust in or affinity for our brand could negatively impact our reputation and our business.

We have registered our brand as trademarks for protection against infringement. For further details of our intellectual property rights, please refer to the paragraph headed "B. Information about our Business — 2. Intellectual property rights of our Group" in Appendix IV to this prospectus. Notwithstanding our effort in protecting our trademarks and trade name, there is no assurance that we will always be able to identify cases of infringement of our trademarks or trade name such as unauthorized use of our trademarks or name by our customers or any other third party. Any case of such infringements may result in a decrease in our sales, an erosion of our goodwill, brand image and reputation, thereby materially and adversely affecting our business, results of operations and reputation. Further, if there is any negative publicity, disputes or complaints relating to our trademark and name, our Group's business, reputation and prospects may be adversely affected.

In addition to the registration of our intellectual property rights, we have taken other measures such as signing of non-disclosure and confidentiality agreements with our key personnel to protect our intellectual property rights. There is no assurance that any of the above measures will be sufficient to prevent misappropriation of our intellectual property. In the event that any third party infringes our intellectual property rights, we may face considerable difficulties and time consuming and costly litigation in order to enforce our intellectual property rights. If we are not able to effectively protect our intellectual property rights, our business, results of operations, financial condition and reputation could be adversely affected.

In the ordinary course of business, we sell merchandise sourced from suppliers. These products that carry the brand or trademark of the respective owner may be susceptible to claims by third parties as infringing their intellectual property rights, especially where the merchandise is not directly sourced from the relevant brand owner or manufacturers. As such, there is no assurance that the merchandise that we carry does not or will not be the subject of claims of infringement of the intellectual property rights and we may become a party to such dispute. The exact determination of the scope of a patent, design patent, copyright or other intellectual property right can be very complex. Intellectual property disputes, in particular patent disputes, may last a significant period of time and require considerable personnel and financial resources. If the outcome of such a legal dispute is adverse to us, we could be ordered to pay substantial license fees, royalties and/or damages. Any infringement of third party patents or other intellectual property rights or any lawsuits relating hereto could have a material adverse effect on our business, financial condition, results of operations and reputation.

Interruption or security breaches to our information systems may have a material adverse effect on our business, financial conditions and results of operations

We rely on various information technology systems for the timely exchange of business information between our headquarters and different business functions, and these systems are critical to our daily business operations. We also rely on our information system to monitor the sales condition of our sales outlets and our inventory level from time to time for business planning and making procurement decision. We cannot assure you that our information systems will always operate without interruption or malfunction. Any breakdown for an extended period of time or other failure of our information systems due to, among other things, security breaches, viruses, hacking or damage to the hardware or software systems, may cause interruptions to our operations and inventory management, and may adversely affect the integrity of our information, our business performance and profitability. Although we have disaster recovery systems and have back-up systems in place, we cannot assure you that these systems will be adequate to support our operations in the event of a prolonged breakdown of our primary system, or that our back-up systems will not be damaged simultaneously with our primary system, in which case our business operations will be materially and adversely affected. In addition, the increasing business complexity of our operations due to our growth strategies may place additional requirements on our systems, controls, procedures, and management and as a result, may restrain our ability to manage our future growth.

We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties which could subject us to financial losses and harm our reputation

We receive and handle certain amount of cash for the daily operation of our sales outlets. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any instances of fraud or theft on the part of our employees, customers or other third parties at our sales outlets. However, there is no assurance that there will be no such instance in the future and we may not be able to effectively detect and prevent the occurrence of such instances. Any such instance and any past act which has gone undetected can subject us to financial losses and may negatively impact our results of operations and reputation.

Further, fraud or other misconduct by employees may occur at different operational levels of our Group, whether individually or in collusion with other employees, customers or other third parties, which could result in loss to us and may even result in violations of laws by our Group, third party claims and regulatory actions against us and serious reputation or financial harm to our Group. We may also be subject to misconduct by third parties such as our suppliers and customers, including (among others) our suppliers providing us with defective or counterfeit products or customers stealing merchandise or paying for purchases with counterfeit banknotes. We cannot assure you that we will be able to prevent or detect all incidents of wrongdoings by third parties. Any misconduct committed against us or our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

Our ultimate Controlling Shareholders have substantial influence over our Group and her interests may not be aligned with the interests of our other shareholders

Immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised but without taking into account any Shares to be issued upon the exercise of the options which have been or may be granted under the Share Option Scheme, our Controlling Shareholders, Ms. Hou and Xinling, a company wholly owned by Ms. Hou, are interested in 52.52% of the issued share capital of our Company. Our ultimate Controlling Shareholders have substantial influence over our business, including matters relating to our management and policies and decisions regarding mergers, expansion plans, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our ultimate Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, other actions or make decisions which conflict with the best interests of our other Shareholders.

RISKS RELATING TO OUR INDUSTRY

We are susceptible to any adverse development in the real estate market in the PRC

The products and services offered by us are mainly used for or closely related to building or home improvement purposes. Accordingly, our business, results of operations and prospects are driven, to a considerable extent, by the growth of the real estate market and the relevant government policies in China. The property market in the PRC witnessed a significant growth in the last decade. In response to concerns over the scale of increase in property investments and the overheating of the real estate sector in the PRC over the past few years, the PRC government has introduced a series of measures to curtail the growth of and investment in the property market in the PRC. For example, in February 2013, the Notice of the General Office of the State Council on Continuing to Effectively Regulate the Real Estate Market (Guo Ban Fa [2013] No.17) was promulgated, which laid down various administrative, financial, tax, market and pricing measures, and planned to increase land supply and accelerate the government housing construction, in order to monitor the property prices and promote the stable and healthy development of the real estate market in China. The restrictive measures adopted by the PRC government have slowed down the property investment activities, reduced the number of newly completed properties and affected the general appetite for property investment and related activities in the PRC as a whole. Even though the PRC government has recently introduced measures such as the relaxation of the restriction on the purchase of new residential properties to stimulate the real estate market in early 2015, there is no assurance that the PRC government will impose any additional or more stringent measures again in the future to curb the development of the real estate sector or that this sector will continue to grow, which is subject to a number of factors that are beyond our control. As a result, our business and results of operations are susceptible to any adverse change in this sector and may fluctuate significantly in the future.

We operate in a competitive industry and our failure to enhance our competitiveness may result in loss of customers and market share

We believe that the market for the PRC's building and home improvement materials in general is competitive, with relatively low barriers to entry in terms of capital, technical and regulatory requirements. We indirectly compete with other distributors of building and home improvement materials and furnishings, supermarkets, furniture stores and department stores that offer similar or even the same merchandise or brands. According to the Euromonitor Report, there were 5,301 specialist retailers (above the scale, with main business income over RMB5 million) for hardware, home furniture and interior decoration materials in the PRC in 2013. Consequently, the competition among home improvement materials and furnishing retailers has recently become increasingly fierce, especially in more developed areas such as coastal provinces and/or cities, like Guangdong Province, Fujian Province, Shanghai, etc., where consumers' purchasing power is higher than national average. In addition, the overall building and home improvement materials and furnishings market in Guangdong Province is fragmented, with a large number of small independent home improvement materials and furnishing stores. With the proliferation of e-commerce in the PRC, we are also facing competition from the operators of e-commerce selling products similar to ours. Our competitors may have greater, stronger or better financial strength, sales network, marketing strategies, personnel and other resources than we do, and our small-scale competitors may be able to better react to changes in pricing and consumer preferences than we can, due to their smaller scale. Key competitive factors in our industry include price, product quality, product choice and variety, product brand and sales network. If we fail to compete effectively against our competitors, we may lose or be unable to expand our market share, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Seasonality may affect our sales

Our sales performance is, to a certain extent, subject to seasonality. Based on our experience, normally the demand for our merchandise and services is higher in the second half of the year, in particular the fourth quarter with a revenue of which accounted for an average of approximately 32% of our annual revenue during the Track Record Period, where building and renovation activities are more active as the weather conditions which feature lower rainfall and dry weather in winter season are more favourable for undertaking building and renovation work. We may also experience a lower level of sales to some of our customers after they have substantially completed their projects until they have undertaken new projects. Accordingly, any material seasonal change in demand for our merchandise and services or market trends could intensify such fluctuations and affect our revenue and results of operations of that period. As a result of these fluctuations, comparisons of sales and results of operations between different periods within a single financial year, or between corresponding periods in different financial years, are not accurately reflective and cannot be relied on as indicators of our performance. Any seasonal fluctuations reported in the future may not match the expectations of investors. This could cause fluctuation in the trading price of our Shares.

Our performance may be adversely affected by contractual dispute or litigation with our customers or subcontractors

In the business where we provide interior design and engineering services, we may be in dispute with our customers, subcontractors and other parties concerned with our projects for various reasons. Such disputes may be in connection with late completion of work, delivery of substandard work or personal injuries during the course of undertaking the work.

The handling of contractual disputes, litigation and other legal proceedings may sometimes involve a high degree of our management's attention and input. Handling of legal proceedings and disputes can be both costly and time-consuming, and may significantly divert the efforts and resources of our management.

In addition, the outcomes of legal proceedings or disputes are influenced by (among other factors) negotiation skills, knowledge and judgment of our management. Should any claims against us fall outside the scope and/or limit of our insurance coverage or monies retained from our customers, our financial position may be adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

As our operations are conducted in the PRC, any change in the PRC's political, economic and social conditions, laws, regulations and policies may have a material adverse effect on us

The industry in which we are operating our business is subject to the laws and regulations in the PRC. Any change in existing laws and regulations or their interpretation that may affect our business or operations could require us to incur additional compliance costs or costly and time-consuming changes to our operations, either of which could materially and adversely affect our business, operating results and financial condition. For details of such laws and regulations, please refer to the section headed "Regulatory Overview" in this prospectus. We are unable to predict future changes in laws or regulations or enforcement policies that may affect our business or operations or to estimate the ultimate cost of compliance with such laws and regulations.

Further, the PRC economy has been transformed to a more market-oriented economy. The PRC government has implemented economic reform measures emphasising responsiveness to market forces in the development of the PRC economy. Yet, the PRC government continues to play a highly significant role in regulating industries by imposing industrial policies. Despite the implementation of such reforms, we cannot predict whether changes in the PRC's political and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, results of operations or financial condition.

The PRC's legal system embodies uncertainties that could materially and adversely affect our business and results of operations

All of our operations are conducted in the PRC and substantially all of our employees are PRC citizens. Our operations are therefore generally affected by and subject to the PRC legal system and the PRC laws and regulations. Since the late 1970s, a substantial number of new laws and regulations covering general economic matters have been promulgated in China. Despite these efforts, China's system of laws is still evolving. Even where adequate law exists in China, the enforcement of laws or contracts based on existing law may be uncertain, and it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgement by a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but have limited weight as precedents. The relative inexperience of China's judiciary in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in China or to enforce against them in China any judgements obtained from non-PRC courts

Most of our Directors and executive officers reside within China, and a significant majority of our assets and substantially all of the assets of those persons are located within China. It may not be possible for investors to effect service of process upon us or those persons inside China or to enforce against us or them in China any judgements obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts in the United States, Canada, the United Kingdom, Japan or most other western countries. However, judgements rendered by Hong Kong courts may be recognised and enforced in China if the requirements set forth by the Arrangement on Mutual Recognition and Enforcement of Judgements in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《關於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》) are met. Therefore recognition and enforcement in China of judgements of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

Changes in the PRC government policy on foreign investment in China may adversely affect our business and results of operations

According to the latest version of the Foreign Investment Catalogue (《外商投資產業指導目錄》), which became effective on 10 April 2015, our business does not fall within the prohibited or the restricted category. As the Foreign Investment Catalogue is updated every few years, there can be no assurance that the PRC government will not change its policies in a manner that would render part or all of our business to fall within the restricted or prohibited categories. If we cannot obtain approval from relevant approval authorities to engage in a business which become prohibited or restricted for foreign investors, we may be forced to sell or restructure our business which have become restricted or prohibited for foreign investment. If we are forced to adjust our corporate structure or business line as a result of changes in government policy on foreign investment, our business, financial condition and results of operations may be adversely affected.

We may be classified as a "resident enterprise" for PRC enterprise income tax purposes, which could result in unfavourable tax consequences to us and our non-PRC shareholders

The EIT Law provides that enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. In addition, the State Administration of Taxation issued the Notice on Issues Relating to the Determination of Chinese-Controlled Offshore Enterprises as PRC Resident Enterprises by Applying the "De Facto Management Body" Test* (國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知), or the SAT Circular 82, on 22 April 2009 which came into effect on 1 January 2008. The SAT Circular 82 classifies certain Chinese-invested enterprises controlled by

Chinese enterprises or Chinese group enterprises and established outside China as "resident enterprises" and clarifies that dividends and other income paid by such "resident enterprises" will be considered as PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when recognised by non-PRC enterprise shareholders. The SAT Circular 82 also subjects such "resident enterprises" to various reporting requirements with the PRC tax authorities. Under the implementation regulations to the enterprise income tax, a "de facto management body" is defined as a body that has material and overall management and control over the business operations, personnel and human resources, finances and properties of an enterprise. In addition, the SAT Circular 82 sets out four criteria for determining whether "de facto management bodies" are located in China for overseas incorporated, domestically controlled enterprises, namely, (1) whether the senior management in charge of the daily operations and its offices are in China, (2) whether decisions or authorising departments regarding financial management and human resources are in China, (3) whether primary assets, accounting books, seals, records and files of shareholders' meetings or board of directors are in China, and (4) whether directors or senior management with 50% or more voting rights habitually reside in China (the "Four Criteria"). Enterprises will be considered as "resident enterprises" if the Four Criteria are concurrently fulfilled. However, as this circular only applies to enterprises established outside of China that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of "de facto management bodies" for overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our subsidiaries. Therefore, although substantially all of our management is currently located in the PRC, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. We do not believe that our Company, our BVI subsidiary, namely, Zhan Yun, or our Hong Kong subsidiary, namely, Jiyi Investments, should be qualified as a "resident enterprise" as each of our offshore holding entities is a company incorporated outside the PRC. As holding companies, each of these entities' seals, records and files of the board and shareholders' meetings are located and kept outside China. Therefore, we consider that our Company, BVI subsidiary and Hong Kong subsidiary do not fulfil one of the Four Criteria set forth by the SAT Circular 82. As such, we do not currently consider our Company, BVI subsidiary and Hong Kong subsidiary to be PRC resident enterprises. However, if the PRC tax authorities disagree with our assessment and determine that we are a "resident enterprise", we may be subject to enterprise income tax at a rate of 25% on our worldwide income and dividends paid by us to our non-PRC shareholders as well as capital gains recognised by them with respect to the sale of our Shares may be subject to a PRC withholding tax. This will have an impact on our effective tax rate, a material adverse effect on our net income and results of operations, and may require us to withhold tax on our non-PRC shareholders.

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

In utilising the proceeds from the Global Offering or any further offering, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly owned PRC subsidiaries in

China to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be approved by the MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds of the Global Offering and to capitalise our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

SAFE regulations may limit our ability to finance our PRC subsidiaries effectively and affect the value of your investment and may make it more difficult for us to pursue growth through acquisitions

If we finance our PRC subsidiaries through overseas shareholder loans or additional capital contributions, registration with and/or approval of PRC governmental authorities are required. Any overseas shareholder loans to our PRC subsidiaries must be registered with the local branch of SAFE as a procedural matter and such loans cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under the relevant PRC laws and their respective registered capital. In addition, the amounts of the capital contributions are subject to the approval of the MOFCOM or its local counterpart. On 30 March 2015, SAFE promulgated the Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, which became effective on June 1, 2015. Under SAFE Circular 19, a foreign-invested enterprise may also choose converting its registered capital from foreign currency to RMB on self-discretionary basis, but shall not use such converted registered capital to provide entrusted loans or repay loans between non-financial enterprises. A foreign-invested enterprise with equity investments as main business can use the RMB capital converted for equity investments within the PRC. General foreign-invested enterprises, other than ones mentioned above, can make domestic equity investment with the capital in foreign currencies or the capital obtained from foreign exchange settlement within the PRC. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

We rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business

We conduct substantially all of our business through our consolidated subsidiaries incorporated in China. We rely on dividends paid by these consolidated subsidiaries for our cash needs, including the funds necessary to pay any 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 China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. Our statutory reserves are not distributable as loans, advances or cash dividends. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. In addition, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

In addition, under the EIT Law, the Notice of the State Administration of Taxation on Negotiated Reduction of Dividends and Interest Rates (《國家稅務總局關於協定下調股息稅率的通知》), or Notice 112, which was issued on 29 January 2008, the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion (《內地和香港特別行政區關於避免雙重徵稅和防止偷漏稅的安排》), or the Double Taxation Arrangement (Hong Kong), which became effective on 8 December 2006, and the Notice of the State Administration of Taxation Regarding Interpretation and Recognition of Beneficial Owners under Tax Treaties (《國家稅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》), or Notice 601, which became effective on 27 October 2009, dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiary may be subject to a withholding tax at a rate of 10%, or at a rate of 5% if our Hong Kong subsidiary is considered as a "beneficial owner" that is generally engaged in substantial business activities and entitled to treaty benefits under the Double Taxation Arrangement (Hong Kong). Furthermore, the ultimate tax rate will be determined by treaty between the PRC and the tax residence of the holder of the PRC subsidiary. We are actively monitoring the withholding tax and are evaluating appropriate organisational changes to minimise the corresponding tax impact.

The outbreak of any severe communicable disease in China, if uncontrolled, may materially and adversely affect our financial condition, results of operations and future growth

The outbreak of any severe communicable disease in China, if uncontrolled, could have an adverse effect on the overall business sentiment and environment in China, which in turn may have an adverse impact on domestic consumption and, possibly, on the overall GDP growth of China. As all of our revenue is derived from our PRC operations, any contraction or slowdown in the growth of domestic consumption or slowdown in the growth of GDP of China may materially and adversely affect our financial condition, results of operations and future growth. In addition, if our employees are affected by a severe communicable disease, we may be required to institute measures to prevent the spread of the disease, which may materially and adversely affect or disrupt our operations, resulting in an adverse effect on our results of operations. The spread of any severe communicable disease in China may also affect the operations of our customers and suppliers, which again, may have a potentially adverse effect on our financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

Our financial performance and results of operations will be adversely affected by our listing expenses

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK$31.6 million (assuming the final Offer Price is fixed at HK$1.35 per Offer Share, being the mid-point of the indicative Offer Price range). Expenses in relation to the Listing are non-recurring in nature. The Board wishes to inform our Shareholders and potential investors that our Group's financial performance and results of operations for the year ending 31 December 2015 will be significantly affected by the estimated expenses in relation to the Listing.

There has been no prior public market for our Shares and their liquidity and market price may be volatile

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We expect our Shares to be listed on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering. Furthermore, the price and trading volume of our Shares may be volatile.

The following factors could cause the market price of our Shares following the Global Offering to vary significantly from the Offer Price:

- variation in our turnover, earnings and cash flow;
- liability claims brought against us based on, for example, defective products or safety-related regulatory actions;
- interruptions to our sales and wholesale arrangements;
- our failure to execute our business strategies;
- any unexpected business interruptions resulting from operational breakdowns or natural disasters;
- inadequate protection of our intellectual property or legal proceedings brought against us for infringement of third parties' intellectual property rights;

- any major changes in our key personnel or senior management; and

- political, economic, financial and social developments.

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

The Offer Price of our Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution and the existing Shareholders of our Company will experience a material increase in the adjusted book value per Share of the Shares they own. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Sale or anticipated sale of substantial amounts of our Shares in the public market after the Global Offering could materially and adversely affect the prevailing market price of our Shares

The Shares beneficially owned by our Controlling Shareholders are subject to certain lock-up periods. There is no assurance that our Controlling Shareholders will not dispose of these Shares following the expiration of the lock-up periods, or any Shares they may come to own in the future. Sale of a substantial portion of our Shares in the public market, or the perception that such sale may occur, could materially and adversely affect the prevailing market price of our Shares. Such sale or the perception of such sale is likely to make it more difficult for us to sell equity or equity-linked securities in the future at a time and price which we deem appropriate.

You may face difficulties in protecting your interests because we are incorporated under the Cayman Islands law, and these laws relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions

Our corporate affairs are governed by, among other things, the Articles, the Cayman Islands Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. As a result, minority Shareholders may not enjoy the same rights and the remedies available to them may be different from those available under the laws of Hong Kong or such other jurisdictions.

There can be no assurance if and when we will pay dividends in the future; dividends declared in the past may not be indicative of our dividend policy in the future

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be formulated by our Board of Directors at their discretion and will be subject to our Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or HKFRS (whichever is lower), our Articles of Association, any applicable laws and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. Please refer to the paragraph headed "Financial Information — Dividends and Dividend Policy" on page 241 of this prospectus for more details of our dividend policy. In addition, dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form of dividends will be paid in the future.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to certain information obtained from official governmental and other sources contained in this prospectus

Facts, statistical and forecast information relating to China, the Chinese economy and the building and home improvement materials and furnishings market in China contained in this prospectus have been compiled from various publicly available official governmental sources and the Euromonitor Report. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor, the Sole Lead Manager, the Underwriters or any of our or their respective affiliates or advisers or any other parties involved in the Global Offering, and, therefore, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC. Such facts, forecasts and statistics include those used in the sections headed "Summary", "Risk Factors", "Industry Overview" and "Business" in this prospectus. Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts, forecasts or statistics.

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 the Application Form, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Controlling Shareholders, the Sole Global Coordinator, the Sole Lead Manager, the Sole Bookrunner, the Sole Sponsor and the Underwriters, any of our or their respective directors, officers, agents, employees or advisers or any other party involved in the Global Offering.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our industries and the Global Offering

There has been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and/or media regarding us, our business, our industries and the Global Offering. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding our Shares. None of us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any other person involved in the Global Offering has authorised the disclosure of any such information in the press or media and none of these parties accepts any responsibility for the accuracy or completeness of the information contained in such press articles and/or other media or the fairness or appropriateness of any forecasts, views or opinions expressed by the press and/or other media regarding our Shares, the Global Offering, our business, our industries or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, which to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

UNDERWRITING

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

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, 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.

No action has been taken to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, 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 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 securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme.

Save as disclosed in this prospectus, no part of the 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 (Winding Up and Miscellaneous Provisions) 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 our Company by the Stock Exchange.

HONG KONG SHARE REGISTER AND THE STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our register of members to be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by our principal registrar, Appleby Trust (Cayman) Ltd. in the Cayman Islands.

No stamp duty is payable by applicants in the Global Offering.

Dealings in the Shares registered on our Hong Kong Share Registrar will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, 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 for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

STABILISATION AND OVER-ALLOTMENT

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the 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, we intend to grant to the International Underwriters the Over-allotment Option, which is exercisable in full or in part by the Sole Global Coordinator (on behalf of the International Underwriters) within 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, we may be required to issue and allot up to an aggregate of 13,500,000 Shares (in aggregate representing 15% of the total number of the Shares initially available under the Global Offering) at the Offer Price to cover, among other things, over-allocation in the International Offering.

Further details with respect to stabilisation and the Over-allotment Option are set out in the paragraph headed "Structure of the Global Offering — Over-allotment Option" and "Structure of the Global Offering — Stabilisation" in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the 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 OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including their respective conditions, and the Over-allotment Option, are set out in the section headed "Structure of the Global Offering" in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars at a specified rate. You should not construe these translations as representations that the Renminbi amounts could actually be, or have been, converted into Hong Kong dollar amounts at the rate indicated or at all. Unless we indicate otherwise, the translations of Renminbi amounts into Hong Kong dollars have been made at the rate of RMB1.00 to HK$1.2193.

ROUNDINGS

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

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 executive Directors and senior management are based in the PRC and are expected to continue to be based in the PRC. In addition, substantially all our assets are based in the PRC and our headquarter, core business and operations are primarily located, managed and conducted in the PRC. As each of our executive Directors has a vital role in our business and operations, it is of paramount importance for them to remain to be based in the PRC and physically close to our operation. Relocation of our executive Directors to Hong Kong will be burdensome and costly for our Company as it will require time to process the application for residency in Hong Kong. Moreover, it may not be in the best interest of our Company and Shareholders as a whole to appoint additional executive Directors who are ordinarily resident in Hong Kong for the sole purpose of satisfying the management presences requirements as such arrangement will increase our administrative expensive and reduce the effectiveness and responsiveness of the Board in making decisions. Our Company currently does not, and in the foreseeable future will not, have executive Directors who are ordinarily residents in 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 have appointed 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 we will comply with the Listing Rules at all times. The two authorised representatives appointed are Ms. Hou Wei, our executive Director and Mr. Leung Wai Hong (梁偉康), our company secretary. Mr. Leung Wai Hong is ordinarily resident in Hong Kong. Although Ms. Hou Wei resides in the PRC, she possesses valid travel documents and is able to renew such travel documents when they expire in order to visit 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 e-mail (if applicable). Each of the authorised representatives will be authorised to communicate on our behalf with the Stock Exchange. The Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance and Mr. Leung Wai Hong has also been authorised to accept service of legal process and notices in Hong Kong on our behalf.

(2) Each of the authorised representatives has means to contact all of our Directors (including our independent non-executive Directors) and all of our senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. 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 or her office phone number, mobile phone number, fax number and

e-mail address (if applicable) to our authorised representatives; (b) in the event that a Director expects to travel, he or she will endeavour to provide the phone number of the place of his or her accommodation to the authorised representatives or maintain an open line of communication via his or her mobile phone; and (c) each of the Directors and authorised representatives will provide their respective mobile phone numbers, office telephone numbers, fax numbers and e-mail addresses (if applicable) to the Stock Exchange.

(3) In addition, each of our Directors (including our independent non-executive Directors) not ordinarily resident in Hong Kong has confirmed that he/she possesses or can apply for valid travel documents to visit Hong Kong for business purpose and will be able to come to Hong Kong and meet with the relevant officers of the Stock Exchange within a reasonable period of time, when required.

(4) In compliance with Rule 3A.19 of the Listing Rules, we have appointed Cinda International Capital Limited as our compliance adviser to act as the additional channels of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 in respect of its financial results for the first full financial year commencing after the Listing Date. The contact person of the compliance adviser will be fully available to answer enquiries from the Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS

We entered into, and are expected to continue after the Listing, certain continuing connected transactions. We have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the announcement requirement in respect of certain continuing connected transactions as disclosed in paragraph 1 in the section headed "Connected Transactions" in this prospectus. Further information is disclosed in the section headed "Connected Transactions" in this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Ms. Hou Wei (侯薇)	No. 3 Jiangnan Road Meijiang District, Meizhou Guangdong Province, PRC	Chinese
Mr. Liu Xianxiu (劉賢秀)	Dormitory of Meizhou Gas Company Limited Meijiang District, Meizhou Guangdong Province, PRC	Chinese
Non-executive Directors		
Mr. Hou Bo (侯波)	No. 3 Jiangnan Road Meijiang District, Meizhou Guangdong Province, PRC	Chinese
Mr. Lam On Tai (林安泰)	Flat C, 25/F., Block 13A South Horizons, Apleichau Hong Kong	Chinese
Independent non-executive Directors		
Mr. Ye Yihui (葉義輝)	2303, Block 1, Phase 2 Zhonghai Taohuayuan Shenqian Road Xiangzhou District, Zhuhai Guangdong Province, PRC	Chinese
Mr. Ho Hin Yip (何衍業)	Flat A, 19/F., Block 2 Scenecliff, 33 Conduit Road Mid-Levels, Hong Kong	Chinese
Mr. Hou Lianchang (侯聯昌)	801, Block A3, Xintian Guoji Mingyuan, Qiaoxiang Road, Futian District Shenzhen Guangdong Province, PRC	Chinese

For more information on our Directors and members of senior management, please refer to the section headed "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	Cinda International Capital Limited 45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	Cinda International Securities Limited 45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
Co-lead Managers	Convoy Investment Services Limited 24C, @Convoy 169 Electric Road, North Point Hong Kong
	Gransing Securities Co., Limited 805-806 Far East Consortium Building 121 Des Voeux Road Central Hong Kong
	Black Marble Securities Limited Unit 03&05, 32/F, Sino Plaza 255-257 Gloucester Road, Causeway Bay Hong Kong
Legal Advisers to the Company	*As to Hong Kong Law* Sidley Austin Level 39, Two International Finance Centre 8 Finance Street, Central Hong Kong
	As to PRC law Jingtian & Gongcheng 34/F, Tower 3 China Central Place 77 Jianguo Road, Beijing China
	As to Cayman Islands Law Appleby 2206-19 Jardine House 1 Connaught Place Central, Hong Kong

Legal Advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong Law* Deacons 5th Floor, Alexandra House 18 Chater Road Hong Kong *As to PRC law* Zong Heng Law Firm Room 500 Building of Textile Industry Bureau No.12 East Chang-An Avenue Beijing, 100742 The PRC
Auditor and Reporting Accountant	PricewaterhouseCoopers *Certified Public Accountants* 22/F Prince's Building Central, Hong Kong
Receiving bank	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong

Registered Office	Clifton House 75 Fort Street, P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters	No.2 Xianzi Middle Road Meixian District, Meizhou Guangdong Province, PRC
Principal place of business in Hong Kong	Room 1405, Jubilee Centre 18 Fenwick Street, Wanchai Hong Kong
Company website	**www.jiyihousehold.com** *(Information on this website does not form part of this prospectus)*
Company secretary	Mr. Leung Wai Hong (梁偉康), *CPA* Flat 6, 6/F., Yan Chuk House Yan Ming Court, Tseung Kwan O New Territories, Hong Kong
Audit committee	Mr. Ye Yihui (葉義輝) *(Chairman)* Mr. Ho Hin Yip (何衍業) Mr. Hou Lianchang (侯聯昌)
Remuneration committee	Mr. Hou Lianchang (侯聯昌) *(Chairman)* Mr. Liu Xianxiu (劉賢秀) Mr. Ye Yihui (葉義輝)
Nomination committee	Ms. Hou Wei (侯薇) *(Chairlady)* Mr. Hou Lianchang (侯聯昌) Mr. Ye Yihui (葉義輝)
Authorised representatives	Ms. Hou Wei (侯薇) No. 3 Jiangnan Road Meijiang District, Meizhou Guangdong Province, PRC Mr. Leung Wai Hong (梁偉康) Flat 6, 6/F., Yan Chuk House Yan Ming Court, Tseung Kwan O New Territories, Hong Kong
Compliance adviser	Cinda International Capital Limited 45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong

Principal bankers	Meizhou Branch, Bank of China No.53 Meijiang Yi Road, Meizhou Guangdong Province, PRC
	Meizhou Branch, Guangfa Bank No.101, Binfang Avenue, Meizhou Guangdong Province, PRC
Principal share registrar and transfer office in Cayman Islands	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street, P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

The information that appears in this Industry Overview has been prepared by Euromonitor International Limited and reflects estimates of market conditions based publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor International Limited should not be considered as the opinion of Euromonitor International Limited as to the value of any security or the advisability of investing in the Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor International Limited and set out in this section has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Lead Manager, the Underwriters or any other party involved in the Global Offering and neither they nor Euromonitor International Limited give any representations as to its accuracy or correctness and accordingly it should not be relied upon in making, or refraining from making, any investment decision.

SOURCES OF INFORMATION

We commissioned Euromonitor, an Independent Third Party, to prepare an independent industry report on the building and home improvement materials and furnishings market in China for use in this document. This document contains information extracted from the Euromonitor Report in sections such as "Summary", "Industry Overview", "Business" and "Financial Information". We agreed to pay Euromonitor a total fee of approximately RMB325,000 for the preparation of the industry report.

BACKGROUND OF EUROMONITOR

Established in 1972, Euromonitor International Limited is the world leader in strategy research for both consumer and industrial markets. Comprehensive international coverage and leading edge innovation make its products an essential resource for companies large and small, national and global. With offices around the world and analysts in 80 countries, it is a leading provider of global market intelligence. Its products and services are held in high regard by the international business community and it has 5,000 active clients including 90% of the Fortune 500 companies.

EUROMONITOR REPORT

Euromonitor's independent analysis was undertaken through primary and secondary research obtained from various sources. Primary research which involved interviews with a sample of leading industry participants and industry experts for latest market data and insights on future trends and to verify and cross check the consistency of data and research estimates; secondary research, which involved reviewing published sources including national statistics and official sources such as National Statistics Bureau of China, specialist trade press and associations such as China National Furniture Association, company reports including audited financial statements where available, independent research reports, and data based on Euromonitor's own research database.

Euromonitor made the following major assumptions about China's economy in the preparation of the Euromonitor Report:

- the Chinese economy is expected to maintain steady growth over the forecast period;
- the Chinese social, economic, and political environment is expected to remain stable in the forecast period;
- there will be no external shock, such as financial crisis or raw material shortage that affects the demand and supply of building and home improvement materials and furnishings market in China during the forecast period; and

- key market drivers such as accelerating urbanisation, increasing disposable income, recovery of real estate market, building and home improvement materials and furnishings upgrade are expected to boost the development of the building and home improvement materials and furnishings market in China.

OVERVIEW OF THE PRC ECONOMIC ENVIRONMENT

Despite the Eurozone debt crisis since 2011 which has continued to hinder the global economy and its recovery, the Chinese government has attempted to restructure its economy by reducing the dependency on exports while boosting domestic consumption and investment. In China, per capita GDP has grown robustly from 2009 to 2013, with a CAGR of approximately 14.0% to reach about RMB43,320 in 2013, leading to increasingly stronger purchasing power among average consumers.

China's urbanisation also develops rapidly. As of 2014, urban residents accounted for approximately 54.8% of China's total population. With the growing urbanisation, average consumers' living standard is improved, people pursue better living environment and their consumption power is therefore enhanced. Annual per capita disposable income in 2014 for urban residents reached around RMB28,844, witnessing a CAGR of approximately 10.9% (2009-2014), while the annual net income for rural residents reached around RMB9,892 in 2014, gaining a CAGR of approximately 13.9% (2009-2014). Underpinned by the healthy development of the macro economy and the significant rise in per capita income of Chinese consumers, total retail sales value of consumer goods, including apparel and footwear, home improvement and furnishings, etc., increased to approximately RMB262.4 trillion in 2014, with a value CAGR of 14.6% from 2009 to 2014.

Despite the government restrictive measures on property investment activities in recent years, driven by urbanisation, the real estate market still experienced a growth, although at a slower rate. According to National Statistics Bureau of China, by the end of 2013, the total area for buildings under construction in China had reached approximately 11.3 billion square metres, growing at approximately 14.6%. Meanwhile, the area for newly completed buildings in 2014 totalled approximately 4.2 billion square metres, witnessing a CAGR of approximately 10.9% (2009-2014).

OVERVIEW OF THE MACRO ECONOMIC ENVIRONMENT IN GUANGDONG PROVINCE

The total GDP in Guangdong Province increased from approximately RMB3.9 trillion in 2009 to approximately RMB6.8 trillion in 2014, representing a CAGR of approximately 11.4%, and its GDP's annual growth rate was approximately 7.8% in 2014, slightly higher than national counterpart of approximately 7.4% in the same year. Additionally, the per capita GDP grew from approximately RMB39,436 in 2009 to approximately RMB63,452 in 2014, with a CAGR of 10.0%, resulting in strong purchasing power among average consumers.

Guangdong Province has had comparatively higher degree of urbanization than national level. The total number of urban residents increased from around 64.2 million in 2009 to around 72.9 million in 2014, with urbanization rate hitting around 68.0% in 2014. The annual per capita disposable income in 2013 for urban residents reached approximately RMB33,090.0, witnessing a CAGR of 11.3% (2009-2013), while the annual net income for rural residents reached approximately RMB11,669.3 in 2013, gaining a CAGR of 14.0% (2009-2013).

With the growing urbanisation, urban dwellers generally enjoy higher spending power, pursue quality lifestyle and better living environment and also have increasing demand for housing in city. According to National Statistics Bureau of China, in Guangdong Province, total retail sales value of consumer goods, including apparel and footwear, home improvement and furnishings, etc., increased by approximately 11.9% to reach approximately RMB2.85 trillion in 2014, with a CAGR of 13.8% from 2009 to 2014. Meanwhile, the per capita expenditure on home improvement and furnishings reached approximately RMB876.5 in 2014, increasing from approximately RMB593.9 in 2010. By the end of 2014, the total area for buildings under construction had reached approximately 534.4 million sq.m., gaining a CAGR of approximately 12.1% (2009-2014).

OVERVIEW OF BUILDING AND HOME IMPROVEMENT MATERIALS AND FURNISHINGS MARKET IN CHINA

Building materials

The market for building materials depends on the performance of the real estate market in the PRC. The total area of buildings under construction as well as total area of newly completed buildings in China have experienced healthy growth. According to the National Statistics Bureau of China, the total area for buildings under construction had reached approximately 11.3 billion sq.m. in 2013, with the CAGR of approximately 17.7% from 2009 to 2013. Meanwhile, the area for newly completed buildings in 2014 totalled approximately 4.2 billion square metres, witnessing a CAGR of approximately 10.9% from 2009 to 2014. Building materials are usually sold to end-users through distributors. Building materials manufacturers usually work closely with regional distributors, who help them distribute building materials to end-users or smaller distributors.

Home improvement and furnishings

According to the National Statistics Bureau of China, there were 5,301 specialist retailers (above the scale, with main business income over RMB5 million) for hardware, home furniture and interior decoration materials in 2013. Consequently, the competition among home improvement and furnishings retailers has recently become increasingly fierce, especially in more developed areas such as coastal provinces and/or cities, like Guangdong Province, Fujian Province, Shanghai, etc., where consumers' purchasing power is higher than national average.

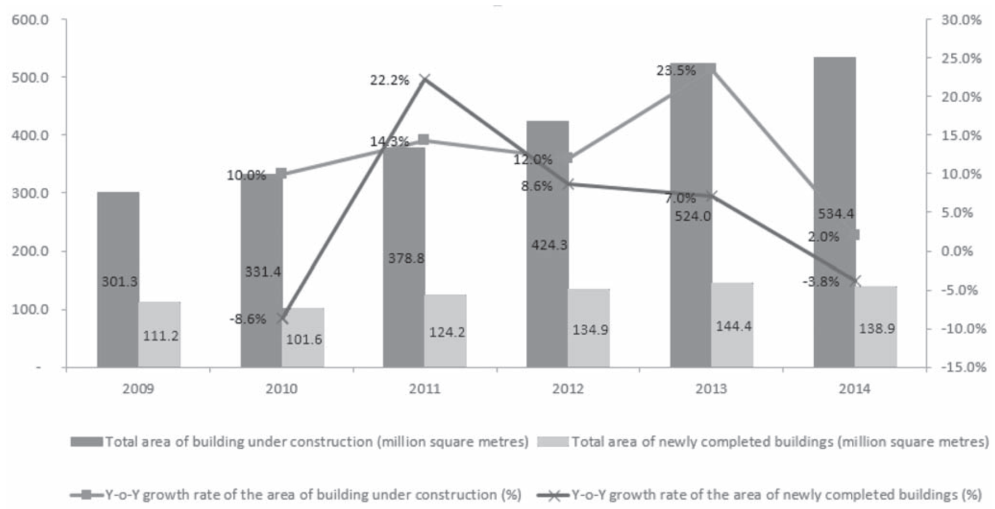
Key sales channels for home improvement and furnishings in China include retail sales platform such as multi-brand home improvement and furnishings retail stores, chained single-brand home improvement and furnishings retail stores, small independent home improvement and furnishings retail stores, and internet retail stores.

The total market size, by retail sales value for home improvement and furnishings in China, reached approximately RMB893.4 billion in 2014, witnessing a CAGR of approximately 11.6% (2010-2014). Due to the slowdown of macro-economic development and government control over the real estate market in recent years, the home improvement and furnishings market also experienced slower growth from 2012 to 2014.

OVERVIEW OF BUILDING AND HOME IMPROVEMENT MATERIALS AND FURNISHINGS MARKET IN GUANGDONG PROVINCE

Market demand for building and home improvement materials and furnishings closely correlates with the performance of the real estate market, as these products are purchased mainly for property renovation or household improvement purposes.

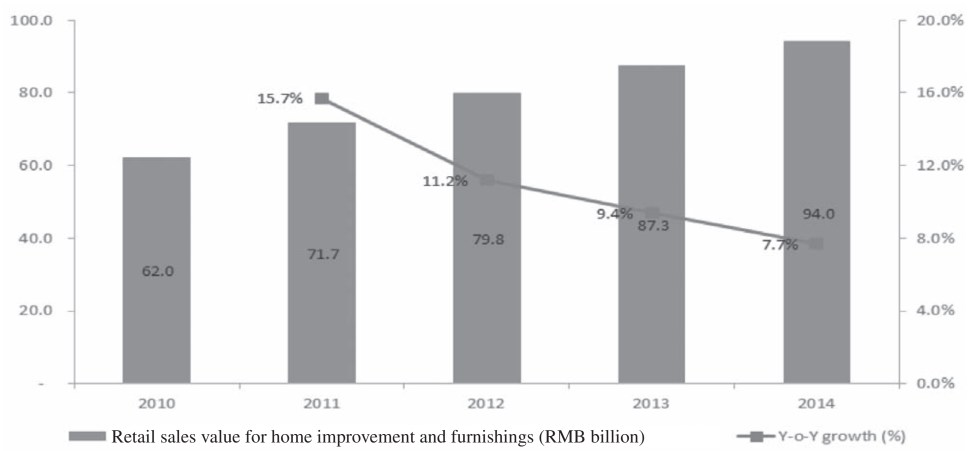
Total area of building under construction vs. total area of newly completed buildings in Guangdong Province, historic 2009-2014



Source: National Statistics Bureau of China

According to Euromonitor, in 2014, Guangdong Province is the largest home improvement and furnishing products manufacturing base in China, accounting for approximately 40% of the total production value in China, followed by Shandong, Zhejiang and Henan Provinces. It is also consistently the largest home furniture export province. The total market size for home improvement and furnishings in Guangdong Province has reached around RMB94.0 billion in 2014, gaining a CAGR of approximately 11.0% (2010-2014). Set out below is the market size for home improvement and furnishings in Guangdong Province from 2010 to 2014.

Market size for home improvement and furnishings in Guangdong Province, by retail sales value, historic 2010-2014



Source: Euromonitor estimates from desk research and trade interviews

With the increasing disposable income and taking further advantage of being a leading home improvement and furnishings production base, the retail market for home improvement and furnishing products in Guangdong Province is expected to have a healthy growth. According to Euromonitor, the total market size for home improvement and furnishings in Guangdong Province is expected to reach around RMB140.8 billion in 2019, gaining a CAGR of around 8.4% (2015-2019).

OVERVIEW OF BUILDING AND HOME IMPROVEMENT MATERIALS AND FURNISHINGS MARKET IN MEIZHOU

Meizhou is a city situated in the northern mountainous area of eastern Guangdong Province. Situated at the juncture of Guangdong, Fujian and Jiangxi Provinces, Meizhou has been traditionally regarded as a key county level city in Guangdong Province with active social, economic and commercial activities. Along with the rising urbanization rate and increasing disposable income, people living in Meizhou are pursuing higher living standard, which is reflected from the purchase of new houses by the local population and their greater attention to the high quality of home improvement and furnishings, according to Euromonitor.

According to the Statistics Bureau of Meizhou, urban residents in Meizhou have reached around 2.03 million in 2014, gaining an urbanization rate of 46.9%. The population moving to the urban area has been increasing, as they can find better educational resources as well as wider job opportunities. With growing urbanization, the demands for real estate as well as home improvement and furnishings products have subsequently increased. According to the Statistics Bureau of Meizhou, total disposable income for urban residents in Meizhou achieved around RMB20,737 in 2013, witnessing a CAGR of around 12.1% from 2009 to 2013, while the provincial average was around RMB33,090 in 2013, with a CAGR of around 11.3% from 2009 to 2013.

According to the Statistics Bureau of Meizhou, a total of 173 property developers have been entering Meizhou by the end of 2014. Besides, the total area of building under construction reached approximately 9.60 million sq.m. in 2014, increased by 31% than the previous year. In addition, the total area of newly completed building reached approximately 2.29 million sq.m. in 2014, experiencing 40.7% annual growth than year 2013. The recent development of real estate market in Meizhou in 2014 drives the increasing demand for building and home improvement materials and furnishing products.

According to the Statistics Bureau of Meizhou, the total investment in developing the real estate market in Meizhou reached around RMB12.8 billion in 2014, increased from around RMB7.7 billion in 2013. The year-on-year growth rate (2014/2013) reached 66.6%, which was faster than the provincial growth rate of 17.7% in 2014. Among the real estate market, the total investment in developing residential housing in Meizhou reached around RMB9.9 billion in 2014, experiencing 72.9% growth rate than that of 2013, whereas the investment in developing villas and luxury residential apartments was around RMB192 million in 2014, seeing a 44.0% decrease in growth rate than 2013. In comparison, the total investment in developing offices and commercial building reached around RMB38 million and around RMB1.3 billion, respectively, in 2014.

Population (2013) and total investment in real estate market (2014) in Meizhou

Region	Population as of end of 2013	Total amount of investment in 2014	Growth rate (2014/2013)
	('000)	*(RMB billion)*	
Meijiang District	360	4.3	73.0%
Meixian District	600	4.4	157.5%
Xingning	1,190	1.2	33.3%
Pingyuan County	260	0.30	11.5%
Jiaoling County	230	0.35	-29.5%
Dabu County	550	0.70	-9.8%
Fengshun County	710	1.01	124.6%
Wuhua County	1,350	0.63	-4.7%

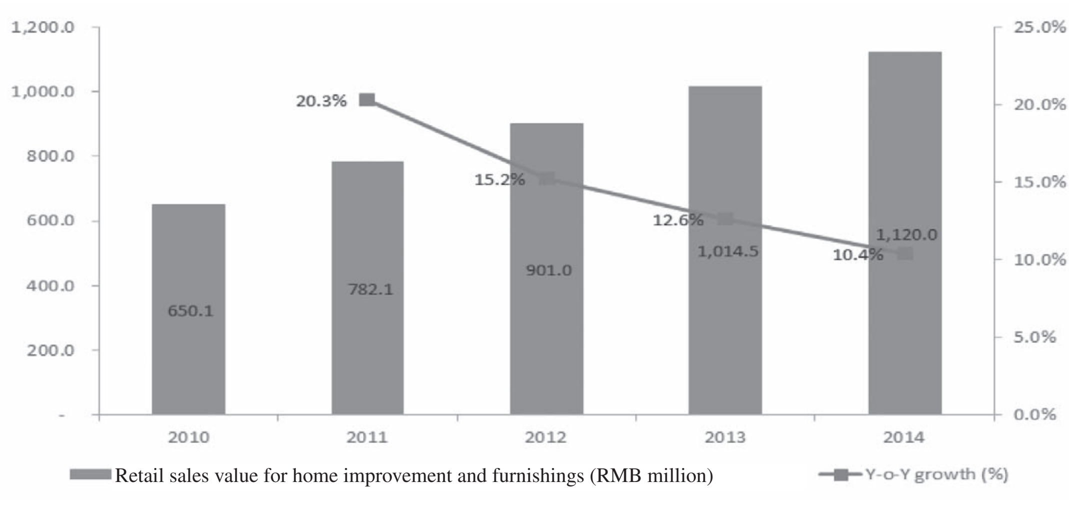
Source: Statistics Bureau of Meizhou

The growth of property market in Meizhou is also contributed by the local government initiatives in further developing and expanding the urban area of Meizhou in recent years. According to the "Action plan for Expanding and Upgrading the Urban Centre of Meizhou (2013-2020)" (梅州市中心城區擴容提質行動計劃(2013-2020)) published in 2013 by the Meizhou government, it involves town planning, urban development and large-scale investment projects in Qinyang Peninsula (芹洋半島) across Meixian and Meijiang districts. According to action plan, Jiangnan new town will be set up in 2017, and the total area of Meixian new district will double. In addition, according to the annual government report by Jiaying new district in 2014, many large and qualified projects will be introduced in Jiangnan new town, including Wanda shopping centre (萬達廣場), Fugang Donghuicheng (富港東匯城), Dabaihui Group (大百匯集團) and etc. The local government also announced a number of infrastructure projects to be implemented during 2016 to 2017, and to continue such expansion and optimisation during 2018 to 2020, including the construction of various transportation network, industrial parks, logistics centres and cultural and leisure facilities. These large-scale projects under the pipeline will drive the future demand for building materials, home improvement and furnishing products in Meizhou.

The number of residential flats sold in Meizhou increased by 75.7% during the period from January to August of 2015 reflected a healthy growth of residential real estate market in Meizhou. The home improvement and furnishings market in Meizhou also foresees a healthy growth in the coming future. According to Euromonitor, total market size for home improvement and furnishings in Meizhou is expected to reach approximately RMB1,901 million in 2019, gaining a CAGR of approximately 11.0% for the forecast period (2015-2019).

Set out below is the market size for home improvement and furnishings in Meizhou from 2010 to 2014.

Market size for home improvement and furnishings in Meizhou, by retail sales value, historic 2010-2014



Source: Euromonitor estimates from desk research and trade interviews

COMPETITIVE LANDSCAPE OF BUILDING AND HOME IMPROVEMENT MATERIALS AND FURNISHINGS MARKET

Building materials market

The current building materials market is fragmented as there are numerous market players, including distributors, wholesalers and retailers. Building materials are usually sold to end-users through distributors. According to Euromonitor, building materials manufacturers usually work with regional distributors who will further expand the sales network to sub-distributors across the region. However, after years of development, some leading building materials manufacturers and distributors have gradually established their brand awareness, strengths and their competitiveness through product innovation and quality guarantee. Consequently, the market tends to be developing towards more organized, with more competitive ones gaining shares from others.

Home improvement and furnishings market

The overall home improvement and furnishings market in Guangdong Province is fragmented, with a large number of small independent home improvement and furnishings stores. It has become increasingly popular for the sale of home improvement and furnishings through speciality retail stores in China. There are mainly two business models for multi-brand home improvement and furnishings retail stores. First, the "platform provider" model is where the operator of the multi-brand home improvement and furnishings retail stores rents the retail stores to different brand owners and distributors for rental fees; the second one is the "product distributor" model, where the seller of the multi-brand home improvement and furnishings purchases products from manufacturers and distributors and resells these products in their own retail stores, managing the combination of brand and product variety directly. According to Euromonitor, the ranking of multi-brand home improvement and furnishings retail chains (including "platform provider" and "product distributor" models) by number of outlets in Guangdong Province is set out as follows:

Leading 10 multi-brand home improvement and furnishings retail chains in Guangdong Province, by number of outlets, as of 28 February 2015

Ranking	Leading multi-brand home improvement and furnishings retail chains	Number of outlets, as of 28 February 2015	Business model	Product types
1	Competitor A	18	Platform provider	Both home furnishing and improvement products
2	Competitor B	16	Platform provider	Both home furnishing and improvement products
3	Jiyi Household	9	Products distributor	Both home furnishing and improvement products
3	Competitor C	9	Platform provider	Mainly home furnishing products
5	Competitor D	8	Platform provider	Both home furnishing and improvement products
5	Competitor E	8	Products distributor	Mainly home furnishing products
5	Competitor F	8	Platform provider	Mainly home furnishing products
5	Competitor G	8	Platform provider	Both home furnishing and improvement products

Ranking	Leading multi-brand home improvement and furnishings retail chains	Number of outlets, as of 28 February 2015	Business model	Product types
5	Competitor H	8	Platform provider	Both home furnishing and improvement products
10	Competitor I	7	Platform provider	Mainly home furnishing products

Source: Euromonitor estimates from desk research and trade interviews

Notes:

(1) The market share data reported above has been determined by Euromonitor via a fieldwork program consisting of desk research and trade interviews. While published data was available for some of the companies, Euromonitor has estimated the rankings based on information provided by various trade sources (i.e. not just the companies themselves) and seeking a consensus on these estimates as much as possible.

(2) When compiling the above ranking, Euromonitor did not take into account building materials, as a separate type of merchandise, which are usually sold through wholesale market or specialized stores. Such platforms are separate and different from the platform for the sale of home improvement and furnishings.

The ranking of multi-brand home improvement and furnishings retail chains (including "platform provider" and "product distributor" models) by number of outlets in Meizhou is set out as follows:

Leading five multi-brand home improvement and furnishings retail chains in Meizhou, by number of outlets, as of 28 February 2015

Ranking	Leading multi-brand home improvement and furnishings retail chains	Number of outlets, as of 28 February 2015	Business model
1	Jiyi Household	7	Products distributor
1	Competitor A	7	Products distributor
3	Competitor B	3	Products distributor
4	Others	1	Products distributor

Source: Euromonitor estimates from desk research and trade interviews

Notes:

(1) The market share data reported above has been determined by Euromonitor via a fieldwork program consisting of desk research and trade interviews. While published data was available for some of the companies, Euromonitor has estimated the rankings based on information provided by various trade sources (i.e. not just the companies themselves) and seeking a consensus on these estimates as much as possible.

(2) When compiling the above ranking, Euromonitor did not take into account building materials, as a separate type of merchandise, which are usually sold through wholesale market or specialized stores. Such platforms are separate and different from the platform for the sale of home improvement and furnishings.

By the end of 2014, the retail sales value of home improvement and furnishings in Meizhou amounted to approximately RMB1,120 million. For the "product distributor" model, the leading five directly managed multi-brand home improvement and furnishings retail stores jointly accounted for 15.3% of total home improvement and furnishings market in Meizhou in terms of retail sales value in 2014. They are home improvement and furnishing retail stores who purchase home improvement and furnishings from manufacturers or distributors and sell them in their retail stores. The market share of leading five directly managed multi-brand home improvement and furnishings retail stores adopting the products distributor model in Meizhou in 2014 (excluding home improvement and furnishing retail stores with main revenues from rental fees) is set out below:

Market share of leading five directly managed multi-brand home improvement and furnishings retail stores adopting the products distributor model in Meizhou, by retail sales value, in 2014

Ranking	Leading directly managed multi-brand home improvement and furnishings retail stores	Market share by retail sales value in 2014	Business model
1	Jiyi Household	6.1%	Products distributor
2	Competitor A	4.3%	Products distributor
3	Competitor B	3.1%	Products distributor
4	Competitor C	0.9%	Products distributor
5	Competitor D	0.9%	Products distributor

Source: Euromonitor estimates from desk research and trade interviews

Notes:

(1) The market share data reported above has been determined by Euromonitor via a fieldwork program consisting of desk research and trade interviews. While published data was available for some of the companies, Euromonitor has estimated the rankings based on information provided by various trade sources (i.e. not just the companies themselves) and seeking a consensus on these estimates as much as possible.

(2) When compiling the above ranking, Euromonitor did not take into account building materials, as a separate type of merchandise, which are usually sold through wholesale market or specialized stores. Such platforms are separate and different from the platform for the sale of home improvement and furnishings.

However, the entire building and home improvement materials and furnishings market is fragmented in the PRC. Our Group only accounted for about 0.1% market share of the PRC in terms of retail sales value in 2014.

KEY GROWTH DRIVERS

Building materials market

Factors contributing to the growth of the building materials market in China include the following:

- *Growing urbanisation and government's investment in infrastructure construction*: With more residents moving to urban areas, the demand for residential housing is consequently increasing, which drives the need for building materials. On the other hand, the National Development and Reform Commission has approved 34 infrastructure projects with total amount of investment over RMB720 billion according to the latest government plan (June 2015). The development of infrastructure requires significant needs for building materials, such as cement and building mortar, glasses, wall materials, etc.

- *The growth of the real estate market*: According to the National Statistics Bureau of China, the total area for residential housing sold in 2014 reached around 1.1 billion sq.m., witnessing a healthy growth with a CAGR of approximately 4.1% from 2009 to 2014. The increasing area of residential housing sold has directly driven the growth of building materials market. While certain restriction regulatory policies on real estate launched by the PRC government cooled down large scale new house trading in 2014, PRC the government has gradually relaxed the restriction order on new home purchasing in early 2015, including relaxation of the provident fund loans used for purchasing new house, reduction of the down payment ratio on second house purchasing, provision of housing subsidies in certain cities, which is expected to encourage purchases of new homes by PRC nationals and hence indicate a promising growth trend for building materials market.

Home improvement and furnishings market

Factors contributing to the growth of the home improvement and furnishings market in Guangdong Province include the following:

- *Increase in consumer disposable income*: According to the National Statistics Bureau of China, per capita disposable income for urban residents in Guangdong Province increased from approximately RMB21,574.7 in 2009 to approximately RMB33,090.0 in 2013, witnessing a CAGR of 11.3%. With a higher consumer disposal income, consumers are willing to pay attention to product quality and brand, which further drives the growth of the home improvement and furnishings market in Guangdong Province.

- *Accelerating urbanization*: There has been increasing number of residents moving into the urban areas in recent years. Local government and associations also facilitate home improvement and furnishings retail stores in those less developed areas other than Pearl River Delta, which will continue to drive the demand for home improvement and furnishings.

- *Large production base of home improvement and furnishings*: According to Euromonitor, Guangdong Province is the largest home improvement and furnishings manufacturing base in China. The proximity to the production base enables quality to be procured at a reasonable price by minimizing transportation cost while allowing the distributors or downstream suppliers to better manage the relationship with the upstream suppliers in terms of product pricing and quality by maintaining a close contact with them, therefore attracting customers to purchase home improvement and furnishings in Guangdong Province.

- *The tradition of "bare shell" property selling drives the demand for home improvement materials and furnishings retail market*: Consumers in many Chinese provinces are culturally influenced to select home improvement and furnishings products to decorate their homes on their own, which lead to a tradition of purchasing house in "bare shell" format. Although in higher tier cities, such as Guangzhou, according to Euromonitor, apartments with refined decoration accounted for a significant proportion of the real estate market, the habit of purchasing a "bare shell" house is still popular among the purchasers of real estates. Further, there are still a large number of consumers in lower tier cities in Guangdong Province having the tradition to purchase "bare shell" properties. With such tradition, there is room for the growth of retail market of home improvement and furnishings in Guangdong Province.

CONSTRAINTS AND ENTRY BARRIERS FOR BUILDING AND HOME IMPROVEMENT MATERIALS AND FURNISHINGS SELLERS

Building materials

According to Euromonitor, the main key constraint for the building materials market is vicious price competition. The current building materials market is fragmented as there are numerous market players and price war is found in the building materials market. To bring down the price, some building materials suppliers supply low-quality products to the market. Concerning entry barriers, new entrants need to make efforts to build good relationship with building materials manufacturers to ensure the stable supply of good quality products. It will also take time for them to establish good relationship with end-users and dealers who help expand the sales network. In short, it is not easy for new entrants to quickly accumulate resources to build good distribution chains.

Home improvement and furnishings

According to Euromonitor, the entry barriers to the home improvement and furnishings market in China includes:

- *Concerns over product quality*: Several poor product quality issues in the home improvement and furnishings market were exposed in the past few years. Also, some lighting and sanitary ware manufacturers were found to be using non-environmentally friendly materials in their products. According to the relevant PRC laws and regulations, any retailers or manufacturers being found producing and selling defective products can get fined and even be revoked for the business license. Concerns over product quality weaken consumer confidence and eventually hinders the healthy development of the home improvement and furnishings market.
- *Unstable government policy towards the real estate market*: As one of the upstream industries, the real estate market has a direct impact on the home improvement and furnishings market. It is found that the growth rate for the total area of residential housing sold experienced fluctuation from 2010 to 2014, which was mainly because of the different government policies put forward during different time periods. The unpredictable government policies will hinder consumers' enthusiasm in purchasing houses and eventually influence the growth of the home improvement and furnishings market.
- *Difficulty in establishing a strong supply network and accumulating industry knowledge*: As home improvement and furnishings retail stores require to stock and display a wide selection of products to attract potential customers, a strong supply chain management system and in-depth knowledge in the products and brands are vital. It is difficult for new entrants to quickly obtain sound and decent supply chain management skill and the knowledge required.
- *Finding a good location becomes a major barrier for new entrants:* The establishment and development of a comprehensive retail store for home improvement and furnishings usually require the establishment of retail stores with massive floor area for displaying a wide array of products and brands and to attract high customer flow, which enable customer to enjoy a one-stop shopping experience. With the increasing penetration of home improvement and furnishings retail stores, especially in more developed areas of China, it is becoming increasingly difficult for new entrants to identify suitable locations for a new retail store.
- *Time and money required for setting up a retail store*: The home improvement and furnishings market in China is fragmented and features fierce competition, strong capital backup and time commitment are necessary to build a home improvement and furnishings retail store. It is difficult for new entrants to collect enough financial support and set up chain stores in a short time.
- *Brand and reputation of existing players*: Consumers are paying increasing attention to brand awareness and product quality and become accustomed to purchase home improvement and furnishings from well-known home improvement and furnishings retail stores. The new entrants would find it difficult to build their reputations and customer loyalty without a proven historical record and strong branding.

DECORATION INDUSTRY IN GUANGDONG PROVICNE

Overview

Due to the quick influx of people from other cities, more and more public buildings and private housing were built to meet the demands of the fast growing economy. Decoration services hence were in high demand. Guangdong Province was among the first group of provinces in China to develop apartments with refined decoration in the 1990s. Apartments with refined decoration usually see more leading-edge designs than average apartment, supported by larger decoration service providers. Nowadays, according to Euromonitor, Guangzhou is one of the cities with the highest proportion of real estate with refined decoration, leading the decoration industry in China. The total output value for the decoration industry in Guangdong Province has reached approximately RMB127.7 billion in 2014, witnessing a CAGR of approximately 16.7% from 2010 to 2014.

According to Euromonitor, the total output value for the decoration industry in Guangdong Province is expected to reach approximately RMB196.7 billion by the end of 2019, witnessing a CAGR of approximately 9.0% from 2015 to 2019. The output value for the decoration industry is largely influenced by the development of real estate market in Guangdong Province. The continuing urbanisation, increasing consumer disposable income and upgrade of service and products are likely to drive the future growth of the value output of the decoration industry in Guangdong Province.

Market Drivers

According to Euromonitor, market drivers of the decoration industry in Guangdong Province include:

- *Accelerating urbanisation*: The demand for public construction and household decoration increases with more public facilities and residential buildings being established, which eventually drives the growth of the decoration industry in Guangdong Province.
- *Increase in consumer disposable income*: With the growth of consumer disposable income, consumers tend to seek decoration services of better quality and uniquely designed products. To satisfy consumers' needs, many decoration services providers make efforts to offer higher standard of services and solutions, such as smart home systems, customized colour schemes, overall decoration packages (e.g. European style or pastoralism), etc. The upgrade in products and services is expected to build a healthy environment for the decoration industry in Guangdong Province and boost market growth.

Market Constraints and Entry Barriers to Decoration Industry Service Providers

Market constraints and entry barriers to decoration industry service providers in Guangdong Province include:

- *Low market concentration and lack of standard industrial regulation and supervision*: The current market concentration level for the decoration industry is low in Guangdong Province, with numerous small and medium-sized companies with poor management and operational skills. It also takes time and efforts for new players to achieve high service standards and build their brand awareness and customer base. As the decoration industry lacks standardised regulation and supervision, it will adversely affect the market order and hinder the development of the decoration industry in Guangdong Province in the long run.
- *Unstable government policy towards the real estate market creates uncertainty*: The real estate market has a direct impact on the decoration industry. The total area sold for residential housing experienced fluctuation from 2010 to 2014 which was mainly due to various government policies being promulgated over real estate market during different time periods. The unpredictable government policies will, to some extent, hinder consumers' enthusiasm for purchasing houses and eventually negatively impact the stability of the decoration industry.

Our operations are mainly carried out in the PRC, which are subject to PRC laws, rules and regulations. A summary of the laws, rules and regulations applicable to our business is set out below.

REGULATIONS RELATING TO OUR INDUSTRY

Regulations relating to Commercial Enterprises, wholesale and retail

Regulations on Foreign Investment in Commercial Fields

The principal legal provisions governing foreign investment in the commercial sector are set out in the Measures for Administration on Foreign Investment in Commercial Fields (外商投資商業領域管理辦法) (the "**Measure of Administration**") which were promulgated on April 16, 2004 and came into effect on June 1, 2004. Pursuant to the Measures of Administration, "foreign-funded commercial enterprises" shall refer to the enterprises with foreign investment which undertake the following commercial activities: (1) Commission agency: agents, brokers, auctioneers or other wholesalers for sale of goods, who sell goods of someone else and provide relevant attached services through collecting fees on the basis of contract; (2) Wholesale: selling goods to retailers, customers of industry, commerce and organizations, or to other wholesalers or providing relevant attached services; (3) Retail: selling goods for consumption and use of individuals or groups or providing relevant attached services in fixed places or through television, telephone, mail order, internet, and automats; or (4) Franchising: vesting other people with using its trademark, trade firm, or mode of management by signing contract for the purpose of gaining remunerations or franchising fees.

Foreign investors can apply to set up both commercial enterprises and stores at the same time in accordance with certain procedures and guidelines set out in the Measures of Administration. The procedures for establishing a foreign-invested commercial enterprise involve the submission of an application, including a project proposal, feasibility study and other required documents, to the relevant provincial commerce department or the MOFCOM for approval.

Pursuant to the Notice of the Ministry of Commerce on Transferring Approval Rights of Foreign-invested Commercial Enterprises 商務部關於下放外商投資商業企業審批事項的通知 issued by the MOFCOM on September 12, 2008, the provincial commerce department shall be the approval authority of the establishment and modification of foreign-invested commercial enterprises, except for those that engage in sales by television, telephone, mail order, internet or vending machine, those that engage in the wholesale of audiovisual products and those that engage in the sale of books, newspapers and magazines.

Pursuant to the Notice of the Ministry of Commerce on the Examination, Approval and Record Filing of Foreign-invested Commercial Enterprises (商務部關於做好外商投資商業企業審批和備案工作的通知) which was promulgated and came into effect on January 14, 2009, the competent departments of MOFCOM at the provincial level, after considering the specific circumstances, may further transfer the approval rights of foreign-invested commercial enterprises to competent departments of MOFCOM at lower level subject to consent of the MOFCOM.

Regulations on Anti-unfair Competition

Pursuant to the Anti-unfair Competition Law of the PRC (中華人民共和國反不正當競爭法) issued by the Standing Committee of the National Congress of the PRC on September 2, 1993 and came into effect on December 1, 1993, operators are allowed to sell merchandise at a price lower than cost to edge out competitors. Below-cost pricing in the following situations, however, is not considered inappropriate competition behavior: (1) sales of live and fresh foodstuffs; (2) handling merchandise that will soon be expired or other overstocked merchandise; (3) seasonal price reduction; and (4) sales of merchandise at a reduced price due to settlement of indebtedness, change of business or close of business

Operators shall not adopt any of the following improper means to carry out market transactions or cause damage to competitors: (1) counterfeiting the registered trademarks of others; (2) using, without authorization, the names, packaging or decoration unique to well-known goods or the names, packaging or decoration similar to those of well-known goods so that their goods are confused with the well-known goods of others, causing buyers to mistake them for the well-known goods of others; (3) using, without authorization, the enterprise names or personal names of others on their own goods, leading purchasers mistaken them for the goods of others; or (4) forging or falsely using symbols of quality such as symbols of authentication and symbols of famous and high-quality goods on their goods, falsifying the origin of their goods, and making false representations that are misleading as to the quality of the goods.

An operator shall not sell or purchase goods by offering bribes with money or valuables or otherwise. Where an operator secretly pays kickbacks to the counterparty, an entity or individual, off the books, the operator shall be punished for offering bribes. Where an operator gives discounts to the counterparty or pays commissions to the middlemen, it shall enter the items in accounts faithfully. An operator accepting discounts or commissions shall enter such receipt in the accounts faithfully.

Regulations on Product Quality

According to the General Principles of Civil Law of the People's Republic of China (中華人民共和國民法通則) issued by the National People's Congress on April 12, 1986 and amended on August 27, 2009, if a substandard product causes property damage or physical injury to others, the manufacturer or seller shall bear civil liability according to law. If the transporter or storekeeper is responsible for the matter, the manufacturer or seller shall have the right to demand compensation for its losses.

According to the Product Quality Law of the People's Republic of China (中華人民共和國產品質量法) issued by the Standing Committee of the National People's Congress on February 22, 1993 and amended on July 8, 2000 and August 27, 2009 respectively, which enhance the control of product quality and protection on consumers, sellers shall be responsible for repair, replacement or return and compensate for the damages done to end-users or consumers if one of the following cases occurs: (1) the products do not have the function for use they are supposed to have and which were not explained in advance; (2) the quality of products does not conform to the standards specified on the products or the packages; (3) the quality of products does not meet the quality specified in the instruction for use or shown by the samples if provided. After the sellers undertake the repairs, replacement, return or compensation for damages according to the provisions of the preceding paragraph, the sellers have the right to claim the losses from producers or other sellers that provide the products (hereinafter referred to as suppliers), if the liability lies on the producers or suppliers.

If the sellers fail to perform the duty of repairing, replacing, returning or compensating for damages as provided in the first paragraph of this Article, the quality supervision and control departments or administrative departments of industry and commerce shall order them to correct.

Regulations on Consumer Protection

According to the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法) issued by State Council on October 31, 1993 and amended on August 27, 2009 and October 25, 2013 respectively, and came into effect on March 15, 2014, the rights and interests of consumers to purchase or use commodities, or receive services for living consumption will be protected by the Law.

According to the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, business operators shall, if the commodities or services they supply involve any of the following circumstances, bear civil liability in accordance with other relevant laws and regulations, except as otherwise provided in the Law: (1) there exist defects in the commodities or services; (2) not possessing the application performance they should possess and no declaration thereabout made at the time of sale; (3) not conforming to the standards indicated on the commodities or on the packages thereof; (4) not conforming to the quality indicated by the product description or by physical samples; (5) producing commodities that have been formally ordered by the State to be obsolete or selling commodities that are no longer effective or deteriorated; (6) commodities sold being short of weight or quantity; (7) contents and costs of services being in violation of the agreements; (8) deliberately delaying or unreasonably refusing consumers' requests for repair, rework, replacement, return of goods, makeup for the shortage, return of payment for goods or services, or compensation for losses; or (9) other circumstances infringing consumer rights and interests as specified by laws and regulations. The business operators who fail to fulfil the obligations of security assurance for the consumers and cause damage to the consumers shall undertake the infringement liability.

According to the Tort Law of the People's Republic of China (中華人民共和國侵權責任法) promulgated by the Standing Committee of the National People's Congress on December 26, 2009, and came into effect on July 1, 2010, sellers shall bear tortious liability for damage caused to others by defective products where the seller is at fault. Where the seller is unable to identify either the producer or the supplier of defective products, the seller shall bear tortious liability.

Regulations Relating to Interior Decoration and Designing

Qualifications for Operations

According to the Administrative Provisions on the Qualifications of Enterprises Construction in the Construction Industry (建築業企業資質管理規定) promulgated by the Ministry of Housing and Urban-Rural Development of the People's Republic of China on January 22, 2015 and was effective from March 1, 2015, and the Grade Standards for Construction Enterprises Qualification (建築業企業資質標準) which was issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China on November 6, 2014 and came into effect on January 1, 2015, the PRC would implement qualification management for domestic construction enterprises. The qualification of contractors engaging in construction of building decoration engineering is divided into two grades, namely A, B. Building decoration engineering contractors can only undertake building decoration projects allowed within its grade, in terms of its single contract value. Building decoration engineering contractors with Grade A qualification can undertake building decoration project without scale limitation; those with Grade B qualification can undertake building decoration project which single contract value is under RMB20 million.

Work Safety Regulations and Rules

According to the Work Safety Law of PRC (中華人民共和國安全生產法), which was adopted at the 28th meeting of the Standing Committee of the Ninth People's Congress of the People's Republic of China on June 29, 2002 and amended on August 27, 2009 and August 31, 2014 respectively, a production entity must meet the state's legal standard or industrial standard on work safety and provide work conditions set out in relevant laws, administrative rules and State or industry standards. An entity that cannot provide required work conditions may not engage in production and business operation activities. The production and business operation entities shall set up eye-catching safety warning mark sat the production or business operation sites that have substantial dangerous elements or on the relevant facilities or equipment.

According to the Work Safety License Regulation (安全生產許可證條例) issued by the State Council on January 13, 2004 and be amended and effective on July 18, 2013 and July 29, 2014 respectively, and the Administrative Provisions on the Work Safety License of Construction Enterprises (建築施工企業安全生產許可證管理規定) （[2004] No.128）issued by the Ministry of Construction and came into effect on July 5, 2004, a construction entity without a work safety license should not engage in construction activities.

Supervision on the Quality of Constructions

Under the Regulations on the Quality Management of Construction Engineering (建設工程質量管理條例) issued by the State Council and effective from January 30, 2000, sponsoring enterprises, reconnaissance firms, designers, construction enterprises and project supervisory enterprises will all be responsible for the quality of construction projects. Where a survey, design, or project supervision contractor, in violation of these Regulations, undertakes a project beyond its qualification grade, an order shall be issued to cease such illegality and the survey, design or project supervision contractor shall be subject to a fine of between 100% and 200% of survey, design or supervision fees stipulated in the contract involved. Where a construction contractor, in violation of these Regulations, undertakes a project beyond its qualification grade, the construction contractor shall be ordered to cease such illegality, shall be subject to a fine of between 2% and 4% of the contractual price for such project and may be ordered to suspend business for internal rectification or lower its qualification grade; where the circumstances involved are serious, its certificate of qualifications shall be revoked; where there are any illegal gains, such illegal gains shall be confiscated. Whoever undertakes any project without obtaining a certificate of qualifications shall be prohibited from doing so and be punished in accordance with the provisions of the preceding paragraph; where there are any illegal gains, such illegal income shall be confiscated.

Regulations on Fire Protection

According to the Fire Protection Law of the PRC (中華人民共和國消防法) issued by the Standing Committee of the National People's Congress on April 28, 1998, amended on October 28, 2008 and became effective on May 1, 2009, before the use or commencement of the business operations of public gathering places, their construction entities or the entities using such places shall file an application for fire safety inspection with the fire protection departments of public security organs of the local people's governments of such places at or above the county level. The fire protection departments of public security organs shall, within ten working days of accepting the application, conduct fire safety inspection on such public gathering places according to the technical standards and administrative provisions for fire protection. Public gathering places that have not undergone or have failed the fire safety inspection shall not be put into use or carry out business operations.

REGULATIONS RELATING TO FOREIGN INVESTMENT IN CHINA

The M&A Provisions

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), or the M&A Provisions, issued by six PRC ministries including the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration for Industry and Commerce, CSRC and SAFE , effective from September 8, 2006 and amended on June 22, 2009, provide the rules with which foreign investors must comply should they seek to purchase by agreement the equities of the shareholders of a domestic non-foreign-funded enterprise or subscribe to the increased capital of a domestic non-foreign-funded enterprise, and thus change the domestic non-foreign-funded enterprise into a foreign funded enterprise to conduct asset merger and acquisition.

Regulations on Foreign Exchange

The Foreign Exchange Management Regulations (外匯管理條例) promulgated by the State Council on January 29, 1996 as amended on August 5, 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) promulgated by the People's Bank of China on June 20, 1996 which became effective on July 1, 1996, apply and provide regulatory provisions to the foreign exchange transactions for foreign-invested enterprises. Foreign-invested enterprises are permitted to convert after-tax dividends into foreign exchange and to remit such foreign exchange from their bank accounts in PRC.

According to Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (No.19 [2015]. "**Circular 19**") issued by the State Administration of Foreign Exchange on March 30, 2015 and was effective from June 1, 2015, a foreign-invested enterprise may also choose converting its registered capital from foreign currency to RMB on self-discretionary basis. This means that the foreign exchange capital funds for foreign-invested enterprise's capital account, which have been recognized by the local foreign exchange bureau as the interests of monetary capital contributions or registered with the relevant bank as monetary capital contributions, can be settled in banks according to such foreign-invested enterprise's actual business operation requirements. Furthermore, a foreign-invested enterprise with equity investments as main business can use the RMB capital converted for equity investments within the PRC. And general foreign-invested enterprises, other than ones mentioned above, can make domestic equity investment with the capital in foreign currencies or the capital obtained from foreign exchange settlement within the PRC. As a new regulation, Circular 19 will be subject to interpretation and application by the relevant PRC authorities.

TAXATION LAWS AND REGULATIONS

Enterprise Income Tax

On March 16, 2007, the National People's Congress passed the Law of the People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得稅法) with effect from January 1, 2008. The Law of the People's Republic of China on Enterprise Income Tax adopted a 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 the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (國務院關於實施企業所得稅過渡優惠政策的通知) issued on December 26, 2007 and effective on January 1, 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 Law of PRC Enterprise Income Tax. Enterprises that were subject to an enterprise income tax rate lower than 25% before the effectiveness of the Law of PRC Enterprise Income Tax may continue to enjoy the lower rate and gradually transit to the new tax rate within five years after the effective date of the Law of PRC Enterprise Income Tax. Enterprises that were granted preferential Enterprise Income Tax treatments before the effectiveness of the Law of PRC Enterprise Income Tax may continue to enjoy the preferential Enterprise Income Tax treatments until their expiration.

Enterprise Income Tax for Indirect Equity Transfers by Non-PRC Resident Enterprise

The Announcement of the State Administration of Taxation on Certain Issues Concerning the Enterprise Income Tax on the Indirect Transfer of Properties by Non-Resident Enterprises 《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》(the "**Circular No. 7**") issued by the State Administration of Taxation which came into effect on February 3, 2015 provides guidance on a number of issues regarding enterprise income tax for indirect equity transfer by non-PRC resident enterprise than prior applicable rules.

Pursuant to the Circular No.7, if a non-PRC resident enterprise indirectly transfers its equity interest in the PRC resident enterprises and other properties by implementing arrangements without reasonable commercial purposes but to evade the enterprise income tax, the nature of this indirect transfer shall be re-defined and recognized as a direct transfer of equity interest in a PRC resident enterprise and other properties (the "**PRC Taxable Properties**").

The provisions in the Circular No.7 are not applicable to the overall arrangements that are in relation to indirect transfer of the PRC Taxable Properties which meet any of the following circumstances: (1) a non-PRC resident enterprise buys and sells equity of the same listed foreign enterprise in the open market and obtains the proceeds from indirect transfer of the PRC taxable property; or (2) such non-PRC resident enterprise directly holds and transfers the PRC Taxable Properties in accordance with applicable tax treaty or arrangement which exempts the transfer from relevant enterprise income tax in the PRC.

If the above exemptions do not apply, any transfer of equity interest by non-PRC resident enterprises may be re-defined and recognized as a direct transfer of the PRC taxable Properties if it is determined that such arrangements have no reasonable commercial purposes but to evade the enterprise income tax of the PRC, which should be determined on a case-by-case basis. Factors that may be taken into consideration when determining whether there is a "reasonable commercial purpose" include, among others, the value constitution of the transferred equity, offshore taxable situation of the transaction, the offshore structure's economic essence and duration, and trading fungibility.

Tax on dividends from PRC Enterprise with foreign investment

According to the Circular of Ministry of Finance and the State Taxation Administration on Several Preferential Policies Relevant to Enterprise Income Tax (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), the undistributed profits earned by foreign investment enterprises prior to January 1, 2008 and distributed to foreign investors later shall be exempt from PRC withholding tax, whereas the profits earned and distributed after January 1, 2008 shall be subject to PRC withholding tax pursuant to the Law of PRC Enterprise Income Tax.

According to the Law of PRC Enterprise Income Tax, non-PRC resident enterprises that have not set up institutions or establishments in China, or have set up institutions or establishments but the income obtained by the said enterprises has no actual connection with the set up institutions or establishments, shall pay enterprise income tax in relation to their income originating from China and the applicable tax rate shall be 20%. Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax reduced the rate from 20% to 10% which was effective from January 1, 2008. The PRC and Hong Kong signed 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 (中國內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) on August 21, 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 anytime 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 companies.

According to the Circular on Printing and Distributing the Tentative Administrative Measures on Tax Convention Treatments for Non Residents (關於印發《非居民享受稅收協定待遇管理辦法(試行)》的通知), which was promulgated by the State Administration of Taxation on August 24, 2009 and effective from October 1, 2009, non-PRC residents shall go through the formalities for examination and approval or filing in accordance with these Measures in order to be qualified for the tax convention treatments. Non-PRC residents failing to go through the formalities for examination and approval or filing shall be entitled to tax convention treatments.

Value Added Tax

The Provisional Regulations of PRC Concerning Value Added Tax (中華人民共和國增值稅暫行條例) (the "**VAT Regulations**") was promulgated by the State Council on November 10, 2008 and came into effect on January 1, 2009. Under the VAT Regulations, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided with in the PRC. Unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate shall be 17%.

Business Tax

The Provisional Regulations of PRC Concerning Business Tax (中華人民共和國營業稅暫行條例) (the "**Business Tax Regulations**") was promulgated by the State Council on December 13, 1993 and amended on November 5, 2008 and came into effect on January 1, 2009. Under the Business Tax Regulations, businesses that provide services (including entertainment business), assign intangible assets or sell immovable property are liable to business tax at a rate ranging from 3.0% to 20.0%, of the charges of the services provided, intangible assets assigned or immovable property sold, as the case maybe. The formula for calculation of the amount of tax payable is set forth below:

Amount of tax payable = business income × tax rate

The business income shall be calculated in RMB. Taxpayers that settle their amounts of business income in currency other than RMB shall convert the amounts into RMB.

PROPERTY LAW AND REGULATIONS

Pursuant to the Administrative Measures for Commodity Housing Tenancy (商品房屋租賃管理辦法) issued by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and came into effect on February 1, 2011, The parties concerned to a housing tenancy shall go through the housing tenancy registration formalities with the competent construction (real estate) departments of the municipalities directly under the Central Government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. Where the content of the housing tenancy registration is altered, or the housing tenancy contract is renewed or terminated, the parties concerned shall, within 30 days, go through housing tenancy registration amendment, renewal or termination formalities at the department which originally registered the housing tenancy. The competent construction (real estate) departments of the people's governments of the municipalities directly under the Central Government, cities and counties shall urge those who do not register on time hereof to make corrections within a specified time limit, and shall impose a fine below RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on units which fail to make corrections within the specified time limit.

Pursuant to the Land Administration Law of the People's Republic of the National People's Congress (中華人民共和國土地管理法) promulgated by the Standing Committee of the National People's Congress on June 25, 1986 and amended respectively on December 29, 1988, August 29, 1998 and August 28, 2004, any entity or individual must use land in strict accordance with the purposes of land use as specified in the overall land utilization plan.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademarks

Both Trademark Law of the PRC (中華人民共和國商標法) promulgated by the National People's Congress Standing Committee in 1982 and amended respectively on February 22, 1993, October 27, 2011 and August 30, 2013, and with effective on May 1, 2014 and the Regulation on Implementation of Trademark Law of the PRC (中華人民共和國商標法實施條例) promulgated by the State Council on August 3, 2002, amended on April 29, 2014 and with effective on May 1, 2014 provide protection to the holders of registered trademarks. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks.

The Trademark Office under the State Administration for Industry and Commerce (國家工商行政管理總局商標局) handles trademark registration and grants a term of ten years to registered trademarks, renewable every ten-years where a registered trademark needs to be used after the expiration of its validity term, a registration renewal applications shall be filed within twelve months prior to the expiration of the term.

Under the Trademark Law of the PRC, any of the following acts maybe regarded as an infringement upon the right to exclusive use of a registered trademark, including (1) to use a trademark that is identical with a registered trademark in respect of the same goods without authorization of the proprietor of the registered trademark; (2) to use a trademark similar to a registered trademark in respect of the same goods or to use a trademark identical with or similar to a registered trademark in respect of similar goods, without authorization of the proprietor of the registered trademark, where such use is likely to cause confusion; (3) to sell the goods that infringe the exclusive right to use a registered trademark; (4) to counterfeit, or to make, without authorization, representations of a registered trademark of another person, or to sell such representations of a registered trademark as were counterfeited, or made without authorization; (5) to replace, without authorization, a registered trademark and put the goods bearing the replaced trademark on the market; (6) to intentionally provide a person with conveniences for such person's infringement of the trademark of another person or facilitate such person's infringement of the trademark of another person; (7) to cause, in other aspects, prejudice to the exclusive right of another person to use a registered trademark.

Violation of the Trademark Law of the PRC may result in the imposition of fines, confiscation and destruction of the infringing commodities.

In the event of authorizing other persons to use the registered trademark, the licensor shall report the same to the Trademark Office for filing and the latter shall make corresponding publication. Non-archival authorization of using trademarks shall not oppose to any bona fide third party.

In addition, according to the Provisions on Recognition and Protection of Well-known Trademarks (馳名商標認定和保護規定) promulgated by State Administration for Industry and Commerce on July 3, 2014 and became effective on August 3, 2014, for the identification of the well-known trademarks, the principles of case-by-case identification and passive protection shall be followed.

Domain Name

Pursuant to the Measures for the Administration of Internet Domain Names of China (中國互聯網絡域名管理辦法), promulgated on November 5, 2004 and with effect from December 20, 2004, "domain name" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. And the principle of "first come, first serve" is followed for the domain name registration service. After completing the domain name registration, the applicants become the holder of the domain name registered by him/it. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write it off and notify the holder of the domain name in written form.

LABOR LAW AND REGULATIONS

Enterprises in China are mainly subject to the following PRC labor laws and regulations: Labor Law of the PRC (中華人民共和國勞動法), PRC Labor Contracts Law (中華人民共和國勞動合同法), the Social Insurance Law of the PRC (中華人民共和國社會保險法), the Regulation of Insurance for Work-Related Injury (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例), the Provisional Measures on Insurance for Maternity of Employees (企業職工生育保險試行辦法), the

Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), the Administrative Regulation on Housing Fund (住房公積金管理條例) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time.

Pursuant to Labor Law of the PRC 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 the PRC Labor Contracts Law, which was promulgated by the Standing Committee of the NFT on June 29, 2007 and amended on December 28, 2012 and came into effect on July 1, 2013. Pursuant to the PRC Labor Contracts 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.

As required under the Social Insurance Law of the PRC, the Regulation of Insurance for Work-Related Injury, the Provisional Measures on Insurance for Maternity of Employees, the Interim Provisions on Registration of Social Insurance and the Administrative Regulation on Housing Fund, enterprises in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance, medical insurance and housing accumulation fund.

MATERIAL CHANGES

The Company Law

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (中華人民共和國公司法), which was promulgated by the Standing Committee on the NPC on December 29, 1993 and became effective on July 1, 1994. It was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively.

The latest amendment became effective from March 1, 2014, according to which, there is no longer a prescribed timeframe for the shareholder of companies to make full capital contribution, except in situations where there are requirements in other relevant laws and regulations, instead, shareholders are only required to state the capital amount that they commit to subscribe in the articles of association of the company. Under the latest amendment, the initial payment of the companies' registered capital will no longer be subject to the minimum payment amount of the registered capital and the business licenses of the companies will not show the paid-up capital. In addition, shareholders' contribution of the registered capital will no longer be required to be verified by capital verification institutions.

The Circular 37

In order to further simplify and facilitate cross-border capital transactions involved in domestic residents' investment and financing activities via special purpose vehicles, practically serve the development of the real economy, and orderly improve the convertibility of cross-border capital and financial transactions, the SAFE promulgated the Circular on the Management of Offshore Investment and Financing and Round-Trip Investment (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) by Domestic Residents through Special Purpose Vehicles on July 4, 2014 (No. 37 [2014], "**Circular 37**"). Circular 37 supersedes the Circular on the Management of Offshore Financing and Round-Trip Investment (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) by Domestic Residents through Special Purpose Vehicles dated November 1, 2005 (No. 75 [2005], "**Circular 75**"), and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment.

Circular 37 clearly indicates the current attitude of SAFE on the regulation of round-trip investment, which is "the cross-border capital flow-out shall be treated as overseas direct investment (ODI), and the cross-border capital flow-in shall be treated as foreign direct investment (FDI)", and re-defines the range and scope of the administration of foreign exchange on domestic resident round-trip investment.

In practice, the offshore financing structure established by a domestic resident normally includes several levels of offshore holding company. Previously, when conducting the Circular 75 registration, the domestic resident is usually required to submit the full-set of offshore financing documents, including the financing proposal, whereby the detail information and the financing transaction of the holding company at each level would be subject to the scrutiny of SAFE. According to the procedural guideline as attached to Circular 37, the principle of review on this issue has been changed to "the domestic individual resident is only required to register the SPV directly established or controlled (first level)". In addition, the offshore financing proposal is removed from the list of documents to be reviewed. With these changes, the registration process is simplified.

According to Circular 37, domestic enterprises which are directly or indirectly controlled by domestic residents are allowed to advance loans in compliance with existing regulations to the registered SPV based on real and reasonable demands.

According to Circular 75, the offshore profit, dividend and the foreign exchange proceeds from the capital investment shall be repatriated back to the PRC within 180 days after the obtaining of the same by the domestic resident from the SPV. Circular 37 has abolished the aforesaid time limit on the proceeds repatriation.

OUR HISTORY

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 2 February 2015. Since its incorporation, our Company has been an investment holding company with no business operations. Our history can be traced back to 1997, when our main operating subsidiary, Jiyi Household, was established by Meixian Dapingzhen Sangao Agricultural Demonstration Farm (梅縣大坪鎮三高農業示範場) (the "**Demonstration Farm**") and Mr. Wu Tonghui (吳彤輝), an Independent Third Party. The Demonstration Farm was founded by Mr. Deng Jianshen (鄧建申), the spouse of Ms. Hou and Mr. Liang Feng (梁鋒), an Independent Third Party. Seeing the market potential of the business in the sale of building materials and the provision of interior decoration and fitting services, Mr. Deng, Mr. Liang and Mr. Wu established Jiyi Household, directly and indirectly, using their own financial resources. Since 1997, we have established our business for the sale of building materials and the provision of interior decoration and fitting services, and expanded our product offering by introducing a wide variety of home improvement related products. Following the expansion of Jiyi Household, in September 1999, Ms. Hou joined Jiyi Household to assist Mr. Deng to manage the business of Jiyi Household. In 2001, since Mr. Liang and Mr. Wu would like to pursue their own business opportunities, Meizhou Taisheng Company Limited (梅州市泰升有限公司) ("**Meizhou Taisheng**"), which was owned as to 70% by Ms. Hou and 30% by Ms. Ye Biyu (葉碧玉), the mother-in-law of Ms. Hou, acquired the equity interests in Jiyi Household held by the other then shareholders including the Demonstration Farm and Mr. Wu and since then, Ms. Hou started to devote more time and progressively took over the management of Jiyi Household. In 2004, Ms. Hou acquired the majority equity interests in Jiyi Household from its then shareholders including Mr. Deng, who had decided to pursue his own business development. In 2009, we established our flagship mall in Meizhou, which offers vast variety of products. We further expanded our geographical coverage to Fujian and Jiangxi Province from 2011, where we established six sales outlets in Fujian and Jiangxi Provinces. In 2012, we established Xinya Decoration for the provision of interior design and engineering services for both corporate and household customers. Pursuant to the Reorganisation, as more particularly described in the paragraph headed "Reorganisation" in this section, our Company has become the holding company of our Group for the purpose of the Listing and indirectly holds, through Jiyi Investments, the entire interests of the operating subsidiaries of our Group in the PRC.

OUR BUSINESS DEVELOPMENT AND KEY MILESTONES

The following table summarises various milestones of our Group's development from its inception to the present scale of operations:

1997	Our Group was founded in Meizhou, and our first sales outlet was set up in Meixian District, Meizhou
1999	We obtained the distributorship rights from Guangdong Lesso
2003	We expanded our sales network and established our second sales outlet in Meijiang District, Meizhou
2006	We expanded our scale of operation by setting up a sales outlet for distribution of curtain

2009	We established our flagship mall in Meixian District, Meizhou and integrated the flagship mall with other sales outlets
2010	We obtained distributorship rights from a renowned brand of home textile. We also set up three additional sales outlets in Meizhou
2011	We expanded outside Guangdong Province and tap into the market of Fujian and Jiangxi by setting up two sales outlets in Fujian and one in Jiangxi, as well as further strengthened our competitiveness in Meizhou by setting up three additional sales outlets. We started selling steel products sourced from SGIS Songshan
2012	We started providing the interior design and engineering services
	We were awarded the "Most Trusted Shopping Mall with reliable quality"
2013	We obtained distributorship rights from an established manufacturer of electrical wires and cables for the distribution of its products
2015	We were awarded the "Guangdong Famous Trademark" and "2014 Guangdong Most Influential Home Improvement and Building Materials Market"

OUR CORPORATE DEVELOPMENTS

As at the Latest Practicable Date, our Group had either established or reorganised a number of operating subsidiaries in the PRC to carry out our businesses. The major corporate developments including major shareholding changes of members of our Group which were material to the performance of our Group during the Track Record Period are set out below:

Jiyi Household

Jiyi Household was established in the PRC as a limited liability company on 21 April 1997 and commenced business with an initial registered capital of RMB500,000. As at the date of its establishment, Jiyi Household was owned as to 60% by the Demonstration Farm and 40% by Mr. Wu Tonghui, an Independent Third Party.

In order to facilitate the development of the business through inclusion of new investors, on 30 April 1999, the registered capital of Jiyi Household was increased from RMB500,000 to RMB6,270,000 and Jiyi Household became owned by the following persons and their respective contributions to the registered capital of Jiyi Household are set forth in the table below:

Name of shareholder(s)	**Capital contribution** *(RMB)*	**Approximate equity interest** *(%) (Note)*	**Relationship with the Group, directors and/or senior management**
The Demonstration Farm	800,000	12.76%	Founded by Mr. Deng Jianshen and Mr. Liang Feng
Mr. Wu Tonghui (吳彤輝)	750,000	11.96%	Independent Third Party
Mr. Deng Jianshen (鄧建申)	700,000	11.16%	Spouse of Ms. Hou
Ms. Deng Yuena (鄧約娜)	700,000	11.16%	Sister-in-law of Ms. Hou
Ms. Deng Haiming (鄧海鳴)	700,000	11.16%	Sister-in-law of Ms. Hou, a director of Jiyi Household and one of our members of the senior management

Name of shareholder(s)	Capital contribution *(RMB)*	Approximate equity interest *(%) (Note)*	Relationship with the Group, directors and/or senior management
Mr. Liang Yongnian (梁永年)	700,000	11.16%	Brother-in-law of Ms. Hou
Mr. Liang Chun (梁春)	700,000	11.16%	Nephew-in-law of Ms. Hou
Mr. He Xuejing (何學敬)	700,000	11.16%	Independent Third Party
Ms. Liang Manxiu (梁滿秀)	520,000	8.29%	Independent Third Party
Total	**6,270,000**	**100%**	

Note: The percentages may not add up to 100% due to rounding of figures.

Since some of the then shareholders would like to pursue other investment opportunities, on 28 June 2001, each of the Demonstration Farm, Mr. Wu Tonghui, Mr. He Xuejing and Ms. Liang Manxiu transferred their respective equity interests in Jiyi Household to Meizhou Taisheng at a total consideration of RMB2,770,000, which was determined with reference to the registered capital of Jiyi Household as at the date of such transfer. Upon completion of the above equity transfers, Jiyi Household became owned by the following persons and their respective contributions to the registered capital of Jiyi Household are set forth in the table below:

Name of shareholder(s)	Capital contribution *(RMB)*	Approximate equity interest *(%) (Note)*	Relationship with the Group, directors and/or senior management
Meizhou Taisheng	2,770,000	44.18%	Owned as to 70% by Ms. Hou and 30% by Ms. Ye Biyu, the mother-in-law of Ms. Hou at the time of the transfer
Mr. Deng Jianshen (鄧建申)	700,000	11.16%	Spouse of Ms. Hou
Ms. Deng Yuena (鄧約娜)	700,000	11.16%	Sister-in-law of Ms. Hou
Ms. Deng Haiming (鄧海鳴)	700,000	11.16%	Sister-in-law of Ms. Hou, a director of Jiyi Household and one of our members of the senior management
Mr. Liang Yongnian (梁永年)	700,000	11.16%	Brother-in-law of Ms. Hou
Mr. Liang Chun (梁春)	700,000	11.16%	Nephew-in-law of Ms. Hou
Total	**6,270,000**	**100%**	

Note: The percentages may not add up to 100% due to rounding of figures.

As part of the family arrangement and for the purpose of centralising the operational management of Jiyi Household, on 13 May 2004, each of Meizhou Taisheng, Mr. Deng Jianshen, Ms. Deng Yuena, Ms. Deng Haiming and Mr. Liang Yongnian transferred their respective equity interests in Jiyi Household to Ms. Hou at a total consideration of RMB5,570,000, which was determined with reference to the registered capital of Jiyi Household as at the date of such transfer. Upon completion of the above equity transfers, Jiyi Household was owned as to approximately 88.84% by Ms. Hou and approximately 11.16% by Mr. Liang Chun, the nephew-in-law of Ms. Hou.

Subsequent to a series of capital contributions and equity transfers by the shareholders of Jiyi Household which took place between September 2009 and December 2010, and in preparation of the then plan for listing on the Shenzhen Stock Exchange (the "**PRC Listing Plan**"), the registered capital of Jiyi Household was increased from RMB6,270,000 to RMB41,932,829 as at 28 September 2011 and Jiyi Household became owned by the following persons and their respective contributions to the registered capital of Jiyi Household as at 28 September 2011 are set forth in the table below.

Name of shareholder(s)	**Capital contribution** *(RMB)*	**Approximate equity interest** *(%) (Note)*	**Relationship with the Group, directors and/or senior management**
Ms. Hou	32,360,329	77.17%	Executive Director, chairlady, chief executive officer and Controlling Shareholder
Mr. Hou Bo (侯波)	2,828,000	6.74%	Non-executive Director, a non-executive director of Jiyi Household and one of our Shareholders
Ms. Deng Haiming (鄧海鳴)	2,474,500	5.90%	Sister-in-law of Ms. Hou, a director of Jiyi Household and one of our members of the senior management
Ms. Li Yingwei (李影薇)	920,000	2.19%	Independent Third Party
Ms. Hou Bing (侯冰)	500,000	1.19%	Sister of Ms. Hou
Ms. Zeng Congyun (曾聰雲)	500,000	1.19%	Mother of Ms. Hou
Ms. Tan Liqin (譚麗琴)	380,000	0.91%	Independent Third Party
Mr. Zhong Junqing (鐘均慶)	300,000	0.72%	Independent Third Party
Mr. Luo Tianyang (羅天揚)	300,000	0.72%	Director of Jiyi Household and one of our members of the senior management
Mr. Tu Xiaozhong (涂小忠)	200,000	0.48%	Independent Third Party
Mr. Ling Yongshan (凌勇山)	110,000	0.26%	Director of Meizhou Jisheng and one of our members of the senior management
Mr. Liu Shulin (劉樹林)	100,000	0.24%	Independent Third Party
Ms. Deng Yuanfen (鄧苑芬)	100,000	0.24%	Spouse of Mr. Zou Haimou (鄒海謀), whereas Mr. Zou Haimou is a director of Zhongshan Jiyi
Mr. Hou Jiwen (侯繼文)	100,000	0.24%	Independent Third Party
Ms. Hou Meiying (侯梅英)	100,000	0.24%	Independent Third Party
Ms. Deng Yuena (鄧約娜)	100,000	0.24%	Sister-in-law of Ms. Hou
Ms. Xiao Shouqiong (肖壽瓊)	100,000	0.24%	Sister-in-law of Ms. Deng Haiming, whereas Ms. Deng Haiming is a director of Jiyi Household and one of our members of the senior management
Mr. Wang Yuquan (王育泉)	60,000	0.14%	Independent Third Party
Mr. Zhong Jianxin (鐘建新)	50,000	0.12%	Independent Third Party
Mr. Zhong Pengwei (鐘鵬偉)	50,000	0.12%	Director of Wuping Jiyi and Xinya Decoration and one of our members of the senior management
Ms. Liang Yanhui (梁艷輝)	50,000	0.12%	Spouse of Mr. Lin Shunwei (林順偉), whereas Mr. Lin Shunwei is a director of Liancheng Jiyi
Mr. Zhu Jianqiang (朱建強)	50,000	0.12%	Director of Xunwu Jiyi
Mr. Liao Qianghua (廖強華)	50,000	0.12%	Independent Third Party
Mr. Zeng Xiangjin (曾祥金)	50,000	0.12%	Independent Third Party
Ms. Cai Lijun (蔡利君)	50,000	0.12%	Independent Third Party
Mr. Fan Jianhua (范建華)	50,000	0.12%	Independent Third Party
Total	**41,932,829**	**100%**	

Note: The percentages may not add up to 100% due to rounding of figures.

Subsequent to a series of capital contributions and equity transfers by the shareholders of Jiyi Household which took place between December 2011 to August 2014, the registered capital of Jiyi Household was increased from RMB41,932,829 to RMB46,932,829 as at 29 August 2014 and Jiyi Household became owned by the following persons and their respective contributions to the registered capital of Jiyi Household as at 29 August 2014 are set forth in the table below.

Name of shareholder(s)	Capital contribution *(RMB)*	Approximate equity interest *(%) (Note)*	Relationship with the Group, directors and/or senior management
Ms. Hou	32,410,329	69.06%	Executive Director, chairlady, chief executive officer and Controlling Shareholder
Mr. Li Jianhua (李建華)	3,000,000	6.39%	One of our Shareholders
Mr. Hou Bo (侯波)	2,828,000	6.03%	Non-executive Director, a non-executive director of Jiyi Household and one of our Shareholders
Ms. Deng Haiming (鄧海鳴)	2,474,500	5.27%	Sister-in-law of Ms. Hou, a director of Jiyi Household and one of our members of the senior management
Mr. Liu Xinping (劉新平)	1,380,000	2.94%	One of our Shareholders
Ms. Li Yingwei (李影薇)	920,000	1.96%	Independent Third Party
Ms. Lin Danna (林丹娜)	620,000	1.32%	Independent Third Party
Ms. Hou Bing (侯冰)	500,000	1.07%	Sister of Ms. Hou
Ms. Zeng Congyun (曾聰雲)	500,000	1.07%	Mother of Ms. Hou
Ms. Tan Liqin (譚麗琴)	380,000	0.81%	Independent Third Party
Mr. Zhong Junqing (鐘均慶)	300,000	0.64%	Independent Third Party
Mr. Luo Tianyang (羅天揚)	300,000	0.64%	Director of Jiyi Household and one of our members of the senior management
Mr. Tu Xiaozhong (涂小忠)	200,000	0.43%	Independent Third Party
Mr. Ling Yongshan (凌勇山)	110,000	0.23%	Director of Meizhou Jisheng and one of our members of the senior management
Mr. Liu Shulin (劉樹林)	100,000	0.21%	Independent Third Party
Ms. Deng Yuanfen (鄧苑芬)	100,000	0.21%	Spouse of Mr. Zou Haimou (鄒海謀), whereas Mr. Zou Haimou is a director of Zhongshan Jiyi
Mr. Hou Jiwen (侯繼文)	100,000	0.21%	Independent Third Party
Ms. Hou Meiying (侯梅英)	100,000	0.21%	Independent Third Party
Ms. Deng Yuena (鄧約娜)	100,000	0.21%	Sister-in-law of Ms. Hou
Ms. Xiao Shouqiong (肖壽瓊)	100,000	0.21%	Sister-in-law of Ms. Deng Haiming, whereas Ms. Deng Haiming is a director of Jiyi Household and one of our members of the senior management
Mr. Wang Yuquan (王育泉)	60,000	0.13%	Independent Third Party
Mr. Zhong Jianxin (鐘建新)	50,000	0.11%	Independent Third Party
Mr. Zhong Pengwei (鐘鵬偉)	50,000	0.11%	Director of Wuping Jiyi and Xinya Decoration and one of our members of the senior management
Ms. Liang Yanhui (梁艷輝)	50,000	0.11%	Spouse of Mr. Lin Shunwei (林順偉), whereas Mr. Lin Shunwei is a director of Liancheng Jiyi
Mr. Zhu Jianqiang (朱建強)	50,000	0.11%	Director of Xunwu Jiyi
Mr. Zeng Xiangjin (曾祥金)	50,000	0.11%	Independent Third Party
Ms. Cai Lijun (蔡利君)	50,000	0.11%	Independent Third Party
Mr. Fan Jianhua (范建華)	50,000	0.11%	Independent Third Party
Total	**46,932,829**	**100%**	

Note: The percentages may not add up to 100% due to rounding of figures.

Our PRC Legal Adviser has confirmed that all the above equity transfers and capital contributions were properly and legally completed and settled and all necessary approvals and registrations from the relevant PRC authorities have been obtained and completed.

On 20 June 2013, Jiyi Household was converted from a limited liability company into a joint stock limited company established in the PRC with a registered capital of RMB43,932,829 divided into 43,932,829 domestic shares of RMB1.00 each in preparation for the then PRC Listing Plan. Subsequently, the directors of Jiyi Household acknowledged that the CSRC had a significant backlog of applications for listing on the A-share market and expected the vetting and approval processes for its listing in the PRC to be lengthy as well as uncertain. Since then, Jiyi Household has been actively exploring alternative listing and fund raising platform in other jurisdictions including Taiwan. However, due to the tightened restrictions on the listing applicant with over 30% of its shareholding held directly or indirectly by PRC residents, legal entities or corporations established in the PRC, the directors of Jiyi Household considered that Taiwan might not be an alternative platform of listing for Jiyi Household. Eventually, the Company has decided to pursue the Listing in Hong Kong. As confirmed by our Directors, no listing application has been made to the CSRC or the Taiwan Stock Exchange Corporation by our Company or our subsidiaries. Jiyi Household was subsequently reconverted into a limited liability company on 18 April 2014.

Jiyi Household is principally engaged in the sale and distribution of building and home improvement materials and furnishings, and the provision of interior design and engineering services.

Jiyi Household became a subsidiary of our Company pursuant to the Reorganisation. For further details, please refer to the paragraph headed "Reorganisation" in this section.

Xinya Decoration

Xinya Decoration was established in the PRC as a limited liability company on 7 September 2012 and commenced business with an initial registered capital of RMB10,100,000. As at the time of its establishment, Xinya Decoration was directly wholly-owned by Jiyi Household. As a result of the Reorganisation, Xinya Decoration became a wholly-owned subsidiary of Meizhou Jisheng and an indirect wholly-owned subsidiary of Jiyi Household.

Xinya Decoration is principally engaged in the business of provision of interior design and engineering services.

For the recent corporate developments of Xinya Decoration pursuant to the Reorganisation, please refer to the paragraph headed "Reorganisation" in this section.

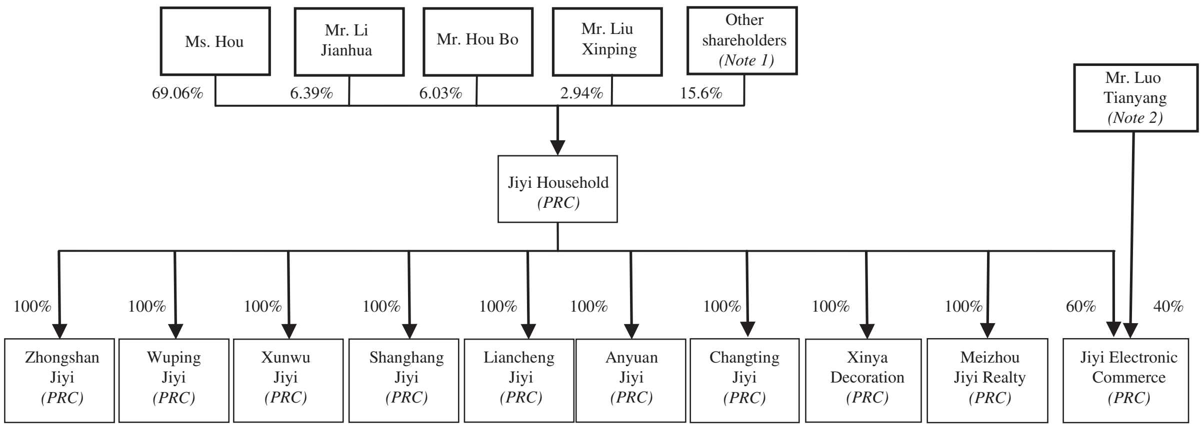
Other PRC companies

As at the Latest Practicable Date, apart from Jiyi Household and Xinya Decoration, our Group also has eight other wholly-owned subsidiaries established in the PRC including Zhongshan Jiyi, Wuping Jiyi, Xunwu Jiyi, Shanghang Jiyi, Liancheng Jiyi, Anyuan Jiyi, Changting Jiyi and Meizhou Jisheng. Each of the subsidiaries was set up for the purpose of operating our sales outlets in the PRC.

REORGANISATION

In December 2014, we commenced the Reorganisation in preparation for the Listing. Prior to the Reorganisation, our PRC operations were held by Jiyi Household. In anticipation of the Listing, we undertook a restructuring exercise whereupon our Company became the holding company and listing vehicle of our Group and our PRC operations were transferred to our Company.

The following chart sets forth our Group's corporate and shareholding structure immediately before the Reorganisation:



Notes:

1. The respective equity interests of the other then shareholders of Jiyi Household are set out as follows:

- 5.27% of the equity interest was owned by Ms. Deng Haiming, the sister-in-law of Ms. Hou, a director of Jiyi Household and one of our members of the senior management;
- 1.96% of the equity interest was owned by Ms. Li Yingwei, an Independent Third Party;
- 1.32% of the equity interest was owned by Ms. Lin Danna, an Independent Third Party;
- 1.07% of the equity interest was owned by Ms. Hou Bing, the sister of Ms. Hou;
- 1.07% of the equity interest was owned by Ms. Zeng Congyun, the mother of Ms. Hou;
- 0.81% of the equity interest was owned by Ms. Tan Liqin, an Independent Third Party;
- 0.64% of the equity interest was owned by Mr. Zhong Junqing, an Independent Third Party;
- 0.64% of the equity interest was owned by Mr. Luo Tianyang, a director of Jiyi Household and one of our members of the senior management;
- 0.43% of the equity interest was owned by Mr. Tu Xiaozhong, an Independent Third Party;
- 0.23% of the equity interest was owned by Mr. Ling Yongshan, a director of Meizhou Jisheng and one of our members of the senior management;
- 0.21% of the equity interest was owned by Mr. Liu Shulin, an Independent Third Party;
- 0.21% of the equity interest was owned by Ms. Deng Yuanfen, the spouse of Mr. Zou Haimou, whereas Mr. Zou Haimou is a director of Zhongshan Jiyi;
- 0.21% of the equity interest was owned by Mr. Hou Jiwen, an Independent Third Party;
- 0.21% of the equity interest was owned by Ms. Hou Meiying, an Independent Third Party;
- 0.21% of the equity interest was owned by Ms. Deng Yuena, the sister-in-law of Ms. Hou;
- 0.21% of the equity interest was owned by Ms. Xiao Shouqiong, the sister-in-law of Ms. Deng Haiming, whereas Ms. Deng Haiming is a director of Jiyi Household and one of our members of the senior management;
- 0.13% of the equity interest was owned by Mr. Wang Yuquan, an Independent Third Party;
- 0.11% of the equity interest was owned by Mr. Zhong Jianxin, an Independent Third Party;

- 0.11% of the equity interest was owned by Mr. Zhong Pengwei, a director of Wuping Jiyi and Xinya Decoration and one of our members of the senior management;
- 0.11% of the equity interest was owned by Ms. Liang Yanhui, the spouse of Mr. Lin Shunwei, whereas Mr. Lin Shunwei is a director of Liancheng Jiyi;
- 0.11% of the equity interest was owned by Mr. Zhu Jianqiang, a director of Xunwu Jiyi;
- 0.11% of the equity interest was owned by Mr. Zeng Xiangjin, an Independent Third Party;
- 0.11% of the equity interest was owned by Ms. Cai Lijun, an Independent Third Party; and
- 0.11% of the equity interest was owned by Mr. Fan Jianhua, an Independent Third Party.

2. Mr. Luo Tianyang is a director of Jiyi Household and one of our members of the senior management.

3. For the respective equity interests of the then shareholders in Jiyi Household, the percentages may not add up to 100% due to rounding of figures.

Disposal of non-core business or inactive companies

Disposal of Meizhou Jiyi Realty

Meizhou Jiyi Realty was established in the PRC as a limited liability company on 23 December 2013 and was wholly-owned by Jiyi Household. Meizhou Jiyi Realty was established for the purpose of engaging in the business of property management, investment and consultancy services.

As part of the Reorganisation and with a view to focusing our resources on our core business, on 8 December 2014, Jiyi Household transferred 49% and 51% of its equity interests in Meizhou Jiyi Realty to Mr. Wen Jingfeng (溫敬鋒), the nephew-in-law of Ms. Hou and the son of Ms. Deng Haiming (鄧海鳴) (whereas Ms. Deng Haiming is a director of Jiyi Household), and Mr. Liang Chun (梁春), a nephew-in-law of Ms. Hou, at a consideration of RMB19,600,000 and RMB20,400,000, respectively. The consideration of each of the transfers was determined with reference to the paid-up registered capital of Meizhou Jiyi Realty as at the date of the transfers, which was fully settled in cash by Mr. Wen Jingfeng on 29 January 2015 and by Mr. Liang Chun on 30 January 2015, respectively. Upon completion of such equity transfers, Jiyi Household ceased to hold any equity interests in Meizhou Jiyi Realty.

Our PRC Legal Adviser has confirmed that the above equity transfers were properly and legally completed and settled and all necessary approvals and registrations from the relevant PRC authorities have been obtained and completed.

Disposal of Jiyi Electronic Commerce

Jiyi Electronic Commerce was established in the PRC as a limited liability company on 19 December 2013 and was owned as to 60% by Jiyi Household and 40% by Mr. Luo Tianyang, a director of Jiyi Household. Jiyi Electronic Commerce was established for the purpose of engaging in the electronic commerce business.

As part of the Reorganisation and since Jiyi Electronic Commerce has yet to obtain the required licence for commencing electronic commerce business, on 18 December 2014, Jiyi Household and Mr. Luo Tianyang transferred their respective capital contributions in Jiyi Electronic Commerce to Ms. Du

Chaoyan (杜朝艷) and Ms. Wang Lanying (王蘭英), each of whom is an Independent Third Party, at a consideration of RMB300,000 and RMB200,000, respectively. The consideration of each of the transfers was determined with reference to the paid-up registered capital of Jiyi Electronic Commerce as at the date of the transfers, which was fully settled in cash by Ms. Du Chaoyan and Ms. Wang Lanying on 24 December 2014 and 25 December 2014, respectively. Upon completion of such equity transfers, Jiyi Household and Mr. Luo Tianyang ceased to hold any equity interests in Jiyi Electronic Commerce.

Our PRC Legal Adviser has confirmed that the above equity transfers were properly and legally completed and settled and all necessary approvals and registrations from the relevant PRC authorities have been obtained and completed.

Establishment of Meizhou Jisheng and the equity transfer in Xinya Decoration

Meizhou Jisheng was established in the PRC as a limited liability company on 9 January 2015 with an initial registered capital of RMB2,000,000. As at the time of its establishment, Meizhou Jisheng was wholly-owned by Jiyi Household.

Xinya Decoration was established in the PRC as a limited liability company on 7 September 2012 with an initial registered capital of RMB10,100,000. As at the time of its establishment, Xinya Decoration was directly wholly-owned by Jiyi Household. As part of the Reorganisation and with a view to establishing Meizhou Jisheng as the platform for our Group's interior design business, on 19 January 2015, Jiyi Household transferred its entire equity interest in Xinya Decoration to Meizhou Jisheng at a consideration of RMB16,970,895.92, which was determined with reference to the net asset value of Xinya Decoration as at 31 December 2014 and was fully settled in cash on 18 June 2015. Upon completion of such equity transfer, Xinya Decoration became a wholly-owned subsidiary of Meizhou Jisheng and an indirect wholly-owned subsidiary of Jiyi Household.

Our PRC Legal Adviser has confirmed that the above equity transfer was properly and legally completed and settled and all necessary approvals and registrations from the relevant PRC authorities have been obtained and completed.

Equity transfers and consolidation of ownership interests in Jiyi Household

Given that the Company has decided to proceed with the Listing in Hong Kong and certain then shareholders would like to pursue other investment opportunities, as part of the Reorganisation, such shareholders of Jiyi Household transferred their respective equity interests in Jiyi Household to Ms. Hou, Mr. Liu Shui (劉水) and Mr. Lin Songtian (林松填). For further details of the acquisitions of equity interests in Jiyi Household by Mr. Liu Shui and Mr. Lin Songtian, please refer to the paragraph headed "Pre-IPO Investments" in this section.

On 24 December 2014, Ms. Hou acquired the equity interests in Jiyi Household from each of the following shareholders of Jiyi Household as set forth in the table below. The consideration of each of the equity transfers was determined after arm's length negotiation between the parties based on the estimated net profit of Jiyi Household for the year ended 31 December 2014 and was fully settled in cash. The details of each of the equity transfers are set forth in the table below:

Date of the equity transfer	Transferor	Transferee	Approximate equity interest (%)	Consideration (RMB)	Date of settlement
24 December 2014	Mr. Zhong Junqing (鐘均慶)	Ms. Hou	0.64%	1,140,000	29 December 2014
24 December 2014	Mr. Luo Tianyang (羅天揚)	Ms. Hou	0.64%	1,140,000	29 December 2014
24 December 2014	Mr. Tu Xiaozhong (涂小忠)	Ms. Hou	0.43%	760,000	29 December 2014
24 December 2014	Mr. Ling Yongshan (凌勇山)	Ms. Hou	0.23%	418,000	29 December 2014
24 December 2014	Mr. Liu Shulin (劉樹林)	Ms. Hou	0.21%	380,000	29 December 2014
24 December 2014	Mr. Hou Jiwen (侯繼文)	Ms. Hou	0.21%	380,000	29 December 2014
24 December 2014	Ms. Hou Meiying (侯梅英)	Ms. Hou	0.21%	380,000	29 December 2014
24 December 2014	Mr. Wang Yuquan (王育泉)	Ms. Hou	0.13%	228,000	29 December 2014
24 December 2014	Mr. Zhong Jianxin (鐘建新)	Ms. Hou	0.11%	190,000	29 December 2014
24 December 2014	Mr. Zhong Pengwei (鐘鵬偉)	Ms. Hou	0.11%	190,000	29 December 2014
24 December 2014	Ms. Liang Yanhui (梁艷輝)	Ms. Hou	0.11%	190,000	29 December 2014
24 December 2014	Mr. Zhu Jianqiang (朱建強)	Ms. Hou	0.11%	190,000	29 December 2014
24 December 2014	Mr. Zeng Xiangjin (曾祥金)	Ms. Hou	0.11%	190,000	29 December 2014
24 December 2014	Ms. Cai Lijun (蔡利君)	Ms. Hou	0.11%	190,000	29 December 2014
24 December 2014	Mr. Fan Jianhua (范建華)	Ms. Hou	0.11%	190,000	29 December 2014

Our PRC Legal Adviser has confirmed that the above equity transfers were properly and legally completed and settled and all necessary approvals and registrations from the relevant PRC authorities have been obtained and completed.

Pre-IPO Investments

On 23 December 2014, Mr. Liu Shui entered into an equity transfer agreement with each of Ms. Deng Haiming, Mr. Li Yingwei, Ms. Hou Bing, Ms. Zeng Congyun, Ms. Tan Liqin, Ms. Deng Yuanfen, Ms. Deng Yuena and Ms. Xiao Shouqiong pursuant to which Mr. Liu Shui acquired the respective interests of these shareholders in Jiyi Household. The consideration of each of the equity transfers was determined after arm's length negotiation between the parties based on the estimated net profit of Jiyi Household for the year ended 31 December 2014 and was settled in cash. The details of each of the equity transfers are set forth in the table below:

Date of the equity transfer	Transferor	Transferee	Approximate equity interest (%)	Consideration (RMB)	Date of settlement
24 December 2014	Ms. Deng Haiming (鄧海鳴)	Mr. Liu Shui	5.27%	9,403,100	29 December 2014
24 December 2014	Ms. Li Yingwei (李影薇)	Mr. Liu Shui	1.96%	3,496,000	29 December 2014
24 December 2014	Ms. Hou Bing (侯冰)	Mr. Liu Shui	1.07%	1,900,000	29 December 2014
24 December 2014	Ms. Zeng Congyun (曾聰雲)	Mr. Liu Shui	1.07%	1,900,000	29 December 2014
24 December 2014	Ms. Tan Liqin (譚麗琴)	Mr. Liu Shui	0.81%	1,444,000	29 December 2014
24 December 2014	Ms. Deng Yuanfen (鄧苑芬)	Mr. Liu Shui	0.21%	380,000	29 December 2014
24 December 2014	Ms. Deng Yuena (鄧約娜)	Mr. Liu Shui	0.21%	380,000	29 December 2014
24 December 2014	Ms. Xiao Shouqiong (肖壽瓊)	Mr. Liu Shui	0.21%	380,000	29 December 2014

On 28 December 2014, Mr. Lin Songtian entered into an equity transfer agreement with each Mr. Hou Bo, Ms. Lin Danna and Mr. Liu Xinping pursuant to which Mr. Lin Songtian acquired part of the respective equity interests of Mr. Hou Bo and Mr. Liu Xinping and the entire equity interest of Ms. Lin Danna in Jiyi Household. The consideration of each of the equity transfers was determined after arm's length negotiation between the parties based on the estimated net profit of Jiyi household for the year ended 31 December 2014 and was settled in cash. The details of each of the equity transfers are set forth in the table below.

Date of the equity transfer	Transferor	Transferee	Approximate equity interest (%)	Consideration (RMB)	Date of settlement
30 December 2014	Mr. Hou Bo (侯波)	Mr. Lin Songtian	3.89%	6,946,400	29 December 2014
30 December 2014	Ms. Lin Danna (林丹娜)	Mr. Lin Songtian	1.32%	2,356,000	29 December 2014
30 December 2014	Mr. Liu Xinping (劉新平)	Mr. Lin Songtian	0.81%	1,444,000	29 December 2014

On 6 February 2015, Honest Winner entered into a capital contribution agreement with Jiyi Household, Ms. Hou, Mr. Liu Shui, Mr. Li Jianhua, Mr. Lin Songtian, Mr. Hou Bo and Mr. Liu Xinping, pursuant to which Honest Winner made a capital contribution of RMB6,335,250 in Jiyi Household, RMB1,667,171 of which was contributed to its registered capital and the remaining RMB4,668,079 was accounted as capital reserve of Jiyi Household. The capital contribution was settled in cash on 17 March 2015 and the registered capital of Jiyi Household was increased from RMB46,932,829 to RMB48,600,000.

The table below sets forth details of the Pre-IPO Investments:

	Mr. Liu Shui	Mr. Lin Songtian	Honest Winner
Date of agreements:	23 December 2014	28 December 2014	6 February 2015
Consideration paid:	RMB19,283,100	RMB10,746,400	RMB6,335,250 (RMB1,667,171 was contributed to the registered capital of Jiyi Household and the remaining RMB4,668,079 was accounted as its capital reserve)
Basis of determination of consideration:	The estimated net profit of Jiyi Household for the year ended 31 December 2014	The estimated net profit of Jiyi Household for the year ended 31 December 2014	The estimated net profit of Jiyi Household for the year ended 31 December 2014
Payment date of consideration:	29 December 2014	29 December 2014	17 March 2015

	Mr. Liu Shui	Mr. Lin Songtian	Honest Winner
Registered capital of Jiyi Household transferred or contributed:	RMB5,074,500 (representing approximately 10.81% of the total registered capital of Jiyi Household upon completion of the relevant Pre-IPO Investment)	RMB2,828,000 (representing approximately 6.03% of the total registered capital of Jiyi Household upon completion of the relevant Pre-IPO Investment)	RMB1,667,171 (representing approximately 3.43% of the total registered capital of Jiyi Household upon completion of the relevant Pre-IPO Investment)
Investment cost per Share on the basis of the enlarged share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised) and discount to mid-point Offer Price range:	Approximately HK$0.83, representing approximately 39% discount to the mid-point of the Offer Price range	Approximately HK$0.83, representing approximately 39% discount to the mid-point of the Offer Price range	Approximately HK$0.83, representing approximately 39% discount to the mid-point of the Offer Price range
Use of proceeds:	Retained by the transferors	Retained by the transferors	Working capital. As at the Latest Practicable Date, the proceeds had been fully utilised for general corporate purposes
Strategic benefits that the pre-IPO investors will bring to the Group:	As Mr. Liu Shui is a director of a company listed on the Shenzhen Stock Exchange and a seasoned investor, we believe Mr. Liu Shui could contribute his management experience to our Company and his investment would strengthen and diversify the shareholders' portfolio of our Group and serve as an endorsement of our operation, performance and prospects	We believe Mr. Lin Songtian's investment would strengthen and diversify the shareholders' portfolio of our Group and serve as an endorsement of our operation, performance and prospects	We believe Honest Winner's investment would strengthen and diversify the shareholders' portfolio of our Group, serve as an endorsement of our operation, performance and prospects, and contribute to our working capital

	Mr. Liu Shui	Mr. Lin Songtian	Honest Winner
Shareholding in our Company immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised):	7.83% (such shareholding in our Company will be held by Yiju Holdings, a company wholly owned by Mr. Liu Shui)	4.37% (such shareholding in our Company will be held by Sonic Trade Investments, a company wholly owned by Mr. Lin Songtian)	2.57% (such shareholding in our Company will be held by Corporate Image, the holding company of Honest Winner)
Special rights:	Nil	Nil	Nil
Lock-up:	The Shares held by each of Mr. Liu Shui, Mr. Lin Songtian and Honest Winner are subject to a lock-up period of six months from the Listing Date		
Public float:	The Shares held by each of Mr. Liu Shui, Mr. Lin Songtian and Honest Winner will be counted as part of the public float upon listing as (i) each of them are not a connected person of the Company; (ii) the acquisitions of their respective equity interests in the Shares were not financed directly or indirectly by any connected person of our Company; and (iii) each of them are not accustomed to take instructions from a connected person in relation to the acquisitions, disposals, voting or other dispositions of securities of our Company registered in their names or otherwise held by them		

Mr. Liu Shui is a PRC resident and acquaintance with Ms. Hou. He is one of the co-founders and a director of Shenzhen Techand Landscape Co., Ltd (深圳市鐵漢園林綠化有限公司) and the chairman of Shenzhen Techand Ecology & Environment Co., Ltd (深圳市鐵漢生態環境股份有限公司) (stock code: 300197), a company listed on the Shenzhen Stock Exchange. To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Liu Shui is a businessman active in investment in the PRC, and save for his investment in our Company, Mr. Liu Shui did not have any past or present relationships (including, without limitation, family, trust, business, employment relationships) or any agreements, arrangements or understanding with our Company, our subsidiaries, Shareholders, Directors or senior management and any of their respective associates and would have been an Independent Third Party as at the Latest Practicable Date.

Mr. Lin Songtian is a PRC resident and acquaintance with Ms. Hou. He served as a director in various companies in the PRC, including Shenzhen Sttech Technology Development Co., Ltd (深圳市松填科技發展有限公司), a company which received the title of "2010 China Top Ten Innovative Electronic Components Enterprises" (2010中國電子元器件行業十大創新企業) and was accredited as a "China Electronics Supplier (Credit Enterprise)" (中國電子供應商(信用企業)) by the China Electronic Chamber of Commerce (中國電子商會) and the Evaluation Committee of China Electronics Supplier Credit (中國電子供應商信用資質評審委員會) in 2014. To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Lin Songtian is a businessman active in investment in the PRC, and save for his investment in our Company, Mr. Liu Shui did not have any past or present relationships (including, without limitation, family, trust, business, employment relationships) or any agreements, arrangements or understanding with our Company, our subsidiaries, Shareholders, Directors or senior management and any of their respective associates and would have been an Independent Third Party as at the Latest Practicable Date.

Honest Winner was incorporated in Hong Kong as a limited liability company on 14 March 2014 and was wholly-owned by Corporate Image, an exempted company incorporated in the Cayman Islands with limited liability on 20 January 2014, which was in turn wholly-owned by Good Plus Ltd., a company incorporated in Belize and was ultimately wholly-owned by Mr. Lin Kuanming, an Independent Third Party. To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Lin Kuanming is an individual investor and became acquainted with Ms. Hou in mid-2013 during one of the events organised by the local government which served as a platform for certain local entrepreneurs to meet with potential investors. Through Ms. Hou's introduction of the business of our Group, Mr. Lin Kuanming expressed his interest in investing in our Group. Subsequent to several rounds of discussions with Ms. Hou, Mr. Lin Kuanming decided to invest in our Group and became one of our pre-IPO investors accordingly. He made his Pre-IPO Investment through his investment vehicles, Good Plus Ltd. and Corporate Image, which were the entities readily available at the relevant time and could be used immediately for his investment in our Group. To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, save for Mr. Lin Kuanming's investment in our Company, he did not have any past or present relationships (including, without limitation, family, trust, business, employment relationships) or any agreements, arrangements or understanding with our Company, our subsidiaries, Shareholders, Directors or senior management and any of their respective associates and would have been an Independent Third Party as at the Latest Practicable Date.

Upon completion of the Pre-IPO Investments, Jiyi Household was owned by the following persons and their respective contributions to the registered capital of Jiyi Household are set forth in the table below.

Name of shareholder(s)	**Capital contribution** *(RMB)*	**Approximate equity interest** *(%)*
Ms. Hou	34,030,329	70.02%
Mr. Liu Shui (劉水)	5,074,500	10.44%
Mr. Li Jianhua (李建華)	3,000,000	6.17%
Mr. Lin Songtian (林松填)	2,828,000	5.82%
Honest Winner	1,667,171	3.43%
Mr. Hou Bo (侯波)	1,000,000	2.06%
Mr. Liu Xinping (劉新平)	1,000,000	2.06%
Total	**48,600,000**	**100%**

Our PRC Legal Adviser has confirmed that the above equity transfers and capital contributions were properly and legally completed and settled and all necessary approvals and registrations from the relevant PRC authorities have been obtained and completed.

The Sole Sponsor has confirmed that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investment issued on 13 October 2010 by the Stock Exchange and the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 by the Stock Exchange based on their review of relevant documents.

Incorporation of offshore holding companies

Xinling was incorporated in the BVI as a limited liability company on 15 December 2014 in order to act as the holding company for the interest of Ms. Hou in our Company. The initial authorised share capital of Xinling was US$50,000 divided into 50,000 ordinary shares of US$1.00 each and one ordinary share was issued and allotted at par to Ms. Hou. Upon completion of such issue and allotment, Xinling was wholly-owned by Ms. Hou.

Yiju Holdings was incorporated in the BVI as a limited liability company on 2 January 2015 in order to act as the holding company for the interest of Mr. Liu Shui in our Company. The initial authorised share capital of Yiju Holdings was US$50,000 divided into 50,000 ordinary shares of US$1.00 each and one ordinary share was issued and allotted at par to Mr. Liu Shui. Upon completion of such issue and allotment, Yiju Holdings was wholly-owned by Mr. Liu Shui.

Sheng Guan Investments was incorporated in the BVI as a limited liability company on 2 January 2015 in order to act as the holding company for the interest of Mr. Li Jianhua in our Company. The initial authorised share capital of Sheng Guan Investments was US$50,000 divided into 50,000 ordinary shares of US$1.00 each and one ordinary share was issued and allotted at par to Mr. Li Jianhua. Upon completion of such issue and allotment, Sheng Guan Investments was wholly-owned by Mr. Li Jianhua.

Sonic Trade Investments was incorporated in the BVI as a limited liability company on 30 October 2014 in order to act as the holding company for the interest of Mr. Lin Songtian in our Company. The initial authorised share capital of Sonic Trade Investments was US$50,000 divided into 50,000 ordinary shares of US$1.00 each and one ordinary share was issued and allotted at par to Mr. Lin Songtian. Upon completion of such issue and allotment, Sonic Trade Investments was wholly-owned by Mr. Lin Songtian.

Corporate Image was incorporated in the Cayman Islands as an exempted company with limited liability on 20 January 2014. The initial authorised share capital of Corporate Image was US$50,000 divided into 50,000 ordinary shares of US$1.00 each. On the same day, one ordinary share of Corporate Image was issued and allotted to Offshore Incorporations (Cayman) Limited, the initial subscriber, at par, who then transferred such ordinary share to Good Plus Ltd., a company wholly-owned by Mr. Lin Kuanming, on 11 April 2014 at a consideration of US$1.00. On 11 April 2014, Corporate Image issued and allotted 49,999 ordinary shares at par to Good Plus Ltd.. Upon completion of such issue and allotment, Mr. Lin Kuanming indirectly owned the entire share capital of Corporate Image through Good Plus Ltd and, as part of the Reorganisation, Corporate Image acts as the holding company for the interest of Mr. Lin Kuanming in our Company.

Jiesi Global Investments was incorporated in the BVI as a limited liability company on 10 December 2014 in order to act as the holding company for the interest of Mr. Hou Bo in our Company. The initial authorised share capital of Jiesi Global Investments was US$50,000 divided into 50,000 ordinary shares of US$1.00 each and one ordinary share was issued and allotted at par to Mr. Hou Bo. Upon completion of such issue and allotment, Jiesi Global Investments was wholly-owned by Mr. Hou Bo.

Metro Hill International was incorporated in the Independent State of Samoa as an international company with limited liability on 16 April 2014 in order to act as the holding company for the interest of Mr. Liu Xinping in our Company. The initial authorised share capital of Metro Hill International was US$1,000,000 divided into 1,000,000 ordinary shares of US$1.00 each and one ordinary share was issued and allotted to NovaSage Nominee (Samoa) Limited, the initial subscriber, at par, who then transferred such share to Mr. Liu Xinping on the same day. Upon completion of such share transfer, Metro Hill International was wholly-owned by Mr. Liu Xinping.

Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company on 2 February 2015 in order to act as the holding company of all the businesses and operations of our Group. The initial authorised share capital of our Company was HK$380,000 divided into 3,800,000 Shares of HK$0.10 each and one Share of HK$0.10 was issued and allotted to Reisan Moiten, the initial subscriber, at par, who then transferred such Share to Xinling on the same day. Upon completion of such share transfer, our Company was wholly-owned by Xinling.

Incorporation of Zhan Yun

Zhan Yun was incorporated in the BVI as a limited liability company on 9 December 2014 in order to act as the holding company of Jiyi Investments. The initial authorised share capital of Zhan Yun was US$50,000 divided into 50,000 ordinary shares of US$1.00 each and one ordinary share was issued and allotted at par to our Company. Upon completion of such issue and allotment, Zhan Yun was wholly-owned by our Company.

Incorporation of Jiyi Investments

Jiyi Investments was incorporated in Hong Kong as a limited liability company on 16 February 2015 in order to act as the holding company of Jiyi Household. On the same day, one ordinary share was issued and allotted to Zhan Yun at a subscription price of HK$1.00. Upon completion of such issue and allotment, Jiyi Investments was wholly-owned by Zhan Yun.

Subscription of Shares in our Company by the offshore holding companies

On 28 April 2015, each of Ms. Hou, Mr. Liu Shui, Mr. Li Jianhua, Mr. Lin Songtian, Mr. Liu Kuanming, Mr. Hou Bo and Mr. Liu Xinping, through their respective offshore holding companies, subscribed for and was issued and allotted with the number of Shares in our Company in proportion to their respective equity interests in Jiyi Household. The consideration of such subscribed Shares was determined with reference to the net asset value of Jiyi Household as at 31 December 2014.

Upon completion of the respective subscriptions of our Shares, our Company was owned by the following Shareholders and their respective subscription prices and equity interests are set forth in the table below.

Date of subscription	Name of Shareholder(s)	Number of subscribed Shares	Approximate shareholding *(%)*	Subscription price *(HK$)*	Date of settlement
28 April 2015	Xinling	7,001	70.02% *(Note)*	86,474,700	18 May 2015
28 April 2015	Yiju Holdings	1,044	10.44%	12,893,400	19 May 2015
28 April 2015	Sheng Guan Investments	617	6.17%	7,619,950	19 May 2015
28 April 2015	Sonic Trade Investments	582	5.82%	7,187,700	20 May 2015
28 April 2015	Corporate Image	343	3.43%	4,236,050	3 June 2015
28 April 2015	Jiesi Global Investments	206	2.06%	2,544,100	18 May 2015
28 April 2015	Metro Hill International	206	2.06%	2,544,100	18 May 2015
Total		**9,999**	**100%**	**123,500,000**	

Note: The equity interest of 70.02% held by Xinling includes the one subscriber Share of HK$0.10 transferred to Xinling when our Company was incorporated on 2 February 2015.

Acquisition of Jiyi Household by Jiyi Investments

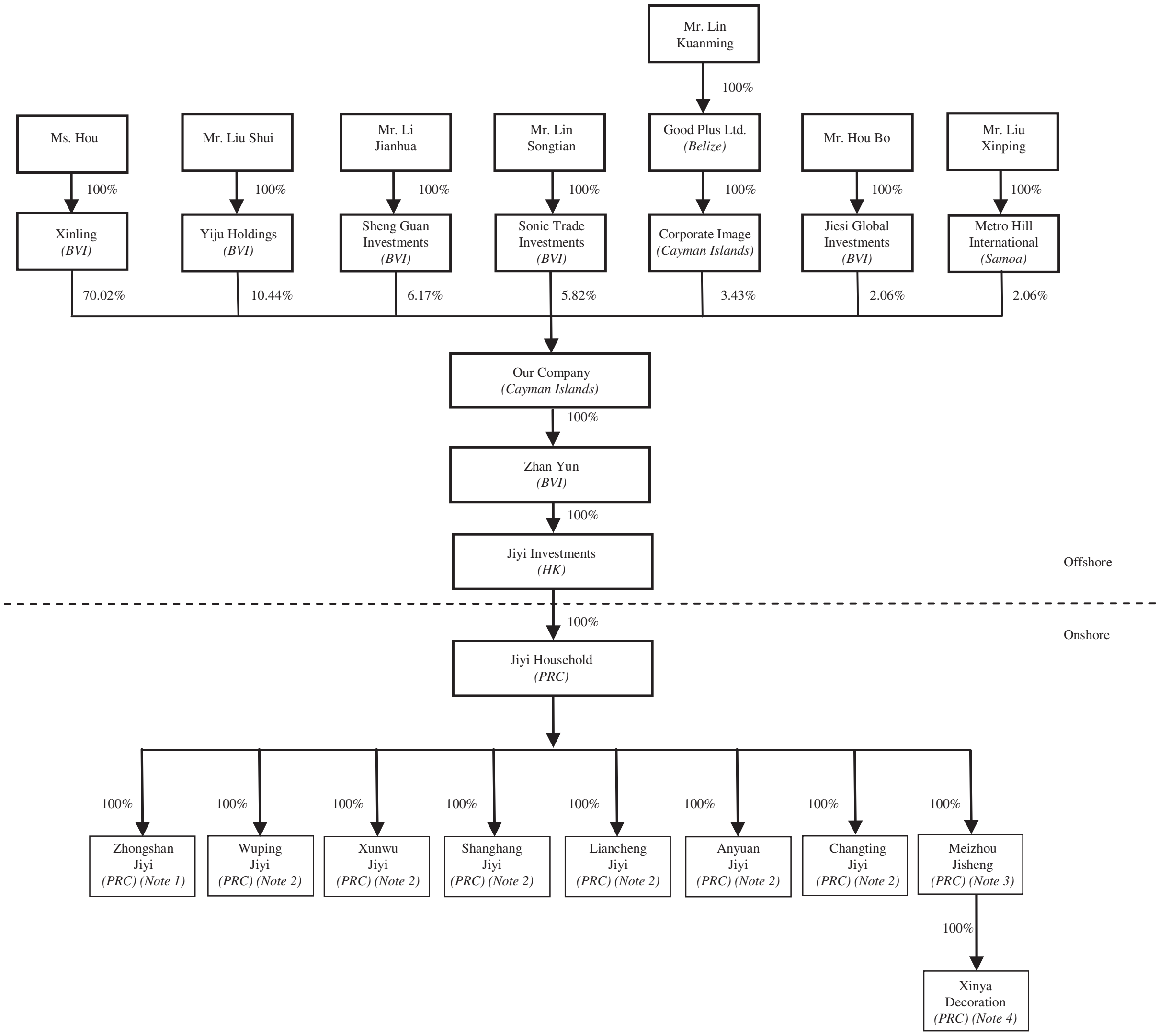
As part of the Reorganisation, on 30 April 2015, Jiyi Investments acquired the entire equity interest in Jiyi Household from each of the following shareholders of Jiyi Household as set forth in the table below. The consideration of each of the equity transfers was negotiated on an arm's length basis with reference to the net asset value of Jiyi Household as at 31 December 2014 and was fully settled in cash. The details of each of the transfers are set forth in the table below.

Date of the equity transfer	Transferor	Transferee	Approximate equity interest *(%)*	Consideration *(RMB)*	Date of settlement
30 April 2015	Ms. Hou	Jiyi Investments	70.02%	68,060,658	18 May 2015
30 April 2015	Mr. Liu Shui (劉水)	Jiyi Investments	10.44%	10,149,000	19 May 2015
30 April 2015	Mr. Li Jianhua (李建華)	Jiyi Investments	6.17%	6,000,000	19 May 2015
30 April 2015	Mr. Lin Songtian (林松填)	Jiyi Investments	5.82%	5,656,000	20 May 2015
30 April 2015	Honest Winner	Jiyi Investments	3.43%	3,334,342	3 June 2015
30 April 2015	Mr. Hou Bo (侯波)	Jiyi Investments	2.06%	2,000,000	18 May 2015
30 April 2015	Mr. Liu Xinping (劉新平)	Jiyi Investments	2.06%	2,000,000	18 May 2015
Total			**100%**	**97,200,000**	

Upon completion of the such acquisitions, Jiyi Household became a wholly-owned subsidiary of Jiyi Investments.

Our PRC Legal Adviser has confirmed that the above equity transfers were properly and legally completed and settled and all necessary approvals and registrations from the relevant PRC authorities have been obtained and completed. The Reorganisation complies with all relevant applicable laws, rules and regulations.

The following chart sets forth our Group's corporate and shareholding structure immediately after the Reorganisation, but before the completion of the Global Offering and the Capitalisation Issue:



Notes:

1. Zhongshan Jiyi is principally engaged in the sale of building materials, arts and crafts goods and furnishings.
2. Each of Wuping Jiyi, Xunwu Jiyi, Shanghang Jiyi, Liancheng Jiyi, Anyuan Jiyi and Changting Jiyi is principally engaged in the sale and distribution of building materials, home improvement materials and furnishings.
3. Meizhou Jisheng is principally engaged in the business of investment management and entrepreneur consultancy services.
4. Xinya Decoration is principally engaged in the business of provision of interior design and engineering services.

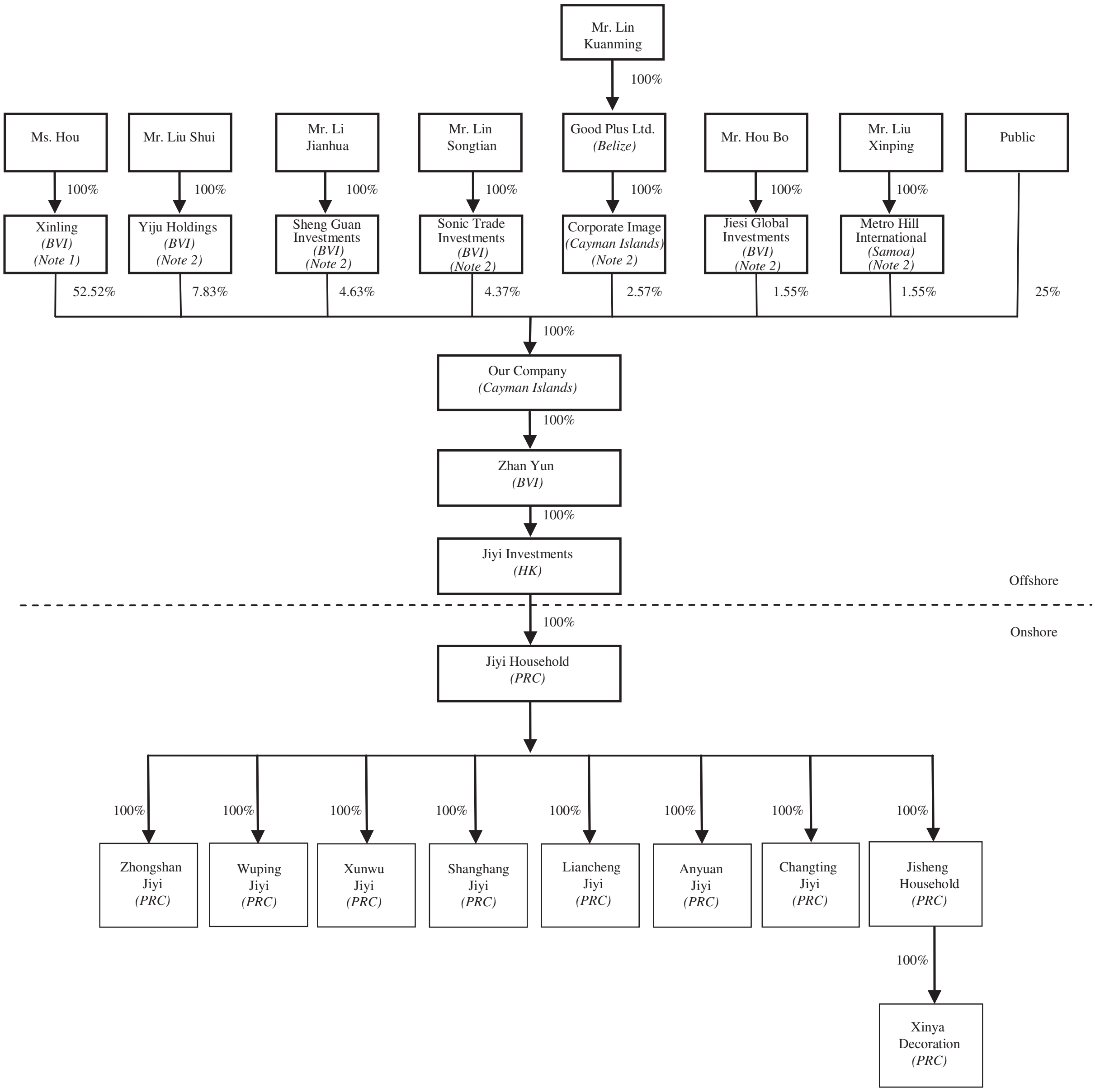
INCREASE OF AUTHORISED SHARE CAPITAL

On 6 October 2015, our Company increased its authorised share capital to HK$500,000,000 through the creation of 4,996,200,000 additional Shares.

CAPITALISATION ISSUE

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors are authorised to capitalise an amount of HK$26,999,000 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 269,990,000 Shares for allotment and issue to our Shareholder(s) as at 6 October 2015, on a pro rata basis.

The following chart sets forth our Group's corporate and shareholding structure upon completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised):



Note:

1. The Shares held by Xinling and Ms. Hou, our Controlling Shareholders, are subject to lock-up pursuant to Rule 10.07(1)(a) of the Listing Rules. Please refer to the section headed "Underwriting — Undertakings to the Hong Kong Underwriters — Undertakings by our Controlling Shareholders" in this prospectus.

2. The Shares held by Yiju Holdings, Sheng Guan Investments, Sonic Trade Investments, Corporate Image, Jiesi Global Investments and Metro Hill International are subject to a lock-up period of six months commencing on the Listing Date. Please refer to the section headed "Underwriting — Undertakings to the Hong Kong Underwriters — Undertakings by our other shareholders" in this prospectus.

3. For the respective equity interests of the Shareholders in our Company, the percentages may not add up to 100% due to rounding of figures.

M&A PROVISIONS

On 8 August 2006, six PRC ministries, including MOFCOM and CSRC, promulgated the Provisions on the Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Provisions**"), a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and amended on 22 June 2009. Under the M&A Provisions, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity interest in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity interest in a domestic non-foreign invested enterprise via an increase in registered capital of the domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic non-foreign invested enterprise, or which purchases the assets of a domestic non-foreign invested enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Provisions, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic non-foreign invested company which is related to or connected with it/him, approval from MOFCOM is required.

Pursuant to a capital contribution agreement dated 6 February 2015, Mr. Lin Kuanming, through Honest Winner, made a capital contribution of RMB6,335,250 in Jiyi Household, amongst which RMB1,667,171 was contributed to its registered capital and the remaining RMB4,668,079 was accounted as the capital reserve of Jiyi Household. Jiyi Household was converted into a sino-foreign joint venture and obtained the relevant business licence on 6 March 2015 and such capital contribution was fully settled in cash on 17 March 2015. As a result, Honest Winner held 3.43% of the then equity interest in Jiyi Household (the "**3.43% Acquisition**"). As advised by our PRC Legal Adviser, the 3.43% Acquisition is subject to the relevant approval and filing requirements set forth in the M&A Provisions. All the requisite approvals and permits in relation to the 3.43% Acquisition had been obtained pursuant to the applicable laws and regulations in the PRC. As Mr. Lin Kuanming was not a domestic natural person or a related party to Jiyi Household when the 3.43% Acquisition took place, Article 11 of the M&A Provisions should not apply and the 3.43% Acquisition should not be deemed to be a transaction requiring approval from the MOFCOM. According to the M&A Provisions, the 3.43% acquisition will only require the approval of the Department of Commerce of Guangdong Province of the PRC.

In respect of the acquisition of Jiyi Household by Jiyi Investments (the "**Jiyi Investments Acquisition**"), when it took place, Jiyi Household was a sino-foreign joint venture but not a domestic non-foreign invested company. As such, the M&A Provisions is not applicable. Instead, the Jiyi Investments Acquisition is subject to the Rules on the Changes of Shareholding of Foreign-invested Enterprise Investor (外商投資企業投資者股權變更的若干規定) (the "**FIE Rules**"), which requires approval of the original approving authority (the Department of Commerce of Guangdong Province of the PRC) or its authorised local counterpart.

As advised by our PRC Legal Adviser, in respect of both the 3.43% Acquisition and the Jiyi Investments Acquisition, all necessary approvals have been obtained from all relevant authorities and the requirements under applicable laws and regulations, including the M&A Provisions and the FIE Rules have been fully complied with.

CIRCULAR NO. 75 AND CIRCULAR NO. 37

On 21 October 2005, SAFE issued the Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Investing and Financing Overseas and Roundtrip Investment via Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the "**Circular No. 75**"). According to Circular No. 75, a domestic resident shall, before establishing or controlling an overseas special purpose company, apply to the local branch or office of SAFE (the "**SAFE Branch**") for foreign exchange registration of overseas investments. SAFE Branch shall, after examining and checking the materials to be inerrant, affix the special seal for foreign exchange business for capital account transactions on the Certificate of Foreign Exchange Registration of Overseas Investments (境外投資外匯登記證) or the Form of Foreign Exchange Registration of Overseas Investments of the Domestic Individual Resident (境內居民個人境外投資外匯登記表).

On 4 July 2014, SAFE promulgated the Notice of the Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Investing and Financing Overseas and Roundtrip Investment via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "**Circular No. 37**") which rescinded the Circular No. 75. Under Circular No. 37, before contributing the domestic and overseas lawful assets or interests to Xinling, Yiju Holdings, Sheng Guan Investments, Sonic Trade Investments, Jiesi Global Investments and Metro Hill International, which are special purpose vehicles as defined in Circular No. 37, PRC domestic residents who control those special purpose vehicles shall conduct necessary registration.

As advised by our PRC Legal Adviser, on 24 March 2015, all relevant shareholders, namely Ms. Hou, Mr. Liu Shui, Mr. Li Jianhua, Mr. Lin Songtian, Mr. Hou Bo and Mr. Liu Xinping, each of whom a PRC domestic resident, has completed the registration as required by the Circular No. 37, and such registration has complied with the provisions set forth in the Circular No. 37.

CIRCULAR NO. 7

On 3 February 2015, the State Administration of Taxation issued the Announcement on Certain Issues Concerning the Enterprise Income Tax on the Indirect Transfer of Properties by Non-Resident Enterprises《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》(the "**Circular No. 7**") which provides guidance on a number of issues regarding enterprise income tax for indirect equity transfer by non-PRC resident enterprise. Pursuant to the Circular No.7, if a non-PRC resident enterprise indirectly transfer its equity interest in the PRC resident enterprises and properties by implementing arrangements without reasonable commercial purposes but to evade the enterprise income tax, the nature of this indirect transfer shall be re-defined and recognized as a direct transfer of equity interest in a PRC resident and other properties. For further details, please refer to the section headed "Regulatory Overview" in this prospectus.

As advised by our PRC Legal Adviser, the Reorganisation did not involve any indirect transfer of equity interest in any PRC resident enterprises or properties of our Group by any non-PRC resident enterprises and thus Circular No. 7 is not applicable to the Reorganisation.

OVERVIEW

Founded in 1997, we are a well-established and integrated building and home improvement materials and furnishings supplier and interior design and engineering services provider in the PRC, with operations principally in the eastern part of Guangdong Province and adjacent regions. According to the Euromonitor Report, as at 28 February 2015, we were operating the largest and the third largest number of sales outlets for home improvement materials and furnishings in Meizhou and Guangdong Province, respectively. We are mainly engaged in the sale and distribution of merchandise, and we are also engaged in the provision of services as more particularly described in the paragraphs below. Our sale and distribution of merchandise represented our core business, accounting for approximately 99.9%, 99.0%, 89.4% and 95.3% of our total revenue for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively.

We position ourselves in the market as a one-stop provider of a wide variety of mid- to high-end building and home improvement materials and furnishings as well as interior design and engineering services, with geographical focus in the third- to fourth-tier cities of Guangdong, Fujian and Jiangxi Provinces. We are also a reliable partner for our suppliers. For each of the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, we had over 160, 170, 200 and 110 suppliers respectively, and as at 30 April 2015, we were the distributor of 44 suppliers. To ensure that our product offering is appealing to our target customers, we from time to time optimise our product mix and source a variety of merchandise from different suppliers in accordance with our deep understanding of local market demand, customer preference and prevailing market trend. We have maintained a strong supplier network in the PRC, including manufacturers, brand owners as well as trading companies, which have business relationship with our Group spanning up to 15 years.

We are proud of the range and quality of merchandise that we are able to offer to our customers. Our product portfolio is generally classified, by functionality, into three categories, comprising (i) building materials (such as steel, pipe and fittings, electrical wires, cement and building mortar and glass); (ii) home improvement materials (such as ceramics, electrical materials, flooring and doors, and sanitary ware); and (iii) furnishings (such as lightings, furniture, textile and home accessories), which we believe cover all key aspects in a typical building, property renovation or home improvement project. Our product portfolio covers different tiers of brands, including nationally renowned brands such as building materials branded under Lesso and SGIS Songshan. Guangdong Lesso (a supplier of products branded under Lesso and a subsidiary of a company listed on the Stock Exchange) and SGIS Songshan (a company listed on the Shenzhen Stock Exchange) were our top five suppliers during the Track Record Period. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, based on our unaudited financial information, revenue derived from the sale of products under Lesso brand accounted for approximately 15.2%, 16.2%, 16.0% and 15.9% of our total revenue, respectively, and revenue derived from the sale of products under SGIS Songshan brand accounted for approximately 39.3%, 23.1%, 17.3% and 17.9% of our total revenue, respectively.

With a view to providing value-added services to customers, diversifying our source of revenue and creating cross-selling opportunity, we also offer interior design and engineering services with respect to corporate and household projects, and the revenue from which accounted for approximately

0.1%, 1.0%, 10.6% and 4.7% of our total revenue for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. We offer services in the area of interior design, property renovation and improvement, selection and procurement of the required materials and project management, aiming at giving “one-stop” shopping experience for customers who could gain access to a wide collection of high quality merchandise and ancillary services from us under one roof to complete their renovation, improvement or furnishing project without the hassle.

As at the Latest Practicable Date, we strategically based our business and operated a regional sales outlet network comprising 15 sales outlets in the third- to fourth-tier cities across eastern part of Guangdong, Fujian and Jiangxi Provinces such as Meizhou of Guangdong Province, Longyan of Fujian Province and Ganzhou of Jiangxi Province. With our deep understanding of local consumer preference and regional sales coverage, we believe that we are able to capitalise on the rapid urbanisation, improving living standard, increasing purchasing power of the population and hence, surging demand for property renovation and home improvement in the fast growing third- to fourth-tier cities of affluent provinces in China to capture growth opportunities. With our strategic presence and proven track record in the industry, we have established ourselves as a well-recognised regional seller and distributor and service provider in our chosen field and differentiated ourselves from our competitors in terms of our sales network coverage in Guangdong and adjacent provinces and our product and service offering.

During the three years ended 31 December 2014, we achieved stable growth in our revenue, which increased from approximately RMB253.5 million to RMB286.5 million and further to RMB333.8 million for the years ended 31 December 2012, 2013 and 2014, respectively, representing a CAGR of approximately 14.8% from 2012 to 2014. Our net profit also increased from approximately RMB28.5 million to RMB34.2 million and further to approximately RMB42.0 million for the years ended 31 December 2012, 2013 and 2014, respectively, representing a CAGR of approximately 21.4%. However, our revenue decreased by approximately 17.9% from approximately RMB101.2 million for the four months ended 30 April 2014 to approximately RMB83.1 million for the four months ended 30 April 2015, which was mainly due to the decrease in overall level of orders received from customer due to substantial completion of our customers’ projects in 2014, leading to the decrease in their demand for our products and services before they have undertaken new projects. Our net profit also decreased by 66.1% from approximately RMB11.5 million for the four months ended 30 April 2014 to approximately RMB3.9 million for the four months ended 30 April 2015, which was mainly resulted from our decrease in revenue as discussed above and the listing expenses of approximately RMB4.1 million we incurred during the four months ended 30 April 2015.

COMPETITIVE STRENGTHS

We believe that the following strengths distinguish us from our competitors and contribute to our ability to compete effectively in our target market:

Prominent building and home improvement materials and furnishings supplier based in Meizhou with proven track record

We are a prominent building and home improvement materials and furnishings supplier based in Meizhou, with market presence across eastern part of Guangdong and adjacent provinces. We have been operating our business under our trade name "Jiyi" since our inception in 1997. With our more than 15 years of dedication to this industry, we have grown from a small-scale local building materials seller to a reputable seller and distributor in Meizhou offering a full range of building and home improvement materials and furnishings of multiple brands and operating 15 sales outlets in Guangdong, Fujian and Jiangxi Provinces as at the Latest Practicable Date. According to the Euromonitor Report, as at 28 February 2015, we were operating the largest and third largest number of sales outlets for home improvement materials and furnishings in Meizhou and Guangdong Province, respectively. In recognition of our strength and brand influence, we have received a number of awards and accreditations, such as Guangdong Famous Trademark (awarded in 2015), 2014 Guangdong Most Influential Home Improvement and Building Materials Market (awarded in 2015) and Enterprise of Observing Contract and Valuing Credit of Guangdong Province (awarded in 2014). For further details, please refer to the paragraph headed "Awards and Recognitions" in this section.

We believe that our market position and industry recognitions are primarily attributable to our relatively long operating history in the region, variety and quality of merchandise that we offer, our commitment to deliver high quality services and extensive sales network that we have developed, which have translated into a word-of-mouth reputation and allowed us to effectively retain customers and expand customer base. Our reputation in our target market also affords us a stronger position throughout our procurement process to source high quality products and obtain a more competitive price from our suppliers.

One-stop provider for property renovation and home improvement

We offer a broad array of high-quality merchandise and services relevant to our customers. Our product portfolio consists of wide varieties of building and home improvement materials and furnishings, covering all key aspects in a typical building, property decoration or home improvement project. To capture potential customers of increasing purchasing power, our product offering comprises merchandise across varying styles, price range, brand tiers targeting middle to high income group.

Our wide product offering is complemented by our customer services which earns customers' loyalty and market reputation. For several categories of building materials, we have a designated team handling purchase orders placed by key customers and managing customer relationship. For home improvement materials and furnishings, in addition to our direct sales effort, we are operating a regional sales network comprising 15 sales outlets. Each sales outlet serves as a service platform where we have on-site sales attendants for introducing different brands and merchandise and assisting our customers in selecting suitable products, offering advice and guidance on product functions, features, dimensions and installations. We also maintain service hotlines for handling customers' inquiries and managing customer relations. We maintain a strong supply chain and logistics system to ensure that merchandise ordered by our customers could be delivered as soon as within the same day and no more than 10 days from the day of order at customers' request.

To give "one-stop" shopping experience and create greater value for our customers, we also offer interior design and engineering services. As at 30 April 2015, we had a team of 25 staff dedicated to providing such services, which comprised interior design drawing and consulting, advice on material selection for decoration and renovation and project management. We engaged subcontractors to undertake refurbishment and improvement work under our supervision as well as other ancillary services that are relevant to our customers' needs for property renovation and home improvement.

Leveraging our operating experience, we have developed our deep insights into local markets and select optimal brand and product mix which balance quality and price to our customers and cost efficiency to us. Our sales and procurement teams keep abreast of changes in decoration trend, consumer spending habits and characteristics of each area that we serve by attending various trainings, and formulate from time to time corresponding procurement and marketing strategies and supply merchandise at a competitive price. We believe that by doing so, we are able to serve effectively the diverse needs of our target customers.

Effective supplier management in China

We have a diversified portfolio of suppliers, comprising manufacturers, brand owners and trading companies of building and home improvement materials and furnishings, which we believe provides us with significant competitive advantages in both product offering and pricing. During the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, we made procurement from over 160, 170, 200 and 110 suppliers, and have approximately up to 15 years of business relationship with our major suppliers. Our major suppliers are mostly located in Guangdong and adjacent provinces. The close proximity of our business location to that of our suppliers allows us to shorten the procurement lead time and facilitates supplier management by keeping in close contact with our suppliers. Further, Guangdong Province was the largest home improvement and furnishing manufacturing base in China in 2014, according to the Euromonitor Report. As such, we are able to effectively maintain a diversified portfolio of suppliers and select those suppliers who could offer merchandise of high quality and at competitive price, allowing us to achieve stable gross profit margins from our sales. We are the distributor of a number of brand owners and manufacturers, including nationally renowned brands such as building materials branded under Lesso and SGIS Songshan. Guangdong Lesso (a supplier of products branded under Lesso and a subsidiary of a company listed on the Stock Exchange) and SGIS Songshan Co., Ltd (a company listed on Shenzhen Stock Exchange) were our top five suppliers during the Track Record Period. We procure merchandise directly from manufacturers or brand owners whenever possible, including the brands mentioned above, allowing us to offer to our customers a great variety of merchandise of good quality and at competitive price through avoiding mark-ups by upstream distributors. For further details relating to our supplier management, please refer to the paragraph headed "Our Suppliers and Procurement — Supplier selection" in this section.

To support our wide product offering while maintaining a stable and reliable supply of merchandise, we generally retain at least one to three suppliers for each type of product. The supply or distribution agreements entered into with our major suppliers provide for stringent requirement on quality assurance and product delivery. In addition, as at 31 December 2012, 2013 and 2014 and 30 April 2015, we were appointed as the distributor of 26, 35, 46 and 44 suppliers for the sale and distribution of the relevant merchandise we sourced from them. We believe that the number of suppliers with whom we are cooperating and our appointment as the distributor by some suppliers is a recognition of our proven experience and in-depth understanding of local consumer preferences as well as our strong sales network in our target market. We also regularly review on and discuss with our key suppliers regarding their brand building and marketing strategies, product quality and delivery time as well as market acceptance of their products by our target customers to ensure the competitiveness and popularity of the merchandise we sourced from them, enable our product offering to evolve and thus optimise our product mix in accordance with our anticipated customer's preference. We believe that our stable gross profit margins during Track Record Period was partly attributable to our effective supplier management, close business relationship with our suppliers and our continuous effort in procuring merchandise that is appealing to our customers.

Strategic market presence in the fast-growing economy

We are strategically positioned to capitalise on the economic growth of the local economy in Guangdong and adjacent provinces.

We base our business principally in Meizhou of Guangdong Province and nearby regions, which are relatively affluent regions in China. The nominal GDP of Guangdong Province has consistently ranked first in China with rapid growth rate. Further, according to the Euromonitor Report, the per capita GDP of Guangdong Province grew from approximately RMB39,436 in 2009 to RMB63,452 in 2014, representing a CAGR of approximately 10.0%, resulting in strong purchasing power among average consumers. According to the Euromonitor Report, in Fujian Province, the total GDP increased from approximately RMB1.2 trillion in 2009 to approximately RMB2.4 trillion in 2014, and the per capita GDP grew from approximately RMB33,437 in 2009 to approximately RMB63,472 in 2014 with a CAGR of around 13.7%. In Jiangxi Province, the total GDP increased from approximately RMB765.5 billion in 2009 to approximately RMB1,570.9 billion in 2014, and the per capita GDP grew from approximately RMB17,335 in 2009 to RMB34,661 in 2014 with a CAGR of around 14.9%. The fast-growing economy of Guangdong and adjacent provinces has provided a favourable environment and laid down a solid foundation for us to grow our business.

Our business benefits from the rapid urbanisation of Guangdong and adjacent provinces. According to the Euromonitor Report, the urbanisation rate of Guangdong Province reached around 68.0% in 2014, with total number of urban residents hitting around 72.9 million in the same year. The annual per capita disposable income for urban residents in Guangdong Province reached approximately RMB33,090 in 2013, which represented a CAGR of approximately 11.3% from 2009 to 2013, and was higher than the national average of approximately RMB26,955 of the same period. Fujian and Jiangxi Provinces are also comparatively urbanized regions, with urbanization rate growing from 55.1% in 2009 to 61.8% in 2014 in Fujian Province and from 43.2% in 2009 to 48.9% in 2013 in Jiangxi Province. Rapid economic development and accelerating urbanisation rate in particular in the third- to fourth-tiers cities unlock local consumption power and change consumers' preference, who tend to place increasing emphasis on better living environment and product branding and design in their purchase. Growing urbanisation also drives the market for residential estates and accelerates urban renewal. These factors have led to increasing demand for building materials, property renovation and home improvement in our target market.

To tap into the fast-growing local economy, we strategically focus our sales effort in third- to fourth-tier cities. As at the Latest Practicable Date, we were operating 15 sales outlets in the third- to fourth-tiers cities across Guangdong and adjacent provinces. Compared to first-tier cities in which the market tends to be dominated by few large players, our target market is featured by lower degree of market concentration and competition, allowing us to capture growth opportunities and increase market share leveraging our competitive strengths. Our sales outlets are strategically situated in close proximity to the residential areas of newly developed residential districts or populated locations in which there exist a larger room for our business expansion as a result of the continuing urbanisation. We consider we possess competitive advantages over our peer and have relatively long history of operation in the region to take advantage of the regional economic development to grow our business.

Energetic and experienced management team

We have an experienced and energetic management team led by Ms. Hou, our chairlady and executive Director, who has substantial management skills, operating experience and expertise in the home decoration and improvement industry. Ms. Hou has over 16 years of experience in retail chain operation and distribution of building and home improvement materials and furnishings in China. Under her leadership, we have built a strong management team and sound corporate environment that encourages efficiency, accountability and delivery of "customer first" services for customers. As a result, we successfully grew from a local building materials seller in Meizhou of Guangdong to one of the reputable building and home improvement materials and furnishings sellers and distributors in Meizhou, with footprints in Guangdong, Fujian and Jiangxi Provinces. Our other executive Director and senior management team, which comprise Mr. Liu Xianxiu, Mr. Ling Yongshan, Mr. Luo Tianyang, Ms. Deng Haiming, Mr. Zhong Pengwei and Mr. Shu Peng, also possess a wealth of industry experience, and most of them have nearly 10 years or more of experience in the management or the sale and distribution of building and home improvement materials and furnishings, with most of them having worked with us for more than five years. Our stable and devoted senior management team has played a significant role in shaping our corporate culture and success to date. For further details of our management team, please refer to the section headed "Directors and Senior Management" in this prospectus. The vision and entrepreneurial spirit of our management team will continue to play a crucial role in building our brand influence and developing our business.

Our management team is supported by an experienced sales team with substantial experience in sales and distribution business in the PRC. We provide on-job training in the areas of customer services, retail management and product knowledge for our sales personnel. We also adopt performance-based remuneration structure which correlates our frontline staff's remuneration to our results of operations and the degree of achievement of our management goals. We believe that with our strong, motivated and efficient workforce, we will continue to compete successfully and grow our business profitably.

BUSINESS STRATEGIES

Our long-term goal is to become our suppliers' and customers' first choice for sale and distribution of building and home improvement materials and furnishings in China, offering a full range of products and services that are relevant to our customers. Our short- to mid-term goals are to capture market share in our existing market and continue to enhance our competitive strengths. To achieve this, we intend to pursue the following strategies:

Expand and upgrade our sales network to further strengthen our leading position

Situated at the juncture of Guangdong and Fujian Provinces, Meizhou has been traditionally regarded as a key county level city in Guangdong Province with active social, economic and commercial activities. According to the Euromonitor Report, in 2014, the permanent urban residents and urbanisation rate of Meizhou had reached approximately 2.03 million and 46.9%, respectively. According to the Statistics Bureau of Meizhou, the total disposable income for urban residents in Meizhou achieved around RMB20,737 in 2013, witnessing a CAGR of around 12.1% from 2009 to 2013, while the provincial average was around RMB33,090 in 2013, with a CAGR of around 11.3% from 2009 to 2013. Further, for the first half of 2015, the GDP of Meizhou reached approximately RMB44.0 billion, which was approximately 8.4% higher than that for the same period last year and also approximately 0.7% and 1.4% higher than that of Guangdong Province and China for the same period respectively. Furthermore, the development of real estate market in Meizhou fosters the stable growth for home improvement and furnishings market. According to the Statistics Bureau of Meizhou, a total of 173 property developers have entered Meizhou by the end of 2014. Besides, the total area of building under construction reached approximately 9.60 million sq.m. in 2014, increased by approximately 31% compared to 2013. Also, the total area of newly completed building reached approximately 2.29 million sq.m. in 2014, experiencing around 40.7% annual growth compared to year 2013, and according to Meizhou Bureau of Housing and Urban-rural Development, the total area of newly sold residential houses in Meizhou increased by 73.4% in the first half of 2015 compared to the same period in 2014. The stable economic outlook and recent development of real estate market in Meizhou in 2014 and 2015 have been and are expected to continue to drive the demand for our building and home improvement materials and furnishing products. Against the background, according to the Euromonitor Report, the building and home improvement materials and furnishings market in Meizhou is fragmented, featured by a large number of small independent retailers, with the leading five directly managed multi-brand home improvement materials and furnishings retail stores operating under the "product distributor" model jointly accounting for 15.3% of total home improvement and furnishings market in Meizhou in terms of retail sales value in 2014. Accordingly, our Directors believe that there is plenty of room for expansion in building and home improvement materials and furnishings market of Meizhou. To capture market opportunity, further extend customer reach and expand our market share, subject to market condition, we intend to expand our sales outlet network coverage and upgrade our existing sales outlets.

When implementing our plan, we will carefully identify a region in which a new sales outlet will be opened and then conduct feasibility studies and make a detailed assessment on the business potential of such location. We intend to target locations for new sales outlets along major transportation infrastructure and which have high traffic flow, high accessibility to potential customers and are in close proximity to the residential area or the district with a number of residential properties newly built or under construction, in order to maximise sales potential of each site. For details of our assessment criteria, please refer to the paragraph headed "Sales and Marketing — Our sales outlets" in this section. It is generally our policy to lease the property on which our new sales outlets will be operated to minimise our initial capital expenditure for carrying out our expansion plan.

We currently plan to open one flagship mall in Meijiang District (梅江區) of Meizhou (the "**Jiangnan Flagship Mall**") during the first half of 2017, and one sales outlet in Wuhua County (五華縣) of Meizhou (the "**Wuhua Outlet**") during second quarter of 2016. As at the Latest Practicable Date, we had not yet incurred any expenditure on the implementation of our new sales outlets opening plan nor had we entered into any binding agreement with respect to leasing of properties for our new sales outlets. We intend to fund the establishment of our new sales outlets with the net proceeds from the Global Offering and further funding (if required) will be funded with our internal resources and/or bank borrowing, as appropriate. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for more information. The actual capital expenditure and timing for opening each retail outlet is subject to various factors such as inflation rate and market changes for each retail outlet.

Setting up of Jiangnan Flagship Mall

Meijiang District is the economic, political and cultural centre of Meizhou and witnesses rapid growth in recent years, with a number of infrastructure projects such as High-Speed Railway newly developed or under construction. The residential property market in Meizhou as a whole also shows a sign of gradual growth as more particularly disclosed in the first paragraph under the sub-section headed "Expand and upgrade our sales network to further strengthen our leading position" in this section, and such trend is partly contributed by the continuous support of local government. In recent years, local government has promulgated policies for the development of Meizhou urban centre in particular, Meijiang District, which are expected to benefit and foster the continuous expansion of local construction industry and property market. Such policies include "The Action Plan for Expanding and Upgrading the Urban Centre of Meizhou (2013-2020)" (梅州市中心城區擴容提質行動計劃 (2013-2020)) announced by the Meizhou government in 2013, which involves town planning, urban development and large-scale investment projects in Qinyang Peninsula (芹洋半島) across Meixian and Meijiang Districts. As a result, there are a number of large-scale newly built or planned construction of residential and commercial complexes within the district. The local government has also announced a number of infrastructure projects to be implemented during 2016 to 2017, and to continue such expansion and optimisation during 2018 to 2020, including the construction of various transportation network, industrial parks, logistics centres and cultural and leisure facilities, which we expect will in turn attract increasing number of residents to reside in Meijiang District, thereby enlarging our customer base.

As at the Latest Practicable Date, we were operating one sales outlet with the GFA of approximately 1,300 sq. m. in Meijiang District. Since our existing flagship mall in Meizhou and the sales outlet in Meijing District have already been carrying a number of brands, the existing premises constrain our Group from carrying new brands and products. Thus, we consider that it is in our commercial interest to establish an additional flagship mall, which allows us to carry a wider range of products and brands and to expand our sales coverage to the population in the vicinity. Further, according to the Euromonitor Report, the overall home improvement and furnishings market in Guangdong Province is fragmented, with a large number of small independent home improvement and furnishings stores, and in 2014, our market share in terms of retail sales value in Meizhou was less than 10%. The competitive landscape in Meizhou presents to us growth and consolidation opportunities through enlarging our market share in Meijiang District, being a core economic zone and expanding urban centre in Meizhou. Thus, we believe that by establishing a new flagship mall in Meijiang District, we would be in a more advantageous position to capture new business opportunities from potential customers such as property developers as well as home owners in the region, compete effectively over other industry players and increase our brand visibility in this growing market, thereby further upholding our leading position in Meizhou.

It is expected that the GFA of Jiangnan Flagship Mall to be opened would be approximately 12,000 sq.m. We plan to secure a long term lease of a property situated at one of the commercial complexes newly built or planned to be built in the developing district of Qinyang Peninsula (芹洋半島) for Jiangnan Flagship Mall. To maximize the sales potential of our sales outlets in Meixian and Meijiang District, we intend our Jiangnan Flagship Mall to be located at least 8 to 10 km. apart from our flagship mall in Meixian of Meizhou and at least 5 km. apart from our another existing sales outlet in Meijiang District. In addition, we plan to display and sell at Meijiang Flagship Mall various home improvement materials and furnishings specifically for use at hotel and office buildings, and new products such as building stones and ceiling, in order to enrich our product offering. We will refurbish Jiangnan Flagship Mall with contemporary design and in line with the merchandise and brands that it will carry. Except as disclosed above, we intend to replicate substantially the same operation standards used in our flagship mall in Meizhou to the future operation of our Jiangnan Flagship Mall and carry mid to high brand tier of merchandise as in other sales outlets to attract customers of middle to high income group and to maintain consistency in our brand image.

Subject to market conditions and our continuous assessment from time to time, we plan to commence the renovation work of Jiangnan Flagship Mall during the second half of 2016 and put it into operation during the first half of 2017. The total investment cost for setting up the Jiangnan Flagship Mall is estimated to be approximately RMB61.5 million, which comprise capital expenditure, such as renovation work, of RMB30.9 million and cost of inventories for store display and initial operation of RMB30.6 million. The breakeven period and the payback period with respect to our Jiangnan Flagship Mall is expected to be within one year and approximately 5.3 years [Note], respectively.

[Note] Payback period represents the time in which the estimated initial costs of investment is expected to be recovered from the estimated cash inflows generated from the investment. Breakeven is the point of time at which the estimated revenue equals total estimated cost or expenses and no profit or loss is made.

Setting up of Wuhua Outlet

Meizhou is composing of eight different cities, counties and districts and we have already set our foothold in six of them as at the Latest Practicable Date. Wuhua County is one of the counties in Meizhou with population of around 1.4 million and the population growth rate of around 1.3% from 2013 to 2014 according to the Statistics Bureau of Wuhua County. Even though the annual per capita disposable income for urban residents in Wuhua County in 2014 was only approximately RMB16,000, which was lower than provincial average, its annual growth rate hit around 8.4% and the GDP of Wuhua County also attained approximately RMB11.0 billion with an annual growth rate of 9.8% in 2014, according to the Statistics Bureau of Wuhua County. Currently there is no large scale integrated shopping mall of building and home improvement materials established in Wuhua County. To further expand the coverage of our sales network and capture sales opportunity, we plan to tap into Wuhua County by setting up the Wuhua Outlet.

Our Wuhua Store is expected to have a GFA of around 1,500 sq. m. Subject to market conditions and our continuous assessment from time to time, we plan to commence the renovation work of Wuhua Outlet during the first quarter of 2016 and put it into operation during the second quarter of 2016. Total investment cost for setting up of the Wuhua sales outlet is estimated to be approximately RMB4.3 million, which comprise capital expenditure, such as renovation work, of approximately RMB3.5 million and cost of inventories for store display and initial operation of approximately RMB0.8 million. The breakeven and payback period with respect to our Wuhua Outlet is expected to be within one year and approximately 4.9 years, respectively.(Note)

Our breakeven and payback period estimates are based on our historical performance of comparable stores and various assumptions and estimates, and are not indicative of the future financial performance of our Company or our Group.

In addition to setting up new sales outlets as mentioned above, as part of our long-term strategy, we will continue to explore expansion opportunities in third- to fourth-tier cities in other parts of Guangdong, Jiangxi and Fujian Provinces by establishing new sales outlets or acquiring existing sales outlets from third parties where we consider appropriate and beneficial to our Group, subject to our then capital requirement. As at the Latest Practicable Date, we did not have any specific acquisition plan or target and had not entered into any definitive agreement or engaged in any active discussion with any potential target.

Refurbish our existing sales outlets to strengthen our brand influence and reputation

We believe that our brand image and reputation are partly attributable to the word of mouth and one-stop shopping experience generated from customers visiting our flagship mall and other sales outlets. Our sales outlets which showcase the merchandise that carries our suppliers' brand is also one of the key considerations for certain suppliers when engaging us as their distributor. To continue to leverage our existing sales outlets as an effective marketing platform and sales window, depending on

(Note) Payback period represents the time in which the estimated initial costs of investment is expected to be recovered from the estimated cash inflows generated from the investment. Breakeven is the point of time at which the estimated revenue equals total estimated cost or expenses and no profit or loss is made.

our business requirement, we refurbish our sales outlets from time to time aiming at attracting higher foot traffic, stimulating our store sales and elevating our brand image. The refurbishment work will normally include face-lifting of exterior outlook and improvement of internal decoration and store layouts. We intend to first refurbish our existing sales outlet in Meijiang District ("**Meijiang Outlet**") during the fourth quarter of 2015, where we plan to set up our Jiangnan Flagship Mall in the same area, to showcase a specialised line of merchandise such as high-end home textile products. We consider such renovation work will uplift our store image in line with the brands of merchandise that it carries and create a more comfortable shopping environment to a targeted group of customer thus attract more foot traffic for Meijiang Outlet. Such refurbishment is expected to take around three months and the estimated cost for the refurbishment work of Meijiang Outlet would be approximately RMB5.4 million, which is expected to be funded with the net proceeds of the Global Offering and further funding (if required) will be funded with our internal resources and bank borrowings, as appropriate. The estimated total investment cost of approximately RMB5.4 million, comprises approximately RMB3.7 million of capital expenditure, such as renovation work, and cost inventories for display and initial operation of approximately RMB1.7 million. As at the Latest Practicable Date, we had not yet incurred any expenses for carrying out the refurbishment program. Subject to market condition and our then capital requirement, after completion of the refurbishment of our Meijiang Outlet, we will proceed with our refurbishment program for our other sales outlets where necessary and appropriate.

Establish a new logistics centre in Meizhou

We believe that an efficient logistics and delivery system which allows us to maintain an optimal level of inventory, ensure efficient stock replenishment at our sales outlets and warehouses and reduce lead time of delivery, is integral to our future growth. Further, as we expand our operations through opening new sales outlets, we expect that the importance of our logistics and delivery system will increase. Accordingly, we will continue to enhance our logistics and delivery efficiency.

As at the Latest Practicable Date, we had one warehouse in Meizhou with site area of approximately 6,072 sq.m. and two small storage facilities in Zhongshan of Guangdong Province. Our warehouse in Meizhou serves as a central point of consolidation for the receipt of merchandise purchased from our suppliers and subsequent distribution to our sales outlets. As we continue to expand in Meizhou such as setting up additional sales outlets, the number of orders from customers is expected to grow, certain building materials such as pipe and fittings take up a large storage space, to cater for our long-term development, we plan to establish a new logistic centre in Meizhou which will be well connected to major road infrastructure and in close proximity to our existing flagship mall and our Jiangnan Flagship Mall, to consolidate products purchased from suppliers located in different parts of the PRC, expand our storage capacity and satisfy our increasing logistics requirements from our sales outlets in vicinity. According to our plan, we will identify a new site in Meizhou for our new logistics centre having a GFA of around 13,500 sq.m. and which will be equipped with computerised system, improved logistics flow and larger parking capacity and will serve as a merchandise pick up point for customers. Upon the new logistics centre putting into operation, our pre-existing warehouse in Meizhou will no longer be in use. We consider that our new logistic centre would enable us to achieve greater operational and cost efficiencies in sourcing and logistics and better serve a wider clientele while we continue to expand our operations in the PRC. We will endeavour to secure a long-term lease, to the extent possible, for the establishment of such warehouse to ensure operational stability.

We plan to commence the construction work for our new logistics centre during the second quarter of 2016 and put it into operation during the fourth quarter of 2016. The estimated amount of expenditure for the establishment of our new logistics centre (including expenses for building and fitting out work, expenses for purchase of security and fire alarm systems and their installation and expenses for storage facilities and related infrastructure) would be approximately RMB42.6 million, which is expected to be funded with the proceeds from the Global Offering and any shortfall to be funded with our internal resources or bank borrowings, as appropriate. As at the Latest Practicable Date, we had not yet incurred any expenses nor had we entered into any binding agreement for carrying out this plan. For further details in relation to our use of proceeds to implement the plans set out above, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

Upgrade our information system

We believe that an effective information system is essential for efficient management and successful development of our business. As we continue to expand, to cope with the increasing requirements on our management of inventory and sales outlets, coordination of different business functions, formulation of decisions and risk management, we are required to continue to invest into information technology to achieve real-time monitoring of daily operations, centralize information exchange and integrate different business functions, collect, store and analyse operational data for formulating sound and more scientific business strategies and streamline operational procedures, aiming at optimising our operation and increasing overall efficiency. We expect that approximately RMB1.8 million will be used to improve our existing information system, which will involve upgrading our information technology infrastructure, acquiring additional servers and software and strengthening the security of our system.

Further strengthen our interior design capability and expand our direct sales team

The increase in urbanisation, disposable income and living standard of the population in our target market have stimulated market demand for property renovation and home improvement. In addition, we plan to expand our geographical coverage to areas where we consider there is strong business potential. To seize sales opportunities, reinforce our expansion plan and extend our customer base, we intend to continue to strengthen our interior design capability by recruiting design talent, increasing training to our designers, and seek cooperation with design houses to better serve our customers' need and improve service quality. We will also actively explore potential customers in the area where we will establish a new sales outlet or undertake corporate and household projects.

Further, we plan to continue to develop our direct sales team by expanding their team size and enlarging their service focus to a wider range of products such as ceramics, aluminium alloy and cement and building mortar, providing more training with respect to their sales technique and product knowledge, increasing our sales efforts to customers such as property developers and construction companies to secure sales and renovation projects of apartments of newly developed residential estates and in the area where we will establish new sales outlets or witness active development in real estate market, and identify opportunity for cross-selling our products and services to the potential household customers in such region.

Capital expenditure plans

The following table sets out a summary of total estimated capital expenditure in relation to our business strategies discussed above:

	Estimated capital expenditure				Estimated expenditure on cost of inventories, staff recruitment and training	Estimated total investment cost of relevant business strategies	Expected source of funding	
	2015	**2016**	**2017**	**Total**			**Proceeds from Global Offering** *(Note)*	**Internal resources**
	RMB (in million)	*RMB (in million)*	*RMB (in million)*	*RMB (in million)*	*RMB (in million)*	*RMB (in million)*	*RMB (in million)*	*RMB (in million)*
Business strategy								
Setting up Jiangnan Flagship Mall	—	15.0	15.9	30.9	30.6	61.5	45.8	15.7
Setting up Wuhua Outlet	—	3.5	—	3.5	0.8	4.3	3.1	1.2
Refurbishing Meijing Outlet	2.5	1.2	—	3.7	1.7	5.4	3.6	1.8
Establish a new logistics centre in Meizhou	—	42.6	—	42.6	—	42.6	31.5	11.1
Upgrading information system	1.8	—	—	1.8	—	1.8	1.4	0.4

Note: Planned use of proceeds from the Global Offering is based on the Offer Price of HK$1.35 per Offer Share (being the mid-point of the indicative Offer Price range) and on the assumption that the Over-allotment Option is not exercised.

OUR BUSINESS MODEL

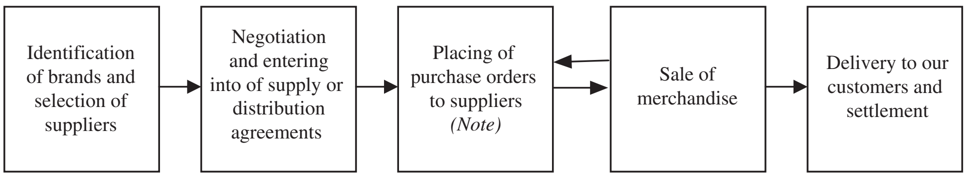
We are mainly engaged in the sale and distribution of merchandise, under which we procure merchandise from brand owners, manufacturers and trading companies on outright basis and sell such merchandise to our customers through our own sales channels for our own accounts. We are also engaged in the provision of services to customers, under which we offer various services of interior design and engineering services relating to property renovation and refurbishment for a service fee.

Set out below is the breakdown of our revenue by business operations during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2012		2013		2014		2014		2015	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* *(unaudited)*	%	*RMB'000*	%
Sale and distribution of merchandise	253,201	99.9	283,692	99.0	298,514	89.4	94,756	93.6	79,220	95.3
Provision of services	259	0.1	2,771	1.0	35,304	10.6	6,446	6.4	3,908	4.7
Total	253,460	100.0	286,463	100.0	333,818	100.0	101,202	100.0	83,128	100.0

Sale and distribution of merchandise

The following diagram illustrates our simplified flow of our sale and distribution operation:



Note: We may place order to our suppliers after receiving orders from customers.

(a) Identification of brands and selection of suppliers

We explore and source supplies and merchandise mainly through market intelligence from our industry experience, market connection and attending different trade fairs. Occasionally, potential suppliers also approach us for business cooperation. We have in place stringent requirements for choosing our suppliers. Our procurement team will look into the market and source the appropriate merchandise based on market demand, product quality and reputation of the suppliers.

(b) Negotiation and entering into of supply or distribution agreements:

Once we have identified a suitable line of products for sourcing, our procurement team solicits supplier candidates to negotiate the terms of cooperation and enter into supply or distribution agreement with us. Details of the major terms of our agreements signed with our suppliers are set out in the paragraph headed "Our Suppliers and Procurement" in this section.

(c) Placing of purchase orders to suppliers:

Generally, we estimate the quantity of merchandise to order from our suppliers based on the product attributes, our historical sales figures and forecasts prepared. Pursuant to our policy, for standardised building materials (i.e. materials with standard specifications that are commonly used in construction projects) such as pipe and fittings, cement and building mortar we normally keep an average of one-week inventory, and for home improvement materials and furnishings, we may keep a certain level of stock for best-selling or standard merchandise. In cases of merchandise with customised specifications or of high value, we usually place order to our supplier after we have received the relevant purchase order from our customer. We may require test trial before proceeding with commercial scale ordering.

(d) Sale of merchandise

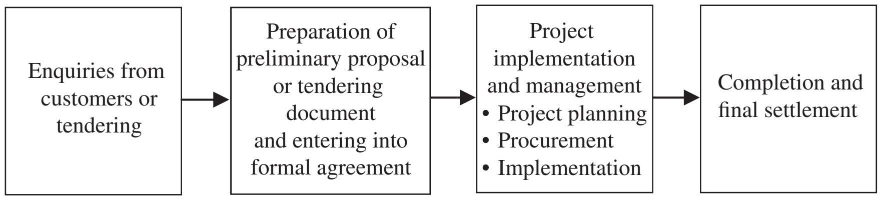
After sourcing, our merchandising items are distributed throughout our sales network. We sell and distribute our merchandise using one or more than one of the following principal channels: (i) direct purchase orders received from our customers or directly from our sales personnel approaching our potential customers to solicit sales order; (ii) participation into a tender; and (iii) our sales outlets, where our on-site sales attendants provide assistance to our customers such as provision of product information, advice on product selections and promptly addressing their enquiries. Since September 2014, we have been selling a small amount of lighting and electrical appliances under internationally well-known brand on consignment basis. We entered into consignment agreement with two suppliers in September 2014 and March 2015, respectively. For more information on consignment sales, please refer to the paragraph headed "Sales and Marketing — Our consignment sales". Our Directors consider that the above arrangement are normal market practice in the building and home improvement materials and furnishings industry in the PRC.

(e) *Delivery to our customers and settlement*

Upon request and subject to the availability of stock, we would arrange for the delivery of merchandise from our sale outlets, our warehouse or directly from our supplier(s), as the case may be, to the destination specified by our customers as soon as within the same day after receipt of customers' request or in accordance with the time specified by our customer. Customers may elect to collect the merchandise themselves. Invoice will be issued to customers upon delivery for settlement. We may directly provide after-sale services for certain merchandise or we may direct our customers' request to the relevant suppliers for such support, depending on the scope of after-sale services offered by our suppliers. For more information about customer services, please refer to the paragraph headed "Customer Services and Quality Assurance" in this section.

Provision of services

The following diagram illustrates our simplified flow of our interior design and engineering services operation:



(a) Enquiries from customers or tendering

For household projects, we identify business opportunities mainly through enquiries from walk-in customers at our sales outlets or through customers' referral, who may provide indications on their home renovation plan such as size of their properties, style, preferences and budget range. For corporate projects, we solicit business directly from customers through open tender or invitation from potential customers to submit a tender and secure the business if our bid is successful.

(b) Preparation of proposal or tendering document and entering into formal agreement

According to the requirements specified by our customers, we would make a preliminary assessment and prepare a proposal, covering material information such as budget, design, drawings, recommendation on the choice of materials, project schedule and other basic information. In case of tendering, we will evaluate whether the project opportunity fits our scope of services, and such decision will be brought to department head for final approval. When we decide to proceed with a particular tender, a taskforce will be formed to prepare the relevant tender documents in accordance with the requirements of the potential customer, which usually include a more detailed proposal than in the case where we prepare a proposal in response to direct enquiry by customers. After our proposal is accepted or we win the tender bid, a formal service contract will be entered into between us and our customer.

Salient terms of our typical service contracts entered into with our customers include: (a) the obligations of our customers, including the responsibility of our customers to handle the required applications and approvals for the projects, provide water and electricity for the projects, and liaise with the neighbourhood and property management office; (b) the obligations of our Group, including the responsibility to implement the projects in accordance with the requirements of our customers and the renovation plan, ensure the safety of the projects by implementing accident prevention measures, quality assurance, and preserving the conditions of the existing furniture, decorations and facilities on site until the completion of the projects; (c) duration of the renovation projects; (d) payment terms; and (e) conditions for termination. For details of the characteristics of our projects and payment terms, please refer to the paragraphs headed "Business — Our Products and Services — Our interior design and engineering services" and "Business — Pricing, Payment Terms and Credit Management — Payment terms and credit management", respectively, in this prospectus.

(c) Project implementation and management

Project planning

After entering into a formal agreement, a project team would be formed, which usually comprises project manager, project coordinator, materials coordinator, quality controller and a safety supervisor positions. Depending on the project scale and the qualification of the personnel, our project manager may hold more than a single position in the project team. Detailed implementation will be fine-tuned during the project planning stage based on the discussion with our customers. In case of projects secured through tendering, detailed implementation has been set out in the tendering document with little room for adjustment.

Procurement

Our team would advise the range of suitable materials to be used in the project for customer's decision, taking into account the design, physical constraint of the site and the budget. Other than basic decoration materials which are included in the service package, our customers may choose to purchase with us directly all materials required for the projects. Our procurement team would also check the availability of the stock in our inventory and proceed to make purchase with the suppliers if required.

Implementation

At implementation stage, we are mainly responsible for project management. Depending on the project requirement, we may engage subcontractor(s) for carrying out certain work, which includes electrical, plastering, painting and carpentry. To ensure the quality of the work of our subcontractors, our project team would examine the work progress on site regularly, and ensure that the work is carried out in accordance with the design and the specifications of our customers. Our project team would supervise the overall progress of the project, including safety, budget and quality of the project, and conduct site inspection from time to time. To ensure the safety and compliance with the relevant laws relating to construction in the PRC, our safety supervisor would examine the work and identify any dangers or flaws at the site. Our quality controller would constantly oversee the quality of the construction work.

(d) Completion and final settlement

Our project team would carry out final inspection after completion of the renovation project. After the final fitting-out work, a settlement statement will be issued to customer for settlement and acknowledgement of their acceptance of our work. For most of our corporate projects, we offer a warranty period of at least one year after completion of the project and depending on the contract terms, an amount which accounts for approximately 3% to 5% of the total contract sum will be kept by the customers as retention money and shall be settled by customers upon their satisfaction of our service at the end of the warranty period. For household projects, we normally offer a warranty period of up to two years.

OUR PRODUCTS AND SERVICES

Our Product Offering

We are proud of the range and quality of merchandise that we are able to offer for customers. As of 30 April 2015, our product portfolio comprised more than 10,000 varieties of merchandise across varying brand tiers and price range, targeting middle to high income group. Such strategy is aimed at serving the needs of different customer groups and hence enlarging our customer base. We also conduct a periodic review of our product mix to keep ourselves abreast of the latest market trend and customers' preferences and enable our product offering to evolve. Our products can be broadly divided, by functionality, into the following categories:

Building materials	Home improvement materials	Furnishings
Steel (鋼材)	Ceramics (陶瓷系列)	Lightings (燈飾)
Pipe and fittings (管道管件)	Flooring and doors (地板及門)	Furniture (家具)
Electrical wires and cables (電線電纜)	Electrical materials (電工電料)	Textile (布藝家紡)
Aluminium Alloy (鋁合金)	Sanitary ware (衛浴)	Electrical appliances (電器產品)
Cement and building mortar (水泥及砂漿)	Plumbing (水暖)	Home accessories (掛件)
Paint and chemicals (油漆化工)	Hardware and kitchen system (五金廚電)	
Glass (玻璃)		

The following table sets forth our revenue breakdown under our sale and distribution of merchandise operation by product category for the period indicated:

	For the year ended 31 December						For the four months ended 30 April			
Product category	**2012**		**2013**		**2014**		**2014**		**2015**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Building materials	176,195	69.6	169,696	59.8	183,305	61.4	56,197	59.3	50,561	63.8
Home improvement materials	43,703	17.3	55,853	19.7	58,123	19.5	22,552	23.8	12,201	15.4
Furnishings	33,303	13.1	58,143	20.5	57,086	19.1	16,007	16.9	16,458	20.8
Total	**253,201**	**100.0**	**283,692**	**100.0**	**298,514**	**100.0**	**94,756**	**100.0**	**79,220**	**100.0**

For each type of product that accounted for 5% or more of our revenue from our sale and distribution of merchandise operation during the Track Record Period, the following table sets forth their respective revenue contribution and gross profit margin for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2012		2013		2014		2014		2015	
	Contribution to segment revenue	Gross profit margin	Contribution to segment revenue	Gross profit margin	Contribution to segment revenue	Gross profit margin	Contribution to segment revenue	Gross profit margin	Contribution to segment revenue	Gross profit margin
Building materials										
Pipe and fittings	15.6%	19.2%	17.1%	20.1%	19.8%	20.5%	21.3%	24.4%	19.9%	20.4%
Steel	39.4%	7.3%	23.3%	4.3%	19.8%	6.0%	17.5%	6.9%	20.1%	6.0%
Paint & chemicals	4.2%	41.3%	6.8%	37.3%	10.7%	28.2%	8.6%	32.1%	11.7%	23.7%
Electrical wires and cables	5.8%	32.6%	8.3%	24.9%	6.0%	21.4%	9.2%	20.3%	4.6%	20.4%
Aluminium Alloy	0.7%	25.2%	1.7%	30.6%	4.2%	28.0%	2.6%	28.1%	5.9%	22.2%
Home improvement materials										
Flooring and doors	1.9%	39.0%	6.9%	29.9%	10.8%	30.6%	13.0%	29.5%	6.3%	34.6%
Ceramics	6.2%	49.5%	4.3%	50.5%	3.8%	46.3%	6.0%	43.2%	3.3%	47.9%
Electrical materials	5.7%	34.3%	2.8%	33.9%	2.0%	30.3%	1.2%	35.7%	0.3%	37.5%
Furnishings										
Furniture	7.9%	49.3%	14.0%	51.6%	10.7%	46.8%	10.6%	39.6%	9.5%	49.8%
Lightings	3.2%	38.6%	3.1%	36.2%	5.0%	39.1%	2.4%	39.7%	7.5%	36.1%

Among the merchandise we sold during the Track Record Period, building materials contributed a significant proportion of our total revenue. With our increasing sales efforts in and dedication to developing a diverse sales channels, our sales of home improvement materials and furnishings have been increasing. Going forward, while sales of building materials are expected to continue to be our major source of revenue, we intend to continue to develop different lines of merchandise particularly home improvement materials and furnishings and interior design and engineering services, to optimise our product mix and expand and develop our sales outlet network in order to continue to grow our business and diversify our revenue source. For further details of our business strategies, please refer to the paragraph headed "Business Strategies" in this section.

Our interior design and engineering services

Xinya Decoration, our subsidiary in the PRC, was established in 2012 for providing interior design and engineering services to our customers. We adopt a brand strategy under which we are operating two service counters, one under "Xinya Decoration" brand and one under the brand licensed from a third party decoration company pursuant to a franchise agreement (as more particularly disclosed below), and both situated in our flagship mall in Meizhou for providing interior design and engineering services. Our footprint under this business operation currently covers Meizhou of Guangdong Province. We have designers, budgeting personnel and a project team for providing the services and we also engage subcontractors to carry out certain work required by us. Please refer to the paragraph headed "Subcontracting Arrangements" in this section for further details of our subcontracting arrangement. Our interior design and engineering projects mainly comprises household projects and corporate projects. The following table sets forth our revenue breakdown by projects types for the periods indicated:

Project type	For the year ended 31 December									For the Four months ended 30 April					
	2012			2013			2014			2014			2015		
	Number of projects	Revenue	Percentage of revenue	Number of projects	Revenue	Percentage of revenue	Number of projects	Revenue	Percentage of revenue	Number of projects	Revenue	Percentage of revenue	Number of projects	Revenue	Percentage of revenue
	(Note)	*RMB'000*	%	*(Note)*	*RMB'000*	%	*(Note)*	*RMB'000*	%	*(Note)*	*RMB'000* *(unaudited)*	%	*(Note)*	*RMB'000*	%
Household	6	145	56.0	53	1,919	69.3	45	7,031	19.9	22	1,131	17.5	9	1,661	42.5
Corporate	1	114	44.0	6	852	30.7	20	28,273	80.1	9	5,315	82.5	4	2,247	57.5
Total	7	259	100.0	59	2,771	100.0	65	35,304	100.0	31	6,446	100.0	13	3,908	100.0

Note: Number of projects comprises completed projects and projects in progress, from which revenue has been recognised for our services performed in the period. As at 31 December 2012, 2013 and 2014 and 30 April 2015, we had 25, 31, 9 and 10 projects secured or in progress, respectively. For the 10 contracts secured or in progress as at 30 April 2015, we anticipate that an aggregate revenue of RMB4.8 million will be recognised from such projects subsequent to the Track Record Period.

Our revenue from the provision of services is recognised using the percentage of completion method which primarily reflects the stage of completion of each of the contracts by reference to the accumulated costs incurred as a percentage of total estimated costs.

We offer service package to customers for standard household projects, and the service price ranges from approximately RMB888 per square metre to RMB2,288 per sq.m. depending on the service scope and brand tiers of materials to be used. Our service proposal typically includes basic decorations materials, electrical wiring, lighting, painting, flooring and doors, and sanitary wares.

For corporate projects, our services cover interior design and engineering work for newly developed residential estates, commercial units, institutional and public facilities, and the service fee is generally determined by mutual negotiation.

The table below sets out a comparison between key characteristics of household and corporate projects:

	Household	Corporate
Target customers	Individuals	Corporate customers including property developers and institutional organizations
Nature of the properties	Residential units	Newly developed residential estates, commercial units, institutional and public facilities
Ways of obtaining the contracts	Enquiries by customers or customers' referral	Open tender or invitation to submit proposal or tender document
Warranty period	Up to 24 months	At least 12 months
Duration of the renovation projects	Normally 90 days	Depending on the construction schedule, ranging from 90 days to 12 months

Cooperation with design houses

To strengthen our publicity in interior design and decoration industry and attract foot traffic in our flagship mall by expanding our customers' choice, as at the Latest Practicable Date, we had granted to seven design houses a right to use a designated area in our flagship mall free of charge. These design houses are principally engaged in interior design and project management business and are Independent Third Parties. Pursuant to the agreements entered into between us and these design houses, for a term ranging from one year to two years, these design houses are allowed to use our designated area as their business premises and showroom, conduct their business for their own account, and they agree to offer to our customers with a sales receipt issued by us a discount for the services rendered by them. Each design house is solely responsible for its own operating expenses. They are required to pay us a fixed and refundable deposit of RMB10,000 for ensuring their compliances of the use of our premises in accordance with our requirements and reimburse us the utilities expenses incurred at such part of our premises used by them under the agreement. We are entitled to require these design houses to unconditionally vacate our premises upon our request. We believe that even though these design houses are in potential competition with us, given that such arrangement allows us to (i) attract potential customers visiting our flagship mall and generates sales opportunities to us and that we offer a vast majority of merchandise in our flagship mall in addition to the interior design and engineering services; and (ii) we are entitled to request these design houses to move out from our premises, it is in our commercial interest to engage in such arrangement.

Further, in February 2014, Xinya Decoration entered into a franchise agreement with a decoration company (the "**Licensor**") for a term of around five years. Pursuant to such agreement, we are granted by the Licensor a non-exclusive licence to provide interior design and engineering project management services under its brand name. In addition, the franchise agreement provides for geographical location at which the services to be provided by us under its brand, staff training, right to use its operational system, staff uniform, layout of the service centre bearing its trade mark and name, assessment criteria and termination events. Under such agreement, in consideration of the grant of licence and provision of ancillary services such as staff training and right to use its operational system by the Licensor, we are required to pay a one-off franchising fee in an amount of RMB220,000 upon the effective date of the agreement and licence fees in aggregate of RMB270,000 during the term of the agreement. Notwithstanding the above, business secured through the service counter operated by us under the brand name of the Licensor is handled by our own staff and we, through Xinya Decoration, provide interior design and engineering services to customers for our own account.

The Licensor, an Independent Third Party, is a company established in the PRC principally engaged in the home decoration and design business in the PRC and possessing more than 15 years of experience in the industry with extensive market presence in the PRC. Our Directors believe that our cooperation with it and the use of its trade mark, brand name and operational system in our provision of interior design and engineering services under its brand would allow us to leverage on the established reputation, business model and experience of the Licensor, expand customers' choice of brand and achieve effective penetration into interior design market. The training and support offered by and the experience developed with the Licensor will also further enhance the capability of our service team, thereby improving our service quality and competitiveness in this sector in a long-run. Further, the use of different brands in our provision of services also allows us to effectively formulate marketing strategies and increase our market exposure. On the basis that (i) the services offered under Xinya Decoration brand and the Licensor's brand are rendered by the staff of our Group and the respective operation is both under the management of our Group; and (ii) all revenue generated and costs incurred by the two separate teams are recorded in the same subsidiary of the Group, our Directors are of the view that such arrangement would not create competition with the services provided by our Group.

SALES AND MARKETING

We have developed multiple channels which market, sell and distribute merchandise and services to our customers. Our principal sales channels include direct sales, tendering and sales outlets. These channels which represent the means by which we identify and secure business opportunities are an integral part of our sales function and are complementary to each other. Customers may first obtain access to our product or service offering through the selling efforts of our sales personnel or visiting our sales outlets and they subsequently place purchase orders with our staff via telephone or electronic media or invite us to participate into a tendering process or complete purchase at our sales outlet as they consider appropriate. With the use of multiple and flexible channels of sales, we believe that we can maximize our brand exposure and sales opportunities, capture a wider range of customers from all walks of life and consolidate our position as a one-stop provider for building and home improvement materials and furnishings. The following table sets forth the breakdown of our revenue and net profit recorded by our headquarter, other sales outlets and Xinya Decoration for the periods indicated:

	For the year ended 31 December									For the four months ended 30 April					
	2012			2013			2014			2014			2015		
	Revenue	Revenue contribution	Net profit	Revenue	Revenue contribution	Net profit	Revenue	Revenue contribution	Net profit	Revenue	Revenue contribution	Net profit	Revenue	Revenue contribution	Net profit
	RMB'000	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*
Headquarter (1)	205,822	81.2	22,203	215,829	75.3	20,918	218,235	65.4	20,523	66,466	65.7	5,195	57,860	69.6	431
Other sales outlets(2)	47,379	18.7	6,504	67,863	23.7	13,723	80,279	24.0	14,535	28,290	27.9	5,680	21,360	25.7	3,500
Xingya decoration(3)	259	0.1	(170)	2,771	1.0	(472)	35,304	10.6	6,946	6,446	6.4	668	3,908	4.7	14
Total	253,460	100.0	28,537	286,463	100.0	34,169	333,818	100.0	42,004	101,202	100.0	11,543	83,128	100.0	3,945

Notes:

(1) Revenue and profit of our headquarter were derived from direct sales and sales through tendering conducted by staff at headquarter as well as store sales at our flagship mall in Meizhou. Our Group's corporate expenses, including but not limited to, listing expenses, are substantially recorded under our headquarter during the Track Record Period.

(2) Revenue and profits of other sales outlets were derived from direct sales and store sales conducted through our sales outlets (other than our flagship mall in Meizhou). Revenue generated by each of these other sales outlets represented less than 0.1% to approximately 3.7% of our Group's total revenue for the Track Record Period. For further details of our other sales outlets, please refer to paragraph headed "Our sales outlets" in this section.

(3) Revenue and net profit recorded by Xinya Decoration were principally generated from our provision of interior design and engineering services.

As at 30 April 2015, our sales team consisted of 134 staff members, including our sales personnel of different levels of our Group who are responsible for attending to daily sales activities and maintaining our sales network. With our dedicated effort in building our sales channels, our footprint has been extended to include Guangdong, Fujian and Jiangxi Provinces. The table below sets forth our revenue breakdown by geographical location and as a percentage to our total revenue for the periods indicated:

Regions	For the year ended 31 December						For the four months ended 30 April			
	2012		2013		2014		2014		2015	
	Revenue	Percentage to total revenue	Revenue	Percentage to total revenue	Revenue	Percentage to total revenue	Revenue	Percentage to total revenue	Revenue	Percentage to total revenue
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)* *(unaudited)*	*(%)*	*(RMB'000)*	*(%)*
Guangdong	239,137	94.3	259,944	90.7	301,750	90.4	89,236	88.2	75,969	91.4
Fujian	10,891	4.3	19,423	6.8	21,842	6.5	8,238	8.1	4,831	5.8
Jiangxi	3,432	1.4	7,096	2.5	10,226	3.1	3,728	3.7	2,328	2.8
Total:	253,460	100.0	286,463	100.0	333,818	100.0	101,202	100.0	83,128	100.0

Set out below illustrates the characteristics of our major sales channels, comprising direct sales, tendering and sales outlets.

Direct sales

Under this channel, for certain category of merchandise such as building materials which are standard and bulky products, customers place direct purchase orders to our staff at headquarter or sales outlets through various means, such as telephone or electronic media. The use of such sales mode increases the convenience to customers who order product in bulk or who may not be able to physically visit our sales outlets.

To better serve our key customers and handle purchase orders for standard or frequently ordered merchandise, we have designated four sales teams of 16 staff members at our headquarter focusing on handling direct purchase orders from key customers under certain product categories and directing such orders to our procurement team. Each sales team is assigned with a particular product sector(s), such as cables, steel and metal products, or product brands, depending on their experience in the relevant sector(s), to better serve our customers and the responsible team members actively approach potential customers in their responsible sectors through business visits to solicit sales orders. Customers placing direct purchase order to us include property developers, construction companies, corporate customers and dealers of building and home improvement materials, and based on our records, customers placing orders through this channel usually ordered from us a more standardised merchandise and in a large quantity and we may offer a bulk purchase discount to these customers, subject to our pricing policy. We usually enter into sales contracts with these customers, setting out major terms such as product types, unit price, payment method and credit term, delivery arrangement, quality assurance and other obligations of the parties and issue sales invoices to them. To strengthen our sales team's capability, our sales team actively attends training arranged by our suppliers on product knowledge and features of their products so that the team members are equipped with the required knowledge to deal with customers' queries promptly and maintain customer relationship.

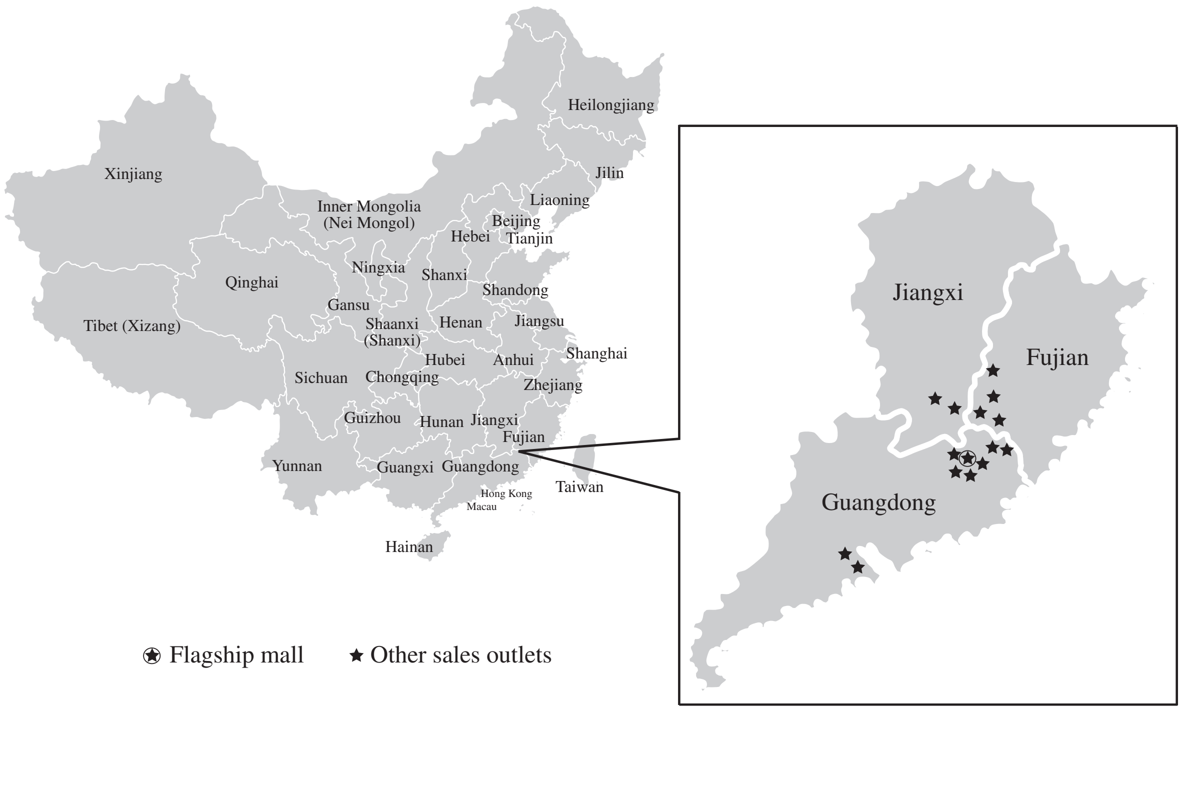
Tendering

Under both sale and distribution of merchandise and provision of services operations, some of our customers make procurement through tendering, where we prepare and submit the tender documents and go through the tendering process organised by our customers. Customers who procure from us through tendering are usually property developers or institutional organisations. Sales by way of tendering are handled and managed by our staff at headquarter. The tender document prepared by us normally sets out, amongst others, our fee proposal, work plan, quality commitment, corporate information and relevant experience, financial statements, awards and such other information specified by the tender notice issued by our customers. If we win the bid, we will sell and supply the merchandise or provide the services in accordance with the tender document submitted and the formal supply agreement or service contract entered into with our customers. We had no tendering during 2012 and our success rate of tendering was approximately 67% and 33% in 2013 and 2014, respectively.

Our sales outlets

We have established branch offices and subsidiaries in different cities to manage a regional network of sales outlets. We opened our first sales outlet in 1997 in Meizhou of Guangdong Province. In 2009, to extend our customer reach, increase our suppliers' brand visibility and showcase our product range, we opened our iconic flagship mall in Meizhou as our headquarter and integrated the flagship mall with some of our then existing sales outlets operated in Meizhou to optimise our sales network. As at the Latest Practicable Date, we had a regional sales network comprising 15 sales outlets (including our flagship mall in Meizhou). Whilst we focus our business on third-to-fourth tiers cities in eastern part of Guangdong Province as our primary market, we have increasing market presence in adjacent provinces, covering third- to fourth-tiers cities in Fujian and Jiangxi Provinces such as Longyan and Ganzhou, where we consider that the demand for building and home improvement materials and furnishings is strong. Our sales outlets not only serve as physical venue for customers to shop for merchandise in person, but also function as our local sales offices where we assign staff to develop local market, handle orders received from different channels and maintain customers' relationship in a designated region.

The map below illustrates the approximate location of our sales outlets in the PRC as at the Latest Practicable Date:



Set out below is a list of our sales outlets and their respective location and relevant details as at the Latest Practicable Date:

Location	Approximate GFA (sq. m.)	Date of opening	Product range *(Note)*
Guangdong Province			
1. Meixian District, Meizhou (Flagship mall)	18,165	December 2009	Full range of building and home improvement materials and furnishings and interior design and engineering services
2. Meijiang District, Meizhou	1,322	August 2010	Furnishings
3. Meixian District, Meizhou	526	October 2010	Furnishings
4. Xingning, Meizhou	5,930	May 2011	Home improvement materials and furnishings
5. Jiaoling County, Meizhou	581	September 2010	Home improvement materials and furnishings
6. Pingyuan County, Meizhou	1,802	June 2011	Building and home improvement materials and furnishings
7. Dabu County, Meizhou	2,600	August 2011	Building and home improvement materials and furnishings
8. Zhongshan City	191	December 2010	Home improvement materials
9. Zhongshan City	168	January 2013	Home improvement materials
Fujian Province			
10. Shanghang County, Longyan	2,102	November 2011	Furnishings
11. Wuping County, Longyan	1,236	July 2011	Home improvement materials and furnishings
12. Liancheng County, Longyan	809	May 2012	Home improvement materials and furnishings
13. Changting County, Longyan	1,740	June 2012	Home improvement materials and furnishings
Jiangxi Province			
14. Anyuan County, Ganzhou	500	June 2012	Home improvement materials and furnishings
15. Xunwu County, Ganzhou	273	October 2011	Furnishings

Note: Depending on the size of the relevant sales outlet, the varieties of the products displayed at each sales outlet may vary.

Set out below are some of our sales outlets:

Our headquarter and flagship mall in Meixian District, Meizhou

Our chain store in Dabu County, Meizhou

Our chain store selling textile in Meixian District, Meizhou

Our chain store in Xingning, Meizhou

Our chain store in Wuping, Fujian

Our chain store in Pingyuan County, Meizhou

Interior of our flagship mall in Mexian District, Meizhou

Interior of our chain store in Changting, Fujian

Interior of our chain store in Xingning, Meizhou

Interior of our chain store in Dabu, Meizhou

Interior of our chain store in Meixian District, Meizhou

Our sales outlets management

We categorise our sales outlets by size and the category of merchandise they carry. Currently, our flagship mall situated in Meizhou is our largest sales outlet in the PRC, with the GFA of approximately 18,165 sq.m. (including our office spaces and the spaces provided to the design houses). Our other sales outlets across the regions are small to medium-sized specialty or integrated stores with the GFA ranging from approximately 168 sq.m. to 5,930 sq.m. We assign a store manager for each of our sales outlets, who is responsible for overseeing the store operation and sales performance.

Our sales outlets are operated under our trade name "Jiyi" and brand " ". We adopt store image and layout that are consistent with the brand and product offering carried by the relevant sales outlet. We will also furbish the sales outlets with the layout such as store format, classification of brands and products into different zones, product display, decoration and design of each zone in accordance with the preference of our suppliers, if any. We showcase our merchandise for sale by nature and brands in the designated areas at our sales outlets and also adopt an experiential marketing strategy by decorating and displaying our merchandise as in the actual scene that imitates a home environment. We aim to provide our customers with an enjoyable and comfortable one-stop shopping experience.

We take into account various factors including market size, income level and consumption pattern of our customers to decide the types and quantities of merchandise to stock and for sale in our sales outlets. We build store profiles from data on customer spending habits and based on our experience and understanding of the market. We believe that this information allows us to make informed and strategic decisions relating to product strategy.

As at 31 December 2012, 2013 and 2014 and 30 April 2015, we had 14, 15, 15 and 15 sales outlets respectively. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, three, one, nil and nil new sales outlets were opened, and none of our sales outlets was closed down during the same period. To minimize our initial capital expenditure, except for our flagship mall in Meizhou and Meijiang Outlet which are being operated on the properties owned by us, we operate our sales outlets on leased properties. In determining the size and location of a new sales outlet, we will take into account the availability of suitable property for rent, accessibility, population density, development of new estate projects in vicinity, perceived customer needs in the surrounding area and the proximity of the site to our own or other similar sales outlets in the area. If the target location has met our criteria, a preliminary assessment together with the execution plan will be prepared and submitted to our senior management for approval. Once the plan has been approved, we will proceed to negotiate with the relevant lessor on the properties identified, carry out the renovation work, make procurement of fixtures and operational systems, purchase stock and product display and recruit personnel. Pursuant to our expansion plan, we intend to open two additional sales outlets in 2016 and 2017. For details of our expansion plan, please refer to the paragraph headed "Business Strategies" in this section.

Our consignment sales

Since September 2014, we have been selling a small amount of lighting and electrical appliances of internationally well-known brands on a consignment basis. In September 2014 and March 2015, we entered into consignment agreements with two entities for a term up to 31 August 2017 and 31 December 2018, respectively. These entities are distributors of the relevant brand owner and are Independent Third Parties. Pursuant to such agreement, we arrange for the selling of products under a specified brand delivered by the consignor at our premises and we return to the consignor the sale proceeds and charge the consignor based on a specified percentage of actual sale proceeds (or based on a specified percentage of the pre-fixed sales target if the actual sales amount is below such target) which are settled and payable on a half month basis. Under such arrangement, we are required to sell the products under consignment in accordance with the price(s) pre-determined by the consignor. For the year ended 31 December 2014 and the four months ended 30 April 2015, we recorded an insignificant amount of revenue (less than RMB5,000) from consignment sales. We adopt a selective approach to consignment sales and will accept sale on a consignment basis with respect to brand or product if we consider such arrangement would elevate our brand profile or enrich our product offering.

Marketing and promotional activities

We have implemented various advertising and promotional activities to strengthen our brand profile, increase our brand visibility and expand our market share. We adopt multiple platforms for our marketing activities. We promote our product portfolio to potential customers through our sales outlets and direct advertisement such as advertisement on newspapers and TV commercials. We maintain an official website (**www.jiyihousehold.com**), which serves as a promotional platform for our merchandise and services and conveys latest information on our major merchandise, enabling our customers to have a better understanding of our product profiles. Leaflets and catalogues of merchandise used in our marketing activities are designed by us or provided by some of our suppliers.

We initiate and organise promotional events during the year, which feature different themes. We conduct marketing activities on special occasions such as anniversary of our sales outlets, "International Day for Protection of Consumers' Rights" and during holiday period such as National Holiday and Mid-Autumn Festival. We also cooperate with our suppliers on the marketing campaigns conducted by us and our suppliers may provide various support such as free gifts and marketing materials. During the promotion period, a selected range of merchandise will be sold at a discount or with a gift or other promotion incentive, including waxing of furniture for free, free maintenance services for a selected range of merchandise and offering free gifts, etc. We take into account a number of factors including seasonal factors, our suppliers' requirement (if any) and our business strategies when deciding the duration, product range and which stores for promotion. We also offer gift vouchers during promotion period to attract repeated purchase from customers.

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our advertising and promotion expenses amounted to approximately RMB0.8 million, RMB1.3 million, RMB0.8 million and RMB0.2 million, respectively, representing approximately 0.3%, 0.5%, 0.2% and 0.2%, respectively, of our total revenue for the same period.

Seasonality

We believe that a significant proportion of our merchandise and services are sold or offered to customers for building, property renovation or refurbishment purposes. The sales and operating results with respect to our products and services are influenced by seasonal factors. Based on our experience, normally the demand for our merchandise and services are higher in the second half of the year, in particular the fourth quarter of the year, where building and renovation activities are more active as the weather conditions during the fourth quarter which features lower rainfall and dry weather in winter season are more favourable to undertaking building and renovation work. Please refer to the paragraph headed "Risk Factors — Risks Relating to Our Industry — Seasonality may affect our sales" for further details.

OUR CUSTOMERS

We serve a large and diverse customer base. For sale and distribution of merchandise, customers who place direct orders to us or invite us to participate into a tender include property developers, equipment manufacturers, construction companies, and individual retailers and dealers of building and home improvement materials, and some of them are key or recurring customers. Customers who purchase at our sales outlets are mainly individuals from the general public. For the provision of services, customers of household projects include home owners who are end-customers, whereas customers of corporate projects are mainly property developers and construction companies. We enter into sales contracts and/or issue sales invoices or receipts when we conduct and record the sales.

Our top five customers during the Track Record Period were entities established in the PRC which are principally engaged in the business of property development, construction, equipment manufacturing and dealing of building and home improvement materials in the PRC, and we have had business relationship with them for one year and up to seven years. Our top five customers during the Track Record Period were Independent Third Parties. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, revenue generated from sales to our top five customers in aggregate amounted to approximately RMB47.9 million, RMB51.7 million, RMB88.7 million and RMB28.1 million, respectively, representing approximately 18.9%, 18.1%, 26.6% and 33.8%, respectively, of our total revenue, and revenue generated from sales to our largest customer for the respective year amounted to approximately RMB13.9 million, RMB16.3 million, RMB22.6 million and RMB7.9 million, respectively, representing approximately 5.5%, 5.7%, 6.8% and 9.5%, respectively, of our total revenue for the respective year.

To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or their close associates or any shareholder who owned more than 5% of our Company's issued share capital as at the Latest Practicable Date, had any interest in any of the five largest customers of our Group during the Track Record Period.

CUSTOMER SERVICES AND QUALITY ASSURANCE

Customer services

We strive to provide the best quality service to customers, putting customers first and facilitating them to complete their building and property renovation project without hassle. Under different product categories, we have a designated team serving key customers. In addition, we assign for each sales outlet a store manager responsible for overseeing the customers service at each sales outlet. For each line of product, we have experienced sales attendants on site who would introduce brands and products based on our customers' requirements, and assist our customers by offering advice and guidance on product functions, features, dimensions and installations.

To better serve our customers or potential customers who do not visit our sales outlets, we have service hotlines for handling inquiries from them. Upon receiving inquiries, our customer service team would divert the inquiries to the relevant sales and technical personnel for following up. It is our policy that we should respond to customers' inquiries within one business day after receiving the same, to ensure timely delivery of our services. We arrange training for our sales personnel regularly on customers' services, product knowledge and sales technique, and correlate their remuneration package with their performance.

Quality assurance and product or service warranty

To enhance customers' satisfaction of the merchandise that we offer, we have stringent control over the quality of merchandise. We carefully select our suppliers, and pursuant to our supply or distribution agreements, our supplier shall ensure the quality of products and may also be required to provide us with the after-sale services for the products sold to us. For our supplier selection criteria, please refer to the paragraph headed "Our Suppliers and Procurement — Supplier selection" in this section. We conduct inspections on the quality, measurement and other specifications of the merchandise before we accept delivery from our suppliers. We are entitled to return or exchange the products to the suppliers if they are found to be defective or otherwise in unsaleable condition.

In general, no products return or exchange by our customers is allowed except for malfunctions of or manufacturing defects in our products. Nevertheless, to foster customer loyalty and enhance customer satisfaction, we may allow product return or exchange to be made with a valid receipt within seven days after purchase provided that the merchandise is in good and saleable condition. We also offer product warranty period of one to three years depending on the nature of merchandise. During the warranty period, we provide maintenance and repair services to our customers for free and will also exchange any defective products for free on the condition that such products have been installed in accordance with the manual and were used under normal conditions. Defective products could be returned to our supplier for repair or replacement if the relevant supplier is found to be liable for such defect.

We believe that our product warranty and return policy attract customers to make purchase with us and create greater value to our customers, which differentiate us from small-scale industry players that typically do not have comprehensive product warranty services.

For the interior design and engineering services, we normally provide a warranty period of one to two years, which is in line with industry practice and the applicable laws and regulations. For customers of certain corporate projects, pursuant to the relevant service agreement, a retention money (which in most cases represents approximately 3% to 5% of the total contract sum) will be settled upon their satisfaction of our services at the end of the warranty period. As at 31 December 2012, 2013 and 2014 and 30 April 2015, retention money unsettled by our customers amounted to approximately nil, nil, RMB1.0 million and RMB1.0 million, respectively. We provide after-sale services to our customers free of charge within our warranty period if the defects are due to quality problem. If the warranty period has expired or the defect is caused by our customers' improper use, we may charge service fees incurred and the cost of any parts and components required for repairs. During the Track Record Period, we incurred minimal cost for such services provided to customers.

During the Track Record Period, we did not experience any product liability claim or product return that had a material impact on us.

PRICING, PAYMENT TERMS AND CREDIT MANAGEMENT

Pricing Strategy

Sale and distribution of merchandise

We set the selling price for our merchandise by reference to a number of factors, including our cost of purchase, product's attributes, customers' spending behaviour and preference, local consumption power, product's brand, retail prices of similar products in the market, our marketing strategies and the business relationship with our customers as well as retail prices suggested by our suppliers, where applicable. For merchandise (usually branded merchandise) where we are appointed as the distributor of the relevant supplier, the distribution agreement entered into between us and such supplier normally provides for the suggested selling prices which we are recommended and expected to follow. In line with industry practice and based on our understanding, such pricing is set for guidance purpose and no penalty in practice will be imposed for not observing such suggested selling prices. Nevertheless, it is in our commercial interest to take into account our suppliers' pricing policy when setting our own selling price as such supplier may assess our observance of its pricing policy when considering the renewal of the term of distribution agreement with us. We may set the price below the suggested selling price by our suppliers under circumstances where we implement the promotional activities as required by our suppliers. We conduct regular checks on pricing of our competitors as points of reference for our pricing policy, and may discuss with our suppliers from time to time and adjust the pricing (taking into account our suppliers' suggested selling price) of our merchandise in response to market trend and seasonality as well as our promotion activities. The product life cycle of our merchandise varies depending on type of merchandise. For example, building materials such as cement, pipes and fittings are mostly standardised products, and are relatively durable and less susceptible to the trend and market development. The product life cycle for home improvement products and furnishings products is shorter than that of the building materials as they are more susceptible to the changing customers' preference and market trend.

To ensure observance with our pricing policies at operational level while maintaining flexibility in response to changing market condition, pursuant to our internal policy, we adopt uniform pricing with respect to the same merchandise being sold across different sales outlets, with a permissible range of discount to our pre-determined selling price that might be offered by our senior sales personnel or store managers on a case-by-case basis. A greater discount may be offered by us to customers who make purchase with us in a large quantity. During the Track Record Period, we were not aware of any breach of the terms of the supply or distribution agreements by us or any breach of our pricing policy by our staff that had a material impact on us.

Provision of services

For our interior design and engineering services, we generally adopt a cost-plus pricing policy. We offer to customers different service packages for standard services or we charge them in accordance with our fee proposal we prepare for our customers who require a more customised services. In preparing our service packages or fee proposals, we usually take into account: (a) the scope and complexity of the projects; (b) the duration of the project; (c) the cost of the required materials and services to be included in the service package, taking into account future inflation and escalation in prices by suppliers; and (d) our resources, such as manpower, to be allocated to the project. The pricing for corporate projects is also determined based on the mutual negotiation or the price quoted by us in the tender document (as the case may be).

There may exist unexpected price fluctuations, or existence of a significant time gap between the signing date of the contract with customers and the delivery of the projects, giving rise to the possibility that the actual cost of undertaking the project will be higher than our estimated cost. To the extent that we are allowed under the contracts to fine tune and adjust the estimated project costs in response to changing actual circumstances, such increased costs can be transferred to our customers, otherwise (especially for projects secured through tendering) the increased costs may not be transferable to our customers. To minimise the impact of possible cost fluctuations in the course of the project, we prepare internal costing and budgeting, estimates of labor and raw materials which are based on quotation given by our suppliers, taking into account potential fluctuations of raw materials, as well as our own estimation of costs to be incurred.

Payment terms and credit management

Our customers could choose to pay us by either cash, credit card or bank remittance, depending on the channel through which we sell the merchandise and the nature of our customers. We accept payment by cash and credit card for sales at our sales outlets and accept payment by bank remittance for sales conducted through direct purchase orders or tendering. For one-off purchase customers or new customers, we may require them to prepay a certain percentage of the purchase price as deposit upon the confirmation of purchase order. We allow payment by instalment for the provision of interior design and engineering services by reference to the progress of the project and the final instalment will become payable upon delivery of the project (or the expiry of the warranty period where retention money is kept by our customers). The length of credit period granted to our customers is based on commercial negotiation and mutual agreements with our customers. For those who are recurring customers and used to make purchase with us in a large quantity or transaction amount, we may grant a credit term of up to 360 days from the invoice date, depending on the credit history and reputation of our customers. Moreover, we strategically extend the credit period to certain of our major customers and grant longer credit period to our customers who are property developers or material and equipment suppliers of construction projects in order to maintain a long-term business relationship and support the needs of their business expansion.

In respect of customers granted by us with a credit period of over 180 days, our trade receivables from such customers as at 31 December 2012, 2013 and 2014 and 30 April 2015 was approximately RMB18.8 million, RMB36.9 million, RMB52.2 million and RMB63.6 million, respectively, representing approximately 36.2%, 40.8%, 45.1% and 52.1% of our total trade receivables, respectively. Our trade receivables from these customers as at 31 December 2012, 2013 and 2014 and 30 April 2015 had been settled up to approximately 100.0%, 100.0% , 92.0% and 83.0% as at 30 September 2015, respectively. During the Track Record Period, we did not experience material difficulty in recovering trade receivables from these customers and no impairment loss on trade receivables has been recorded in relation to these customers.

Our average trade receivables turnover days are 60 days, 91 days, 113 days and 171 days for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015. For our discussions of the increases in trade receivables turnover days, please refer to the section headed "Financial Information — Description of Selected Items of Consolidated Balance Sheets — Trade and other receivables" in this prospectus. It is our policy to review overdue balances and our receivable balances on an ongoing basis and appropriate assessment is made by our management team to determine whether or not provision for impairment of trade receivables should be made. We did not experience material payment defaults from our customers during the Track Record Period. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, we had provision for impairment of trade receivables of approximately RMB280,000, RMB97,000, nil and RMB227,000, respectively. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in collecting receivables from our major customers when they fall due.

OUR SUPPLIERS AND PROCUREMENT

Supplier selection

We believe that our sourcing and selection of suppliers play a crucial part in enriching our brand and product mix, ensuring our merchandise quality and enhancing our competitiveness in our sale and distribution business. We sourced merchandise from over 160, 170, 200 and 110 suppliers across the

PRC during the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. We procure merchandise directly from the manufacturers or brand owners whenever possible, allowing us to offer to our customers a great variety of merchandise of good quality and at competitive price through avoiding mark-ups by upstream distributors. To effectively manage a diversified portfolio of suppliers, we have in place stringent supplier assessment measures and will proceed with cooperation with those supplier candidates who could meet our requirements.

Our assessment on suppliers places emphasis on their market positioning, image of their brand projected, product design, production capacity, quality and price range, anticipated market acceptance of their products, supply lead time, reliability, creditworthiness and our past experiences in conducting business with them. It is also our strategy to identify and maintain a diverse brand mix through selecting nationally well-known brands as well as emerging or new brands with promising potentials. The engagement of new suppliers and purchase of new products are subject to review by our senior management. Our procurement team also regularly looks for quality suppliers in the market, and will engage new suppliers upon their satisfaction of our internal review and approval, which includes interviews with their responsible personnel and site visit to the suppliers' premises. We give weight to the ability of fulfilling our quality control and requirements in our assessment of a potential and existing supplier. If any supplier is considered to have failed to fulfil the delivery time and product quality required by us, our procurement team would report to the senior management for decision on whether we should continue to source products from the relevant suppliers. We also review our product portfolio from time to time to keep ourselves abreast of the latest market trend and make procurement from our suppliers in accordance with our anticipated customers' preferences so that our product offering will continue to be appealing to our target customers and hence, enable us to command lucrative selling prices. As at 30 April 2015, we had a procurement team of seven personnel responsible for identifying supplier candidates, merchandise sourcing and relationship management with our suppliers.

We have developed a close and stable relationship with our key suppliers and generally retain at least one to three suppliers for each major type of product. Our purchases from our top five suppliers accounted for approximately 60.6%, 54.9%, 50.9% and 51.8% of total purchases for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively and purchases from our largest supplier accounted for approximately 38.3%, 25.3%, 16.0% and 17.4% of our total purchases, respectively. Our top five suppliers during the Track Record Period which are companies established in the PRC are primarily manufacturers, brand owners and trading companies of building and home improvement materials in China, who have maintained up to 15 years of business relationship with us. Our largest supplier for the years ended 31 December 2012 and 2013 was one of the PRC major steel manufacturers and wholesalers listed on the Shenzhen Stock Exchange and our largest supplier for the year ended 31 December 2014 was an associated company of such steel manufacturer.

To the best knowledge and belief of our Directors and after making all reasonable enquiries, none of our Directors or their respective close associates or any shareholder who owned more than 5% of our Company's issued share capital as at the Latest Practicable Date, had any interest in any of the five largest suppliers of our Group during the Track Record Period. The following table sets out the profile of our top five suppliers during the Track Record Period.

Name of top five supplier	Period in which the supplier was one of our Group's five largest suppliers and the approximate percentage of purchases in the corresponding period *(Note 1)*	Approximate year of business relationship with us	Principal business activities	Usual credit terms and payment method	Merchandise procured	Types of Agreement entered into
Company A *(Note 2)*	2014: 16.0% 2015: 11.6%	One year (from 2014)	Manufacture and wholesale of steel plates and other steel products	Payment before delivery	Steel	Supply Agreement
Company B	2012: 13.3% 2013: 14.5% 2014: 14.9% 2015: 17.4%	15 years (from 1999)	Manufacture and wholesale of pipes and fillings	Monthly settlement	Pipe and fittings	Distribution Agreement
Company C *(Note 2)*	2014: 8.0%	One year (from 2014)	Wholesale of steel products	Payment before delivery	Steel	Supply Agreement
Company D	2013: 5.1% 2014: 7.1%	Two years (from 2013)	Manufacture and wholesale of various types of doors of different functionalities and materials	Payment before delivery	Doors	Supply Agreement
Company E	2014: 5.0%	Two years (from 2013)	Sale of electrical wires and cables, sanitary ware, hardware and electrical materials and plumbing	Payment before delivery	Pipe and fittings	Supply Agreement
Company F *(Note 2)*	2012: 38.3% 2013: 25.3% 2015: 14.1%	Four years (from 2011)	Manufacture and wholesale of steel plates and other steel products	Payment before delivery	Steel	Supply Agreement

Name of top five supplier	Period in which the supplier was one of our Group's five largest suppliers and the approximate percentage of purchases in the corresponding period *(Note 1)*	Approximate year of business relationship with us	Principal business activities	Usual credit terms and payment method	Merchandise procured	Types of Agreement entered into
Company G	2013: 6.7%	Three years (from 2012)	Import/export and trading of various products, including building materials and consumer products	Payment before delivery	Steel	Supply Agreement
Company H	2013: 3.3%	Three years (from 2011)	Manufacture of building mortar and cement	70 days credit period	Paint and Chemicals	Distribution Agreement
Company I	2012: 4.1% 2015: 4.9%	Three years (from 2011)	Manufacture and sale of building mortar and cement	Payment before delivery	Cement and building mortar	Supply Agreement
Company J	2012: 2.7%	Five years (from 2010)	Sale of hardware, electrical materials, building materials, and household products	Payment before delivery	Electrical materials (電工電料)	Supply Agreement
Company K	2012: 2.2%	Three years (from 2012)	Wholesale and retail of hardware, lights, sanitary ware and furnishings	Payment before delivery	Ceramics, sanitary ware	Supply Agreement
Company L	2015: 3.8%	Three years (from 2012)	Manufacture of building mortar and sale of cement and paint	Payment before delivery	Paint and chemicals	Distribution Agreement

Note 1: Each of 2012, 2013 and 2014 refers to the financial year ended 2012, 2013 and 2014 respectively, and 2015 refers to the four months ended 30 April 2015.

Note 2: Company C and Company A is a subsidiary and associated company, respectively, of Company F. Company F is a company listed on Shenzhen Stock Exchange

Agreements signed with our suppliers

Supply agreements

Depending on the business practices, we may enter into framework supply agreements with our suppliers for a term of one year or directly place purchase orders to some of our suppliers per order basis and the terms of our purchase are governed by such supply agreement or purchase orders and invoices for each purchase. The major terms of these supply agreements or purchase orders include product specifications, unit price, date of delivery, cooperation period, quality standard and product warranty (where applicable). In the circumstances where we enter into supply agreement with or directly place purchase orders to suppliers, as the relevant supply agreement or purchase order does not provide for any requirement or control relating to our sales activities, we does not consider there exists a distributorship relationship between us and the relevant supplier in that case. The term of supply agreement normally ranges from one year to two years and we typically do not enter into agreements with suppliers for a long fixed term.

Distribution agreement

With respect to some suppliers, we enter into distribution agreements with them whereby we are appointed as their regional distributor to sell and distribute merchandise that carries their brand names according to the terms thereof. We will separately place purchase order to such suppliers on a pre-order basis. As at 31 December 2012, 2013 and 2014 and 30 April 2015, we were the distributor of 26, 35, 46 and 44 suppliers, respectively. For further details, please refer to the summary of terms of the distribution agreement below. We believe that with our brand management expertise, established sourcing network coupled with our requirement to conduct regular review of the sales performance of the merchandise we sourced from our suppliers and adjust our product mix in response to market conditions, we believe that the present procurement model enables us to maintain flexibility in managing our diversified brand and product portfolio, which in turn consolidates our strength and comprehensiveness of our business.

We would negotiate with the relevant supplier on a case-by-case basis to become their exclusive distributor within a designated area, taking into account a number of factors, such as the prevailing market condition, its brand reputation, our marketing strategies, our commitment (if any) to obtain such right, and the expected benefits that might be derived from such arrangement to our business development. We adopt a selective approach to obtaining exclusive distribution rights if we consider such right will allow us to leverage the established brand influence of our suppliers to effectively develop our market within a defined territory and shorten our brand building process.

Salient terms of our existing distribution agreements are set out below:

Duration of the distribution agreement	: Typically one to two years
Exclusivity and geographical coverage	: Where we are appointed as an exclusive distributor, we are authorized to sell the relevant merchandise in a designated geographical location such as Meizhou or in the region where our sales outlets are situated
Rights and obligations of the parties involved	: Our supplier is responsible for supplying the merchandise and providing sales support to us, including staff training and assistance in marketing activities. Our supplier may specify: (i) the manner by which the merchandise will be sold to the market, including the product range and geographical coverage; (ii) decoration and layout of our sales outlet or an area within the sales outlet designated for the merchandise that carries the relevant supplier's brand; (iii) right to use and obligation to protect the image of our supplier's brand; (iv) the requirement to maintain a refundable deposit with the relevant supplier for guaranteeing our performance of the terms as set out in the agreement
Sale and pricing policies	: For further detail relating to our pricing policies, please refer to the paragraph headed "Pricing, Payment Terms and Credit Management" in this section
Sales target and the consequences of not meeting target	: Some of our suppliers set out in the agreement a pre-fixed sales target which is expressed either in the nature of target sales value (ranging from RMB200,000 to RMB30 million) or target sales volume (ranging from 50 tonnes to 30,000 tonnes) to be achieved by us in a given period. In some of the distribution agreements, it is provided that the relevant suppliers reserve the right to terminate the relevant agreement with us if the sales target is not attained. Nevertheless, as confirmed by our major suppliers who have entered into distribution agreements with us, the sales target as specified in the relevant distribution agreement signed with them was for guidance only. During the Track Record Period, we did not experience any termination or non-renewal of the distribution agreement by our suppliers due to non-fulfilment of the relevant sales target.
Payment and credit terms	: We may be required to make full payment before delivery or we settle the purchase amount on a monthly basis

Product return policy	: Product return is generally not allowed except for quality reasons
Marketing support	: We are granted the right to use the relevant supplier's trademark in our sales activities with respect to the merchandise supplied by it. We may be required to participate in the marketing campaigns initiated by the relevant supplier
Conditions for termination and renewing the agreements	: Renewable by mutual agreement

During the Track Record Period, we were in material compliance with the supply or distribution agreements with our major suppliers, and we had not experienced nor were we aware of any circumstances leading to early termination of our supply or distribution agreements or contractual claims by our major suppliers.

Procurement arrangement

Before we enter into the supply or distribution agreement with our supplier, we would negotiate with the relevant suppliers the line(s) or category(ies) of products to be procured from them and sold and distributed to the market (in case we will be its distributor). Based on our estimation of the upcoming demand, historical figures and our experience in the industry, we select products that allow us to match with prevailing consumer preferences, purchasing power and the expected market demand, as well as our market positioning. For new coming brands or new products, we may require test trial or order a small batch of products to test market response before proceeding with commercial scale ordering. Our procurement team will review the product selection from time to time taking into account seasonal trend, local cultures, customs and other characteristics to attain the optimal product and brand mix. The quantity of merchandise to be procured each time is also subject to our inventory policy. In respect of merchandise for product display, some suppliers may offer us the merchandise for free, which are usually building materials, or we may procure from our suppliers the merchandise such as furniture at a discount or at full factory price. Such displayed merchandise is counted as inventory and is available for sale.

We purchase products from suppliers on outright basis. Products return to our suppliers is normally not allowed except for quality reasons. During the Track Record Period, we did not encounter material defects or experience material product recall or return in relation to the products sourced from our suppliers. Based on our experience, products delivered from our suppliers may take three to 10 days, depending on the nature and quantity of products we ordered from suppliers and the location of their warehouse. During the Track Record Period, we did not experience any shortage of or delay in the supply of building and home improvement materials and furnishings that had a material impact on us. For more information on product liability risks associated with merchandise sourced from our suppliers, please refer to the paragraph headed "Risk Factors — Risks Relating to Our Business — Risks associated with our relationship with our suppliers — We may be exposed to product liability claims and latent defect liability claims, which could adversely affect our results of operations, financial condition and reputation". in this prospectus. During the Track Record Period, we were not subject to material product liability claims or material adverse publicity due to deficiencies in product quality supplied by us in the PRC.

SUBCONTRACTING ARRANGEMENTS

For our provision of services, owing to the labour intensive nature of the work involved in interior design and engineering projects and the technical expertise or qualification or manpower that may be required for undertaking such work, where appropriate, we may engage external subcontractors who possess the required skills to undertake certain work involved in corporate and household projects such as electrical, plastering, painting and carpentry. We believe that such arrangement allows us to focus more on other key stage of our operation and deploy our resources in a more cost effective manner. Our subcontractors are prohibited from further subcontracting the work without our consent. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, we engaged 11, 90, 118 and 59 external subcontractors for undertaking electrical, plastering, painting and flooring work for our projects.

Our key subcontractors are corporate entities or sole proprietors principally engaged in providing electrical, plastering, painting, carpentry and ancillary services in the PRC and we have maintained up to three years of business relationship with these subcontractors. To ensure timely delivery of our services, we may also subcontract our design work as needed when the staff of Xinya Decoration does not have sufficient capacity. We have a project team involved in the coordination of different subcontractors on the worksite to ensure the work performed by them comply with our requirements. All of our subcontractors were Independent Third Parties during the Track Record Period. We take into account a number of factors when choosing our subcontractors, including their (i) technical capability; (ii) track record and past working experience; and (iii) financial conditions.

We enter into a framework service agreement with some of our subcontractors on an annual or project basis. The typical terms of the framework agreement cover the rights and obligations of the parties, compliance with the quality requirements, our raw materials and procurement requirements, basis for determining the subcontracting fees or unit price, warranty and renewal and termination clause. Despite the framework agreement is signed on an annual basis with such subcontractors, the subcontracting fees are payable on project basis and in accordance with the progress of the work undertaken. Subcontracting fees are determined by reference to the scale of the project, nature and technical complexity of the work involved and time of delivery.

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, we recorded subcontracting fees of approximately RMB0.2 million, RMB1.5 million, RMB11.0 million and RMB0.8 million, respectively, representing approximately 0.1%, 0.7%, 4.5% and 1.3%, respectively, of our cost of sales for the same period.

During the Track Record Period, we did not experience any situation where our subcontractors breached the terms of our agreement with them or failed to fulfil our requirements that had material impact on us. To the best knowledge and belief of our Directors and after making all reasonable enquiries, none of our Directors or their respective close associates or any shareholder who owned more than 5% of our Company's issued share capital as at the Latest Practicable Date had any interest in any of the five largest subcontractors of our Group during the Track Record Period.

LOGISTICS & INVENTORY

Inventory management

We implement a centralised procurement and inventory system to coordinate our procurement activities and inventory movement of our merchandise. Our procurement team coordinates stock requests from different sales teams and sales outlets and centralises all purchase orders to be placed to our suppliers. As at the Latest Practicable Date, we had one centralised warehouse situated in Meixian of Meizhou and two storage facilities situated in Zhongshan of Guangdong Province, and each sales outlet also had storage space for stocking products with high and frequent demand.

All merchandise stored in our warehouse is being monitored by our information system. We have internal policy with respect to inventory management. Our staff identifies items that need replenishing at regular interval. Our procurement team places orders with the relevant suppliers on an as-needed basis to ensure timely replenishment of merchandise sold. We perform stock take periodically as a control measure to ascertain the existence of the inventory. We check our warehouse inventory on a monthly basis for damaged or obsolete inventory, including products returned from stores which are not in saleable condition. We prepare monthly reports on our warehouse inventory, which include information on inventory levels and value. This allows us to regularly assess the sales performance of our inventory and to identify slow-moving inventory or products we no longer plan to offer at our sales outlet. We may occasionally offer discounts in order to clear out slow-moving inventory. Allowance is made against when the net realisable value of inventories falls below the cost or any of the inventories is identified obsolete. Our provision for write-down of inventories was RMB0.4 million, RMB0.5 million, nil and RMB0.2 million, for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively.

At sales outlet level, the store manager of each sales outlet monitors and reports to our headquarter its inventory on an ongoing basis in order to timely replenish products sold as well as to identify slow-moving, damaged or expired inventory.

We monitor and manage our inventory level principally based on product attributes, projected demand patterns, historical sales data and safety inventory level. Pursuant to our policy, for standardised building materials (i.e. materials with standard specifications and commonly used in construction projects) such as steel, electrical wires and pipe and fittings, we normally maintain an average of one-week inventory. For other building materials including cement and glass, we place order to the relevant supplier after receiving purchase order from customer. For home improvement materials and furnishings, we may keep a certain level of stock for best-selling or frequently ordered or standard merchandise. In cases of merchandise ordered by our customers with customised specifications (such as textile using different materials, colour and design) or merchandise of high value (such as chandelier and mahogany furniture), we usually place order to our supplier after we have received the relevant purchase order from customer.

We believe that, with such policy, we could avoid overstocking in our warehouse while replenishing products efficiently. The inventory turnover days of our products was 84 days, 83 days, 59 days and 64 days for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. For details of our inventory movement, please refer to the paragraph headed "Financial Information — Description of Selected Items of Consolidated Balance Sheets — Inventories" in this prospectus.

Delivery through warehouses

Upon delivery to our warehouse, merchandise will be checked, packed and consolidated for further delivery based on inventory needs. Information of our inventory movement is updated in our ERP system. In some cases, usually for building materials in bulk purchases, delivery may be arranged directly from our suppliers to the location specified by our customers. We have our own delivery team for regular delivery of product from our warehouses to our sales outlets or from the suppliers' location to our warehouse for pick-up, depending on the needs of our customers and arrangement with different suppliers. We designate for each sales outlet a storage area and customers could elect to pick up the merchandise they purchased from our sales outlets. As at the Latest Practicable Date, our logistics team is made up of 16 members and 9 vehicles. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our delivery expenses amounted to approximately RMB4.1 million, RMB4.1 million, RMB4.3 million and RMB1.1 million, respectively.

CASH MANAGEMENT

As we handle cash transaction in the daily operation of our sales outlets, we have in place an internal policy for cash management at sales outlets. All of our sales outlets are linked to our information system so that management could monitor sales on a daily basis. We, on a daily basis, deposit cash received from sales into our bank account reporting and checking of the entry in the cash book, and maintain a specified level of cash-on-hand in each sales outlet as designated by management guidelines. Cash proceeds must be banked in on the next banking day. Reports from our sales outlets are sent to management through our central accounting system for reconciliation at the close of business each day, and management utilizes this information to monitor the deposit of cash into our bank account. If there are late or missing cash deposits, our management informs the store manager who in turn follows up with the relevant store to resolve the issue.

Our cash management policy provides guidelines with respect to the following areas:

- procedures for handling the cash received;
- treatment of discrepancies between prices in the system and shelf prices;
- cash count; and
- custody of cash at stores.

During the Track Record Period, we did not experience any misappropriation of cash by our employees that had a material adverse impact on our business and results of operations.

INFORMATION TECHNOLOGY

Our information technology systems support our operations, inventory control, sales management and overall management function. Our ERP system interfaces with our electronic replenishment system and central accounting system, and regulates our operation, supply chain and financial management. For supply chain management, all of our sales outlets are connected to our ERP system and the system tracks the sales and inventory level of each product of the sales outlets. Our headquarter is able to monitor all sales data and inventory movement of all sales outlets which allow us to monitor our sales and inventory level in an effective and systematic manner. Timely access to this daily inventory and sales data of our sales outlets allows our management to efficiently monitor sales performance and make appropriate adjustments in response to market conditions and customer purchasing behaviour. It also facilitates our procurement, marketing strategies and decisions making process. For financial reporting management, our ERP system centralises our accounting and reporting procedures, with functions such as the generation of general ledger, financial statements and it enables us in managing fixed assets, accounts receivables and accounts payables.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had nine registered trademarks in the PRC and three registered trademarks in Hong Kong. Further information relating to our intellectual property rights is set out in the paragraph headed "B. Information about our Business — 2. Intellectual property rights of our Group" in Appendix IV to this prospectus.

During the Track Record Period, there had not been any pending or threatened claims against our Group, nor had any claim been made by our Group against third parties, with respect to the infringement of intellectual property rights owned by our Group or third parties. As at the Latest Practicable Date, we were not aware of any infringement by us of any intellectual property rights owned by any third party or by any third party of any intellectual property rights owned by us.

PROPERTIES

Owned properties

As at the Latest Practicable Date, we owned the land use right in respect of a parcel of land in Meizhou with a site area of approximately 2,290 sq.m. on which our flagship mall was erected. We have obtained valid land use right certificate with a term expiring on 4 September 2048.

We also own three properties in Meizhou, one of which is being used for our headquarter and flagship mall with an aggregate GFA of approximately 18,165 sq.m., and two of which are being used for our sales outlet in Meijiang District of Meizhou, with an aggregate GFA of approximately 1,287 sq.m. We have obtained valid building ownership certificates for the aforesaid properties.

Leased properties

As at the Latest Practicable Date, we entered into tenancy agreements relating to 21 properties situated in Meizhou, Ganzhou of Jiangxi Province, Longyan of Fujian Province and Zhongshan City of Guangdong Province of the PRC with a total lease area of approximately 24,795 sq.m., which were being used for our sales outlets, warehouse and storage facilities. The term of these existing leases ranges from approximately one year to 15 years for our sales outlets and approximately nine years to ten years for our warehouse and storage facilities. In case where the relevant lessor intends to terminate the lease before its expiration, generally a notice of one month to three months is required to be served with us. The following table sets forth a summary of the properties leased by us as at the Latest Practicable Date:

	Address of the leased properties	Approx. GFA	Our use of property	Expiry of the lease
		(sq. m.)		
	Guangdong Province			
1.	Fuwai Village, Chengjiang Town, Meixian	6,072	Warehouse	30 November 2019
2.	3/F, Block A, Wantong Craft Factory, Renmin Road, Xingning	1,530	Sales outlet	30 April 2026
3.	1/F, 2/F & warehouse before the main building, Block A, Wantong Craft Factory, Renmin Road, Xingning	4,400	Sales outlet	30 April 2026
4.	Shop No.8 & 9, Guihuayuan, Chengnan, Xinshiji Garden and Shop No.4 & 5, Jiguan Road North, Jiaoling	581	Sales outlet	31 July 2020
5.	1~3/F, Properties at Lingxia Village, Dazhe Town, Pingyuan	1,802	Sales outlet	31 December 2021
6.	Shops at 1/F, Block A, B, C, D, Tianyuhuating, Lishuiwan, Dabu	2,600	Sales outlet	30 May 2023
7.	Shop No.2, Block 9, Sanlongju, Binfang Road	35	Sales outlet	1 June 2018
8.	2/F, Shop No.2 & 3, No.9 Commercial and Residential Complex, Zone C, Huaqiaocheng, Meixian	90	Sales outlet	7 July 2020
9.	G/F, Shop No.5, No.9 Commercial and Residential Complex, Zone C, Huaqiaocheng, Meixian	73	Sales outlet	31 December 2019
10.	1/F & 2/F, Shop No.4 and 2/F, Shop No.5, No.9 Commercial and Residential Complex, Zone C, Huaqiaocheng, Meixian	220	Sales outlet	31 December 2019
11.	Shop No.1, No.8 Commercial and Residential Complex, Zone C, Huaqiaocheng, Meixian	143	Sales outlet	31 December 2019
12.	No. 94, Construction and decoration materials center, Xiaolan Town, Zhongshan	191	Sales outlet	31 December 2016
13.	No. 5, Jixifule Middle Street, Xiaolan Town, Zhongshan	150	Storage	31 December 2023
14.	Showroom A8097/A8098, No. 18 Yongan Yi Road, South Zone, Zhongshan	168	Sales outlet	31 August 2015 *(Note)*
15.	No. 16, West Lane 5, Fengyuan North Road, Shiba Village, East Zone, Zhongshan	80	Storage	30 April 2023
	Fujian Province			
16.	1/F, Block 1#, North Zone, Jinshan Commercial City, Shanghang	2,102	Sales outlet	30 September 2021

	Address of the leased properties	Approx. GFA	Our use of property	Expiry of the lease
		(sq. m.)		
17.	Shop No. 101-104 (half of 104), 1/F and Shop 201-204, 2/F, Block 3#, Lianfa Garden, Pingchuan, Wuping	1,236	Sales outlet	31 December 2021
18.	Properties along the street of Beida West Road, Liancheng	809	Sales outlet	16 April 2022
19.	B2, Block 1, Phase I, Tingzhou Haoting, Changting	1,740	Sales outlet	17 April 2022
	Jiangxi			
20.	No. 57, Sanbaishan Road, Anyuan	500	Sales outlet	31 May 2022
21.	Shop No. 14 (formerly known as Poverty Alleviation Office) and 2/F, Yuejiazhuang Road	273	Sales outlet	15 July 2016

Note: We have obtained confirmation from the lessor of such lease that it agrees to renew the term of the lease with us and the renewal procedure was underway as at the Latest Practicable Date.

Pursuant to our tenancy agreements, rental is payable on a monthly or quarterly basis and the rental payable under each of our leases is not linked to the business results of the relevant sales outlet. The following table sets forth the breakdown of our rental expenses in respect of our operating leases for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April	
	2012		2013		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Rental expenses for:								
- Sales outlets	2,681	96.4	3,604	96.5	3,592	92.1	1,135	92.4
- Warehouse and storage facilities	99	3.6	131	3.5	310	7.9	93	7.6
Total:	2,780	100.0	3,735	100.0	3,902	100.0	1,228	100.0

Except for the lease from Mr. Wen Jingfeng (who is a connected person) of Shop No.1, No.8 Commercial and Residential Complex, Zone C, Huaqiaocheng, Meixian which forms part of our sales outlet in Meixian District, Meizhou, we lease properties from Independent Third Parties for operation of our sales outlets, warehouse and storage facilities during the Track Record Period. Further details of the transaction with Mr. Wen Jingfeng are set out in the section headed "Connected Transactions" in this prospectus.

The following set out certain deficiencies relating to our leased properties:

(a) Lack of title certificates

As at the Latest Practicable Date, the landlords in respect of four leased properties were not able to provide the relevant title certificates. These four properties are currently used for our sales outlet in Pingyuan County of Meizhou and sales outlet and storage facilities in Zhongshan City of Guangdong Province of the PRC, with an aggregate GFA of approximately 2,223 sq.m., representing approximately 9.0% of the aggregate GFA of our leased properties as at the Latest Practicable Date.

As advised by our PRC Legal Adviser, (i) we are not legally responsible for applying for the relevant title certificates in respect of these leased properties; and (ii) we have been granted the right to use these leased properties and are occupying such properties lawfully. As a result, we will not be subject to any criminal, civil or administrative penalty or fine as a result of our landlords' failure to obtain the relevant title certificates. Nevertheless, as advised by our PRC Legal Adviser, where a landlord who does not possess valid title certificates enters into a lease agreement with a tenant, such lease agreement may be deemed invalid. Accordingly, pursuant to the prevailing laws and regulations in the PRC, the relevant government authorities may require us to evict from the relevant leased properties.

(b) Use of leased properties not in accordance with the permitted use

As more particularly disclosed in the paragraph headed "Regulatory Compliance" in this section, as at the Latest Practicable Date, the leased properties of five of our sales outlets had not been used, in whole or in part, in accordance with the permitted use specified on the land use rights certificates. The relevant sales outlets involved are located in Meixian District and Xingning of Meizhou, Guangdong Province, Wuping County and Liancheng County of Longyan, Fujian Province and Anyuan County of Ganzhou, Jiangxi Province.

The following table sets out details of the percentages of revenue and net profit contributions of the relevant sales outlets involved during the periods indicated:

	For the year ended 31 December						For the four months ended 30 April	
	2012		2013		2014		2015	
	Revenue contribution	*Net profit contribution*	*Revenue contribution*	*Net profit contribution*	*Revenue contribution*	*Net profit contribution (Note)*	*Revenue contribution*	*Net profit contribution (Note)*
Two sales outlets with respect of which the whole leased premises had not been used in accordance with the permitted use	3.1%	1.3%	5.0%	7.5%	4.7%	6.4%	4.6%	8.6%

	For the year ended 31 December						For the four months ended 30 April	
	2012		2013		2014		2015	
	Revenue contribution	*Net profit contribution*	*Revenue contribution*	*Net profit contribution*	*Revenue contribution*	*Net profit contribution (Note)*	*Revenue contribution*	*Net profit contribution (Note)*
Three sales outlets with respect of which partial areas of the leased premises had not been used in accordance with the permitted use	4.1%	6.1%	5.3%	10.2%	4.9%	8.3%	4.3%	8.6%

Note: Listing expenses of RMB0.3 million and RMB4.1 million recorded for the year ended 31 December 2014 and the four months ended 30 April 2015, respectively, are excluded from the calculation of net profit contribution of the corresponding period.

All of the relevant landlords have confirmed to be solely responsible for, and agreed to indemnify our Group against, any penalty or liabilities in relation to the use of the relevant leased properties not in accordance with the permitted use. In addition, our Controlling Shareholders have undertaken to indemnify our Group against, among others, any costs, expenses or losses that our Group may suffer as a result.

(c) Failure to obtain construction works planning and commencement permits

As more particularly set out in the paragraph headed "Regulatory Compliance" in this section, we have not obtained the construction works planning and commencement permits in respect of the construction of our warehouse in Meixian District of Meizhou as required by the relevant PRC laws and regulations.

We have obtained confirmations from the relevant town management and town planning bureaus in Meizhou that given that we have submitted application for the construction of a temporary structure, no penalties will be imposed on us and our warehouse will not be required to be demolished, respectively.

Our Directors' review

Our Directors believe that these leased properties and the associated deficiencies are not crucial to our operations based on the following grounds: (a) even though the leased properties concerned collectively contributed a considerable proportion to our total revenue and our net profit during the Track Record Period, as advised by our PRC Legal Adviser, the risk of enforcement against us by the government agencies with respect to all of these sales outlets at the same time is remote, and that each of such sales outlets individually contributed only around 0.1% to 3.7% of our total revenue and -0.2% to around 6.2% of our net profit (or loss) (excluding listing expenses) during the Track Record Period; (b) for three sales outlets with a partial area not being used in accordance with the permitted use, the remaining area of the premises does not involve such deficiency, and if we are ordered to vacate the affected area, we are able to continue our operation with the remaining area of the premises; (c) in the event of the operation of any one of these sales outlets has to be suspended due to the government's enforcement action, our customers could still gain access to our merchandise and services through other sales outlet(s) or approach us through other sales channel(s); (d) in the event that we are required to evict from the properties, comparable properties at similar locations are readily available in the vicinity and in such case, we plan to relocate the operations of the affected premises concerned by stages and direct sales orders received to our headquarter or other sales outlet for handling to minimise any possible interruption to our operations; (e) an indemnity has been given by the relevant landlords against any costs, expenses, liabilities incurred by us as a result of the leased properties in respect of five of our sales outlets not having been used in accordance with the permitted use as mentioned above; (f) our Controlling Shareholders have undertaken to indemnify our Group against, among others, any costs, expenses or losses that our Group may suffer as a result of the deficiencies relating to our leased properties; and (g) in respect of our failure to obtain construction works planning and commencement permits in respect of our warehouse in Meizhou, as advised by our PRC Legal Adviser, the relevant authorities will not impose penalties nor require our warehouse to be demolished for such warehouse constructed without the construction works planning and commencement permits.

Please refer to the paragraph headed ''Risk Factors — Risks Relating to our Business — Non-compliances related to certain properties leased by us in the PRC may adversely affect our use of such properties'' in this prospectus.

Save as disclosed above and in the paragraph headed ''Regulatory Compliance'' in this section, our PRC Legal Adviser has advised us that our respective landlords have provided us with evidence of the necessary title documents, and the lease agreements we have entered into are legal, valid and binding.

We did not have property interest of property activities during the Track Record Period. As at 30 April 2015, our property interests of non-property activities represented approximately 14.3% of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this prospectus is exempt from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

AWARDS AND RECOGNITIONS

We have earned numerous awards and recognitions throughout our operating history, which we attribute to the reputation of our Group, our proven track record and the quality of merchandise and services that we deliver. The following table sets out the major awards and recognitions we have received over the years:

Awards/Memberships	Year Awarded	Organiser/ Association
Guangdong Famous Trademark* (廣東省著名商標)	2015	Guangdong Famous Trademark Review Committee* (廣東省著名商標評審委員會)
2014 Guangdong Most Influential Home Improvement and Building Materials Market* (2014年度廣東省建築裝飾材料行業-最具影響力家居建材市場)	2015	Guangdong construction and decoration materials association* (廣東省建築裝飾材料行業協會) and Guangdong construction and decoration design association* (廣東省建築裝飾設計協會)
Enterprise of Observing Contract and Valuing Credit of Guangdong Province* (廣東省守合同重信用企業)	2014	Meizhou Administration for Industry and Commerce* (梅州市工商行政管理局)
Guangdong Model Enterprise of Integrity* (廣東省誠信示範企業)	2014	Guangdong Provincial Enterprise Confederation* (廣東省企業聯合會), Guangdong Provincial Entrepreneur Association* (廣東省企業家協會)
Top 100 taxpayers of 2014 (2014年度梅州市納稅百強排行榜)	2014	Meizhou people's government (梅州市政府)
Top 100 corporate taxpayers 2013 (2013年梅州市納稅大戶前100名企業名單)	2013	Meizhou people's government (梅州市政府)
Most Trusted Shopping Mall with Reliable Quality* (消費者最信賴、質量放心商場)	2012	Research Organizing Committee for Leading Quality Enterprises in China* (中國質量領先調查組委會)
Top-100 Green Chinese Brands of Construction Materials and Home Products of 2012* (2012中國建材家居綠色品牌百強)	2012	China Building Material* (中國建材報社), China Real Estate Society* (中國房地產學會)

COMPETITION

We are operating in the building and home improvement materials and furnishings industry in the PRC. For the sale and distribution of merchandise, our direct competitors are retailers, wholesalers and distributors of building and home improvement materials and furnishings and our indirect competitors include those manufacturers and brand owners having directly managed retail outlets or retail sales platform for their products in the PRC. With the proliferation of e-commerce in the PRC, we are also facing competition from the operators of e-commerce selling products similar to ours. For provision of services, our competition includes design and renovation companies that offer similar decoration services in the PRC.

We compete primarily with entities carrying on business similar to us in terms of the range of products and services offered, supplier management, pricing, sales network coverage and quality of customer service. With the intensifying competition of the building and home improvement market in the PRC among the first-tier and second-tier cities, we expect that more competitors are seeking to enter or expand into the third- to fourth-tiers cities where the market is less developed and competition is less fierce. As such, in future, we may face increasing number of competitors in our target market and these competitors may have stronger financial resources, lower pricing, larger customer base, more established sales network and business reputation than we do. Please refer to the section headed "Risk Factors — Risks Relating to our Industry — We operate in a competitive industry and our failure to enhance our competitiveness may result in loss of customers and market share" in this prospectus for further details.

Even though we believe that building and home improvement materials and furnishings market in the PRC is becoming increasingly competitive, we have based our business in Meizhou for a number of years, with increasing presence in adjacent provinces in the PRC to extend our footprint. With our strategic presence and proven track record in the industry, we believe we are able to compete effectively in our chosen field and differentiated ourselves from our competitors in terms of our sales network coverage and our product and service offering. Further, the building and home improvement materials and furnishings market in Meizhou and Guangdong Province is fragmented, with a large number of small independent home improvement and furnishing retailers. This leaves us expansion opportunity in Meizhou as well as other parts of Guangdong Province. For more information on the competitive landscape of the industry, please refer to the section headed "Industry Overview" in this prospectus.

INSURANCE

Our operations are covered by insurance policies which include, among other things, our inventory, assets and properties at our sales outlets. We also maintained an insurance policy to cover any potential claims covering risks and liabilities arising in connection with our operations, including with respect to our employees, risks of physical loss or damage to properties and employee compensation.

Our Directors consider that our insurance coverage is consistent with industry practice and is adequate for our business operations. From time to time, we review and assess our risk and adjust our insurance coverage as appropriate. During the Track Record Period and up to the Latest Practicable Date, we had not made nor had we been subject to any material insurance claims and / or product liability claims.

EMPLOYEES

As at 30 April 2015, we had 252 full-time employees, all of them were located in the PRC. We recruit our employees through advertisement, recruitment talk, campus recruitment, online recruitment platform as well as recruitment agents. Our human resources team would set out a recruitment plan at the beginning of each year after gathering information from different departments. The following table sets forth the breakdown of our full-time employees by functions:

Function	Number of employees
Store operation	114
Interior design and engineering services	25
Sales, marketing and strategic planning	23
Procurement, logistics and warehousing	40
Customer services	17
Finance, administration and human resources	33
Total	252

We aim to foster a strong sense of responsibility in a motivating environment to enhance our employees' incentives and loyalty to our Group. We conduct various trainings for different level of staff, including training tailored to specific job duty, such as training on product knowledge for sales personnel. Staff remuneration typically comprises basic salaries and overtime allowance. Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in the paragraph headed "Regulatory Compliance" in this section, we made contributions to social insurance and housing provident fund in accordance with the applicable laws and regulations.

We have set up a labor union in 2013, which is responsible for staff welfare. During the Track Record Period and up to the Latest Practicable Date, we did not experience any dispute between our Group and the labor union or strikes or other material labor conflicts that had materially impaired our business operation and image.

OCCUPATIONAL HEALTH, WORK SAFETY AND SOCIAL MATTERS

We are subject to the PRC Production Safety Law, PRC Labour Law and other relevant laws, administrative regulations, national standards and industrial standards. For further details, please refer to the section headed "Regulatory Overview" in this prospectus.

We have implemented safety measures at our premises to ensure compliance with applicable regulatory requirements and to minimise the risk of injury of employees, and we also have a team for monitoring and enforcing the safety related measures. We also require safety performance reports to be submitted internally on a regular basis and conduct regular training sessions and fire or disaster drill for employees at our sales outlets and warehouse on accident prevention and management. We have installed safety devices at our premises such as heat and smoke detectors, alarm, emergency lights, fire extinguisher and sprinkler. We have also established internal guidelines and policies for work safety and occupational health safety. During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the paragraph headed "Regulatory Compliance" in this section, we had complied with all applicable laws and regulations relating to work and fire safety in material respects and did not experience any material or prolonged interruption of operation nor severe accidents during our operation process. During the Track Record Period and up to the Latest Practicable Date, there was no fire, explosion, spill, corrosion, pollution, or other dangerous accident arising from our operations which had caused personal injury, death, property damage or business interruption and which had a material impact on us.

For further details of our employees and human resources policy, please refer to the section headed "Directors and Senior Management" in this prospectus.

ENVIRONMENTAL PROTECTION

Due to the nature of our business, our operation does not generate any hazards or pollution to the environment. During the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable laws and regulations relating to environmental protection and had not been subject to any penalties or fines by the competent authority for any non-compliance with the relevant environmental protection laws and regulations. Our Directors have confirmed that we did not experience any incident or complaint or claim relating to environmental hazard which had a material impact on us during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, we did not incur significant expenses in relation to the compliance with the applicable environmental laws, rules and regulations.

LICENSES AND PERMITS

We are subject to various national, provincial and local laws, rules and regulations with regard to our business operations, and are required to obtain certain licenses, approvals and permits from relevant government entities to operate our business. For details, please refer to the section headed "Regulatory Overview" in this prospectus. The chart below sets forth the key licenses and approvals necessary for our operations.

Types of permit / use	Holding entity *(Note)*	Issuing Authority	Valid period and renewal terms
Inspection Certificate of Fire Safety for Venues for Public Gathering before Operation and Use* (公眾聚集場所投入使用、營業前消防安全檢查合格證)	Jiyi Household	Fire Safety Bureau of Meizhou of Guangdong Province (廣東省梅州市公安消防局)	Since 9 February 2010
Inspection Certificate of Fire Safety for Venues for Public Gathering before Operation and Use* (公眾聚集場所投入使用、營業前消防安全檢查合格證)	Dabu branch	Dabu fire brigade (大埔縣公安消防大隊)	Since 30 September 2013
Inspection Certificate of Fire Safety for Venues for Public Gathering before Operation and Use* (公眾聚集場所投入使用、營業前消防安全檢查合格證)	Jiaoling branch	Jiaoling fire brigade (蕉嶺縣公安消防大隊)	Since 30 April 2015
Inspection Certificate of Fire Safety for Venues for Public Gathering before Operation and Use* (公眾聚集場所投入使用、營業前消防安全檢查合格證)	Meijiang branch	Fire brigade of Meijiang, Meizhou (梅州市梅江區公安消防大隊)	Since 25 July 2011
Inspection Certificate of Fire Safety for Venues for Public Gathering before Operation and Use* (公眾聚集場所投入使用、營業前消防安全檢查合格證)	Meixian branch	Meixian fire brigade (梅縣公安消防大隊)	Since 11 July 2012

Types of permit / use	Holding entity *(Note)*	Issuing Authority	Valid period and renewal terms
Inspection Certificate of Fire Safety for Venues for Public Gathering before Operation and Use* (公眾聚集場所投入使用、營業前消防安全檢查合格證)	Xingning branch	Xingning fire brigade (興寧市公安消防大隊)	Since 2 June 2011
Inspection Certificate of Fire Safety for Venues for Public Gathering before Operation and Use* (公眾聚集場所投入使用、營業前消防安全檢查合格證)	Pingyuan branch	Fire Safety Bureau of Meizhou of Guangdong Province (廣東省梅州市公安消防局)	Since 26 May 2015
Inspection Certificate of Fire Safety for Venues for Public Gathering before Operation and Use* (公眾聚集場所投入使用、營業前消防安全檢查合格證)	Anyuan Jiyi	Anyuan fire brigade (安遠縣公安消防大隊)	Since 22 April 2015
Inspection Certificate of Fire Safety for Venues for Public Gathering before Operation and Use* (公眾聚集場所投入使用、營業前消防安全檢查合格證)	Shanghang Jiyi	Shanghang fire brigade (上杭縣公安消防大隊)	Since 1 April 2012
Inspection Certificate of Fire Safety for Venues for Public Gathering before Operation and Use* (公眾聚集場所投入使用、營業前消防安全檢查合格證)	Wuping Jiyi	Wuping fire brigade (武平縣公安消防大隊)	Since 30 December 2011
Inspection Certificate of Fire Safety for Venues for Public Gathering before Operation and Use* (公眾聚集場所投入使用、營業前消防安全檢查合格證)	Changting Jiyi	Changting fire brigade (長汀縣公安消防大隊)	Since 11 October 2012

Types of permit / use	Holding entity *(Note)*	Issuing Authority	Valid period and renewal terms
Engineering Design and Construction Qualification Certificate* (工程設計與施工資質證書)	Xinya Decoration	Meizhou Bureau of Housing and Urban-Rural Construction (梅州市住房和城鄉建設局)	10 April 2013 to 9 April 2016
Construction Enterprise Qualification Certificate* (建築企業資質證書)	Xinya Decoration	Meizhou Bureau of Housing and Urban-Rural Construction (梅州市住房和城鄉建設局)	22 December 2014 to 22 December 2019
Production Safety Licence* (安全生產許可證)	Xinya Decoration	Department of Housing and Urban-rural development of Guangdong Province (廣東省住房和城鄉建設廳)	21 August 2013 to 21 August 2016

Note: Dabu branch, Jiaoling branch, Meijiang branch, Meixian branch, Xingning branch and Pengyuan branch are the branch companies of Jiyi Household in the respective cities or districts.

As at the Latest Practicable Date, except as disclosed below, we had obtained all licenses and certificates necessary for our business operations and all such licenses and certificates were in full force and effect. According to our PRC Legal Adviser, there is no expiry period for《公眾聚集場所投入使用、營業前消防安全檢查合格證》. We did not experience any material difficulties in renewing these licenses and certificates during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulties in renewing such licenses and certificates when they expire.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, we were not aware of any material legal proceedings, claims or disputes currently existing or pending against us, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us that might have a material adverse effect on our business, financial conditions or results of operations.

REGULATORY COMPLIANCE

Except as disclosed below, our operations were in material compliance with the applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date. The table below sets forth a summary of certain incidents of historical non-compliance with applicable laws and regulations during the Track Record Period. Our Directors believe that these incidents of non-compliance, whether individually or collectively, will not have a material operational or financial impact on us.

Non-compliance incidents and reasons for non-compliance	Rectification actions and impact on our Group
As regards social insurance and housing provident fund contributions We did not fully pay and make sufficient contributions in respect of social insurance and housing provident fund for some of our employees and the relevant underpaid amount for our employees during the Track Record Period amounted to approximately RMB3.3 million. *Reasons:* Our staff of human resources department was not familiar with the relevant regulatory requirements and, as agreed with our employees, we paid the social insurance and housing provident fund contributions according to the lowest standard under the PRC laws and regulations instead of the actual amount of salary as required.	Our PRC Legal Adviser has advised us that, as a result of our failure to make the relevant contributions for our employees in accordance with the applicable laws and regulations, pursuant to the "Social Security Law" (《社會保險法》) effective on 1 July 2011 and "Regulations on the Administration of Housing Fund" 《住房公積金管理條例》effective on 3 April 1999, the relevant authority may order us to make payments or supplementary payments for unpaid social insurance, with a 0.05% surcharge since the non-payment date. The relevant authority may also impose a fine of no less than one time and no greater than three times of the unpaid contribution amount. Furthermore, the relevant authority may require us to make the necessary payments within a certain period of time and may request an enforcement order from the court if we fail to pay within the prescribed period of time. We have commenced to make social insurance contributions in full since May 2015. In respect of housing provident fund, save for Shanghang Jiyi, Wuping Jiyi and Changting Jiyi which we have commenced to make contributions in full since July 2015, we have commenced to make contributions in full for the rest of our subsidiaries in the PRC since April 2015. As at the Latest Practicable Date, based on (a) we had not received any request for making up the estimated outstanding contribution nor had any penalty been imposed on us as a result of such underpaid amount; and (b) the relevant social insurance bureaus and housing provident fund bureaus had given confirmations dated 13 March, 16 March, 18 March, 27 March, 10 April, 13 April, 15 April, 16 April, 27 April, 7 May, 19 May, 22 May, 3 June, 6 August and 7 August 2015 in respect of our subsidiaries and branch offices that we did not fail to pay the social insurance and the housing provident fund, our PRC Legal Adviser advised that we had made the required contributions in accordance with the relevant laws and regulations.

Non-compliance incidents and reasons for non-compliance	Rectification actions and impact on our Group
	We have already made provisions in the amount of approximately RMB3.3 million in aggregate for the Track Record Period. We believe such amount is sufficient to cover our liabilities in respect of the unpaid social insurance and housing provident fund contributions. In addition, our Controlling Shareholders have undertaken to, pursuant to the terms and condition of the Deed of Indemnity, indemnify us against any losses and penalties which we may suffer as a result of the failure of our Group to comply with relevant laws, rules or regulations concerning social insurance and housing provident fund contributions, to the extent that such amount of contribution has not been reflected from the provision made in the audited accounts of our Company. Further, as the relevant social insurance bureaus and housing provident fund bureaus have already confirmed that currently none of our Group companies in the PRC has failed to pay the social insurance and the housing provident fund, our PRC Legal Adviser has advised that the risk that the relevant authorities would request us to make supplementary payment and impose administrative fines on us is remote.
As regards the use of the properties not in accordance with the permitted use As at the Latest Practicable Date, the leased properties which were being used as five of our sales outlets had not been used in whole or in part in accordance with the permitted use specified on the land use rights certificates. The aggregate lease area of the properties which had not been used in whole or in part in accordance with the permitted use are approximately 7,652 sq.m. We currently use these leased properties as our sales outlets. The permitted use as specified in the relevant land use rights certificates pertaining to these leased properties include residential and workshop. Accordingly, the use of these leased properties for operation of sales outlet did not comply with the permitted use. *Reasons:* The non-compliance with the permitted use of these leased properties was due to our inadvertent oversight.	As advised by our PRC Legal Adviser, under the applicable PRC laws, if the owners fail to obtain the necessary consents and/or to comply with the applicable legal requirements for the change of usage of these premises, the relevant authority or the court may order us to use the relevant leased properties for the designated usage only. In such case, we may need to relocate our sales outlets to other properties to continue operation and, where appropriate, undertake renovation work for separating them from the portions where the designated usage cannot be complied with. Pursuant to the relevant lease agreements, it is represented to us that these properties are to be used by our Group for commercial purpose. All of the relevant landlords have agreed to make the necessary applications for changing the designated usage and bear the relevant costs. As at the Latest Practicable Date, despite our requests, except for one landlord who had applied to the government bureau for the change of the permitted use of the property concerned upon our request, other relevant landlords had not initiated any remedial actions or applications. Based on our enquiries with the relevant landlords, who are mainly individuals, the reason for not initiating any remedial actions or applications was mainly due to the complexity of the legal and procedural requirements involved or the original title certificate required for applying to change the permitted use of the property being deposited at financial institutions and hence impracticable for the relevant landlord to make such arrangement. As at the Latest Practicable Date, we had not been advised or ordered by any government authority to rectify the deficiencies or to vacate the properties concerned. In the event that the remedial actions will not be undertaken by the landlord within a short period of time and we are required by the relevant authorities to relocate our sales outlets to other properties or, where appropriate, undertake renovation work to separate premises from the portions where the designated usage cannot be complied with, our Directors estimate that the estimated relocation and renovation costs involved for each sales outlet required to be relocated or renovated, as the case may be, range from approximately RMB14,000 to RMB12.0 million (depends on the size of each sales outlet), and we anticipate that the relocation (including renovation works on the newly identified relocations) will take about three months' time to complete. Any such relocation and renovation will be implemented by stage to minimize the potential interruption to the operation of the relocated sales outlet.

Non-compliance incidents and reasons for non-compliance	Rectification actions and impact on our Group
	Further, all of the relevant landlords have confirmed to be solely responsible for, and agreed to indemnify our Group against, any penalty or liabilities in relation to the use of the relevant leased properties not in accordance with the permitted use. In addition our Controlling Shareholders have undertaken to indemnify our Group against, among others, any costs, expenses or losses that our Group may suffer as a result. Please refer to the paragraph headed "Properties — Leased properties" in this section for the basis of our assessment of the relevant non-compliant incidents. Since our Directors do not expect that the non-compliant incidents would have a material impact on us, no provision was made in the Accountant's Report.
As regards failure to obtain construction works planning and commencement permits We have not obtained the construction works planning and commencement permits in respect of the construction of our warehouse in Meixian District of Meizhou as required by the relevant PRC laws and regulations. The site area of the relevant leased property is 6,072 sq.m. and the GFA of our warehouse is 4,168 sq.m. *Reasons:* The non-compliance incident is mainly due to our management being not familiar with the relevant regulatory requirements as we misunderstood that our warehouse was a temporary structure and hence the aforesaid permits were not required.	As advised by our PRC Legal Adviser, if we fail to obtain the construction works planning permit, we may be required to demolish our warehouse within a certain period of time. Since we have obtained confirmations from the relevant town management and town planning bureaus in Meizhou, which as advised by our PRC Legal Adviser are the competent and relevant authorities, that given that we have submitted application for the construction of a temporary structure, no penalties will be imposed on us and our warehouse will not be required to be demolished, respectively, our PRC Legal Adviser has advised that the relevant authorities will not impose penalties nor require such warehouse to be demolished. Based on the view of our PRC Legal Adviser, our Directors are of the view that this non-compliance incident is unlikely to result in material operational and financial impact on us. In addition, our Controlling Shareholders have undertaken to indemnify our Group against, among others, any costs, expenses or losses that our Group may suffer as a result.

Non-compliance incidents and reasons for non-compliance	Rectification actions and impact on our Group
As regards failure to obtain fire safety inspection approvals or certificate Liancheng Jiyi has not obtained fire safety inspection approvals or certificate before commencement of operations of the relevant sales outlet in accordance with the relevant laws and regulations in the PRC. *Reasons:* We were not familiar with the local regulatory requirements and initially misunderstood that the scale of Liancheng Jiyi did not require to obtain a fire safety inspection approval or certificate. Further, even though attempt had been made by us to apply for the relevant fire safety inspection approval or certificate as at the Latest Practicable Date, as advised by our PRC Legal Adviser, since the building in which the sales outlet operated by Liancheng Jiyi is situated has not obtained the relevant fire safety inspection approval or certificate, which is a prerequisite condition for us to obtain the relevant fire safety inspection approval or certificate for our sales outlet, we are therefore not able to apply for the fire safety inspection approval or certificate for the relevant leased property.	As advised by our PRC Legal Adviser, if we fail to obtain a fire safety inspection approval or certificate before commencement of operations, we may be required to suspend our operation of the sales outlet on the relevant property, and may be subject to a fine of up to RMB300,000 for such sales outlet. In addition to the attempts we have made to apply for the relevant approval or certificate, in August 2015, we engaged an independent and qualified agent to conduct inspection on fire safety facilities of the relevant property in accordance with the standards issued by the Housing and Urban Rural Development and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC. Based on the inspection results, the installation of the fire safety facilities of the relevant property fulfils the required standards for fire safety design, and our Directors believe that there is no imminent fire safety risk despite the relevant fire safety inspection approval or certificate has not been obtained. Our PRC Legal Adviser confirms that, based on the qualification certificate provided by the fire inspection agent, such agent possesses the necessary qualification for conducting the inspection mentioned in this paragraph. Further, our Directors believe that, in the event that we are required to be evict from the properties or suspend the operation, comparable properties at similar locations can be easily identified and it is not expected to have a material adverse impact on our operation and financial performance. As such, our Directors are of the view that this non-compliance incident is unlikely to result in material operational and financial impact on us. Nevertheless, in the event that the relevant responsible party has not obtained the relevant fire safety inspection approval/certificate for the building prior to Listing and that Liancheng Jiyi is required to suspend its operation from the current premises, our Directors estimate that the estimated relocation and renovation costs involved for will be approximately RMB1.6 million, and we anticipate that the relocation (including renovation works on the newly identified relocation) will take about three months' time to complete. Any such relocation and renovation will be implemented by stage to minimize the potential interruption to the operation of the relocated sales outlet. In addition, our Controlling Shareholders have undertaken to indemnify our Group against, among others, any costs, expenses or losses that our Group may suffer as a result.

INTERNAL CONTROL PROCEDURES

In order to continuously enhance our corporate governance and to prevent recurrence of the non-compliance incidents, we intend to adopt or have adopted the following measures:

(i) our Directors and senior management attended training sessions on applicable laws and regulations, including the Listing Rules, provided by our legal adviser prior to Listing. We will continue to arrange various trainings to be provided by the legal adviser engaged by us from time to time and/or any appropriate accredited institution to update the knowledge of our Directors, senior management and relevant employees on the relevant laws and regulations;

(ii) we have appointed Mr. Leung Wai Hong as our company secretary. Please refer to the section headed "Directors and Senior Management" in this prospectus for further detailed biographical information of Mr. Leung. Our Directors believe that our Company will be able to draw on his expertise and experience with respect to compliance with applicable legal and financial reporting requirements;

(iii) we have established an internal compliance team in February 2015 which is responsible for, among others, overseeing our Group's compliance with the relevant laws and regulations applicable to our Group and the Listing Rules, formulating internal control policies or rectification recommendations for our Group to implement and monitoring the implementation of the aforesaid internal control policies and rectification recommendations by our Group. The internal compliance team is led by Mr. Luo Tianyang, the executive vice president of our Group and other committee team members include members of our senior management such as Mr. Leung Wai Hong and Mr. Ling Yongshan. Please refer to the section headed "Directors and Senior Management" in this prospectus for further detailed biographical information of Mr. Luo Tianyang, Mr. Leung Wai Hong and Mr. Ling Yongshan. We have also maintained a list of relevant laws and regulations applicable to the operations of our Group which is distributed to all departments;

(iv) we have appointed Cinda International Capital Limited as our compliance adviser with effect from the date of Listing to advise on ongoing compliance with the Listing Rules issues and other applicable securities laws and regulations in Hong Kong;

(v) we will provide our senior management and employees with policies, training and/or updates regarding the legal and regulatory requirements applicable to the business operations of our Group from time to time, in particular, the calculation of the social insurance and housing provident funds under the applicable PRC laws and regulations; and

(vi) we have also established an audit committee comprising three independent non-executive Directors as part of our measures to improve corporate governance. The primary duties of the audit committees are to provide our Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by our Directors.

VIEWS OF OUR DIRECTORS AND THE SOLE SPONSOR

Based on the above, our Directors are of the view that the non-compliance incidents disclosed above were inadvertent oversight and did not involve any element of fraud or dishonesty and we have taken all reasonable steps to establish a proper internal control system to prevent future non-compliance with the relevant laws and regulations and that such non-compliance incidents have not resulted, and are not expected to result, in any material impact on our financial conditions and results of operations. Further, in light of the following:

(i) with the occurrence of these incidents, our Directors are minded and alert to any issues that might result in any non-compliance;

(ii) since the implementation of the enhanced internal control measures and up to the Latest Practicable Date, our Directors confirmed that our Group had not been involved in any breach of applicable rules and regulations other than the non-compliance incidents as disclosed above; and

(iii) our Directors are aware of the requirements and obligations as directors of a listed issuer pursuant to the Listing Rules and have undertaken to observe and comply with all the relevant rules and regulations,

our Directors are of the view, and the Sole Sponsor concurs, that our Company has taken reasonable steps to establish internal control system and procedures to enhance the control environment at both working and monitoring levels, and the enhanced internal control measures adopted by our Group are adequate and effective.

OVERVIEW

Immediately upon completion of the Global Offering and the Capitalisation Issue, Ms. Hou will, via Xinling, indirectly and beneficially own in total approximately 52.52% of the issued share capital of our Company taking no account of the Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme, and hence Ms. Hou and Xinling are our Controlling Shareholders. Xinling was incorporated in the BVI on 15 December 2014 and is an investment holding company. For Ms. Hou's background, please refer to the section headed "Directors and Senior Management" in this prospectus.

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has undertaken to us in the Deed of Non-Competition that she/it will not, and will procure her/its close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with our business or undertaking (the "**Restricted Activity**"), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time except where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the composition of the board of directors of such company.

Further, each of our Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity relating to the Restricted Activity (the "**Competing Business Opportunity**") is identified by or made available to her/it or any of her/its close associates, she/it shall, and shall procure that her/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice ("**Offer Notice**") to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant) and the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;

- upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only independent non-executive Directors) which has no interest in the Competing Business Opportunity (the "**Independent Board**") as to whether to pursue or decline the Competing Business Opportunity (any Director who has an actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);

- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision-making process in relation to such Competing Business Opportunity;

- the Independent Board shall, within 30 business days of receipt of the Offer Notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;

- our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if she/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 business days' period mentioned above; and

- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, she/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% of our Shares or our Shares cease to be listed on the Stock Exchange.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;

- each of our Controlling Shareholders has undertaken to us, and will procure her/its relevant close associates that she/it or any of her/its close associates will provide all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition;

- we will disclose the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;

- we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) either through our annual report or by way of announcement to the public;

- each of our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report; and

- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-Competition, she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates (other than members of our Group) after Listing for the following reasons:

(i) as at the Latest Practicable Date, no executive Director had overlapping roles or responsibilities in any business which competes or is likely to compete, either directly or indirectly, with our business;

(ii) as at the Latest Practicable Date, none of our Directors had an interest in any business which competes or is likely to compete, either directly or indirectly, with our business;

(iii) our Controlling Shareholders do not operate any business other than our business;

(iv) as at the Latest Practicable Date, none of our Controlling Shareholders had any interest in any business which competes or is likely to compete, either directly or indirectly, with our business;

(v) as at the Latest Practicable Date, we had our own independent operation capabilities and independent access to customers and suppliers;

(vi) although we will enter into certain continuing connected transactions for our Company after Listing, such transactions will be on normal commercial terms and in the ordinary course of business of our Company. The details of the connected transactions that will continue after Listing are set out in the section headed "Connected Transactions" in this prospectus. We are also in possession of all relevant licences necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently;

(vii) we are financially independent of our Controlling Shareholders and their respective close associates as all loans, advances and balances due to our Controlling Shareholders and their respective close associates have been fully settled and that all share pledges and guarantees provided by our Controlling Shareholders and their respective close associates on our Group's borrowing will be fully released before Listing. In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing.

Our Directors are satisfied that we are capable of carrying on our business independently from any of our Controlling Shareholders (including their respective close associates) after the Listing.

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-Competition. Each of our Controlling Shareholders has confirmed that she/it fully comprehends her/its obligations to act as our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest, nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself or herself from the meetings of the Board on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(c) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the paragraph headed "Directors and Senior Management — Board of Directors — Independent non-executive Directors" in this prospectus; and

(d) we have appointed Cinda International Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial shareholders and chief executive or those of our subsidiaries (other than the directors, substantial shareholders and chief executive of our insignificant subsidiaries), any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their associates will become a connected person of our Company upon Listing. Upon Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

Our Directors confirm that the following transactions which will continue after the Listing will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

1. Continuing connected transaction which is fully exempt from the reporting, annual review, announcement, circular and the independent shareholders' approval requirements

Tenancy Agreement in respect of a premises in the PRC

On 6 October 2015, Jiyi Household as tenant entered into a tenancy agreement (the "**Tenancy Agreement**") with Mr. Wen Jingfeng ("**Mr. Wen**") as landlord, pursuant to which Mr. Wen agreed to lease to Jiyi Household the premises situated at Shop No.1, No.8 Commercial and Residential Complex, Zone C, Huaqiaocheng, Meixian, the PRC with a total GFA of approximately 143 sq. m. for use as a portion of our sales outlet in Meixian District, Meizhou, for a term of three years commenced from 1 January 2015 to 31 December 2017 at a monthly rental of RMB2,420 for the year ending 31 December 2015, with 10% increment on the monthly rental for each subsequent year, taking into account the rental increment rate of other premises forming the remaining portions of our sales outlet in Meixian District, Meizhou leased by our Group from Independent Third Parties. During the term of the Tenancy Agreement, Jiyi Household shall have the right to terminate the Tenancy Agreement by giving three months' prior notice to Mr. Wen without paying any compensation and Mr. Wen shall have no right of early termination. Jiyi Household has an option to renew the Tenancy Agreement by giving three months' prior notice to Mr. Wen upon the expiration of the Tenancy Agreement, subject to the applicable requirements of the Listing Rules.

During the Track Record Period, Jiyi Household leased the premises from Mr. Wen as one of its sales outlets. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, the aggregate rental paid by Jiyi Household to Mr. Wen for the same period amounted to RMB24,000, RMB24,000, RMB26,400 and RMB9,680, respectively. The increase in rental paid in 2014 was due to the contractual agreement between the parties that the rental shall be increased by 10% for each subsequent year from 2014, taking into account the rental increment rate of other premises forming the remaining portions of our sales outlet in Meixian District, Meizhou leased by our Group from Independent Third Parties.

Our Directors estimate that for the three years ending 31 December 2017, the aggregate annual rental payable by Jiyi Household to Mr. Wen under the Tenancy Agreement will not exceed RMB29,040, RMB31,944 and RMB35,138.4, respectively.

The rental payable by Jiyi Household under the Tenancy Agreement was negotiated on an arm's length basis with reference to (i) the historical rent paid by Jiyi Household to Mr. Wen; and (ii) the prevailing market conditions and the prevailing market rent at the relevant time for other premises forming the remaining portions of our sales outlet in Meixian District, Meizhou leased by our Group from Independent Third Parties. The Tenancy Agreement was entered into on normal commercial terms.

Mr. Wen is the nephew-in-law of Ms. Hou and the son of Ms. Deng Haiming, whereas Ms. Deng Haiming is a director of Jiyi Household. Accordingly, Mr. Wen is an associate of Ms. Hou and Ms. Deng Haiming and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transaction under the Tenancy Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing rules upon Listing.

Our Directors (including our independent non-executive Directors) consider that it is in the interests of our Company and Shareholders as a whole to enter into the Tenancy Agreement.

Since each of the applicable percentage ratios for the Tenancy Agreement is expected to be less than 0.1% on an annual basis, the transaction is fully exempt from the reporting, annual review, announcement, circular and the independent shareholders' approval requirement under Rule 14A.76(1) of the Listing Rules.

2. Continuing connected transaction which is subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements

Master Supply Agreement in respect of the supply of merchandise to Meizhou Xikang

On 6 October 2015, Jiyi Household entered into a master supply agreement (the "**Master Supply Agreement**") with Meizhou Xikang, pursuant to which Jiyi Household agreed to supply merchandise including building materials, home improvement materials and furnishings to Meizhou Xikang, for a term of three years commenced from 1 January 2015 to 31 December 2017.

During the Track Record Period, Meizhou Xikang purchased a variety of merchandise, which are mainly building materials, from Jiyi Household for use in its projects in relation to property development and engineering work for institution and public facilities. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, the total purchases (exclusive of taxes) of merchandise, which are mainly building materials, by Meizhou Xikang from our Group amounted to approximately RMB781,000, RMB767,000, RMB4,704,000 and RMB339,000, respectively. The increase in the transaction amount in 2014 as compared to 2012 and 2013 was mainly attributable to a new construction contract secured by Meizhou Xikang which increased its demand of merchandise from our Group.

The prices for the merchandise to be supplied by our Group under the Master Supply Agreement will be determined with reference to a number of factors, including our cost of purchase, product's attributes, customers' spending behaviour and preference, local consumption power, product's brand as well as retail prices suggested by our suppliers, where applicable. Our Group will conduct regular checks on pricing of our Group's competitors as point of reference of our pricing policy, and may discuss with our suppliers from time to time and adjust the pricing (taking into account our suppliers' suggested selling price, where applicable) of the merchandise in response to market trend and seasonality as well as our promotion activities. Our Group will supply the merchandise to Meizhou Xikang if the price of the products offered to Meizhou Xikang is comparable to or no less favourable to our Group than those offered to Independent Third Parties for the same or similar products.

Our Directors estimate that the maximum transaction amount (exclusive of taxes) under the Master Supply Agreement will not exceed RMB5,286,000, RMB5,413,000 and RMB5,543,000 for each of the years ending 31 December 2015, 2016 and 2017, respectively. Such estimate is based on (i) the construction contracts secured by Meizhou Xikang for the current year up to the Latest Practicable Date and the purchase plan of merchandise of Meizhou Xikang from our Group based on the estimated construction cost involved in such contracts for the year ending 31 December 2015; (ii) an allowance of 5% increase for any unexpected increase in the demand of our merchandise from Meizhou Xikang due to any fine tuning on the purchase plan of merchandise of Meizhou Xikang from our Group during the year ending 31 December 2015; (iii) the projected amounts of merchandise to be procured by Meizhou Xikang from our Group for the years ending 31 December 2016 and 2017 assuming the amount of contract sum to be secured by Meizhou Xikang is similar to that in the year ending 31 December 2015; and (iv) an inflation rate of 2.4% per annum in the prices of the merchandise under the Master Supply Agreement with reference to the consumer price index of Meizhou of 2014.

Meizhou Xikang is owned as to 95.0% by Mr. Hou Xinxiang, the father of Ms. Hou Wei, our executive Director and our Controlling Shareholder, and Mr. Hou Bo, our non-executive Director. Accordingly, Meizhou Xikang is an associate of Ms. Hou Wei and Mr. Hou Bo and a connected person of our Company for the purpose of the Listing Rules. Meizhou Xikang is principally engaged in property development and engineering work for institutional and public facilities.

Our Directors (including our independent non-executive Directors) consider the sales of the merchandise by our Group to Meizhou Xikang would benefit our Group as the sales revenue received by our Group from Meizhou Xikang under the Master Supply Agreement will provide an additional sales opportunity and stable source of income for our Group and accordingly, it is in the interests of our Company and Shareholders as a whole to enter into the Master Supply Agreement. In addition, since our Group is a leading supplier of merchandise in Meizhou and is a sole distributor of products supplied branded under Lesso, such as pipes, in Meizhou, it is reasonable for Meizhou Xikang to purchase merchandise from our Group.

The Master Supply Agreement is a framework agreement which provides the mechanism for the operation of the connected transactions between our Group and Meizhou Xikang described therein. It is envisaged that from time to time and as required, individual sales orders may be required to be entered into between our Group and Meizhou Xikang. Each individual sales order will set out the relevant merchandise purchased by Meizhou Xikang from our Group, the selling price of those merchandise and any detailed specifications which may be relevant to those sales. The individual sales orders may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Master Supply Agreement. As the individual sales orders are simply further elaborations on the sales as contemplated by the Master Supply Agreement, they do not constitute new categories of connected transactions as far as Listing Rules are concerned.

Since each of the applicable percentage ratios for the Master Supply Agreement is expected to be more than 0.1% but less than 5.0% on an annual basis, the transaction is subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

WAIVERS

The transaction described in paragraph 1 above constitutes an exempt continuing connected transaction under the Listing Rules. The transaction described in paragraph 2 above constitutes a non-exempt continuing connected transaction under the Listing Rules. The applicable percentage ratios are those as defined in Rule 14.07 of the Listing Rules. In respect of the transaction described in paragraph 2, the percentage ratios calculated with reference to the proposed annual caps for each of the years shown above are more than 0.1% but less than 5% on an annual basis. As such, the continuing connected transaction in paragraph 2 above would be subject to reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirement under the Listing Rules. In respect of the transaction described in paragraph 1, the percentage ratios calculated with reference to the proposed annual caps for each of the years shown above are less than 0.1% on an annual basis. As such, the continuing connected transaction in paragraph 1 would be exempt from reporting, annual review, announcement, circular and the independent shareholders' approval requirement under the Listing Rules.

We have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the announcement requirement of the Listing Rules in respect of the continuing connected transaction as disclosed in paragraph 2 subject to the aggregate value of such non-exempt continuing connected transaction for each financial year not exceeding the relevant annual cap amount set forth in the respective caps stated above.

DIRECTORS' VIEW

Our Directors, including the independent non-executive Directors are of the view that all the continuing connected transactions above are in the ordinary and usual course of our business, on normal commercial terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Our Directors, including the independent non-executive Directors, are also of the view that the annual caps of the non-exempted continuing connected transaction above are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

SOLE SPONSOR'S VIEW

The Sole Sponsor is of the view that the continuing connected transaction as disclosed in paragraph 2 has been and will be entered into in the ordinary and usual course of our business, on normal commercial terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole and the annual caps are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

BOARD OF DIRECTORS

Our Board currently consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into a service contract with each of our executive Directors and non-executive Directors. We have also entered into a letter of appointment with each of our independent non-executive Directors.

The table below shows certain information with respect to our Directors and senior management:

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position(s) in our Group	Roles and responsibilities	Relationship with other Directors and senior management
Ms. Hou Wei (侯薇)	46	1 September 1999	2 February 2015	Chairlady, executive Director, chief executive officer and chairlady of the nomination committee	Responsible for the overall management, strategic planning, business development and cooperation of our Group	Sister of Mr. Hou Bo and sister-in-law of Ms. Deng Haiming
Mr. Liu Xianxiu (劉賢秀)	42	1 July 2011	5 June 2015	Executive Director and a member of the remuneration committee	Responsible for the overall management of financial affairs and budgeting of our Group	Nil
Mr. Hou Bo (侯波)	48	1 September 2011	5 June 2015	Non-executive Director	Responsible for the risk management and providing supervision in the business of our Group	Brother of Ms. Hou Wei
Mr. Lam On Tai (林安泰)	43	5 June 2015	5 June 2015	Non-executive Director	Responsible for advising on finance and investor relationship of our Group	Nil

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position(s) in our Group	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Ye Yihui (葉義輝)	52	1 July 2013	6 October 2015	Independent non-executive Director, chairman of the audit committee and a member of the remuneration committee and nomination committee	Responsible for supervising and providing independent advice to the Board	Nil
Mr. Ho Hin Yip (何衍業)	41	6 October 2015	6 October 2015	Independent non-executive Director and a member of the audit committee	Responsible for supervising and providing independent advice to the Board	Nil
Mr. Hou Lianchang (侯聯昌)	47	6 October 2015	6 October 2015	Independent non-executive Director, chairman of the remuneration committee, and a member of the audit committee and nomination committee	Responsible for supervising and providing independent advice to the Board	Nil

Members of our senior management

Name	Age	Date of joining our Group	Date of appointment as senior management	Existing position(s) in our Group	Roles and responsibilities	Relationship with Directors and other senior management
Mr. Leung Wai Hong (梁偉康)	32	26 May 2015	26 May 2015	Chief financial officer and company secretary	Responsible for the financial and audit management, budgeting, administration and company secretarial matters of our Group	Nil

Name	Age	Date of joining our Group	Date of appointment as senior management	Existing position(s) in our Group	Roles and responsibilities	Relationship with Directors and other senior management
Mr. Ling Yongshan (凌勇山)	44	1 January 1999	1 January 1999	Executive vice president of our Group and the director of Meizhou Jisheng	Responsible for managing the human resources, warehousing logistics and information technology of our Group and the overall management of Meizhou Jisheng	Nil
Mr. Luo Tianyang (羅天揚)	42	1 September 2011	1 October 2011	Executive vice president of our Group and the director of Jiyi Household	Responsible for business management, drafting and implementing internal policies of our Group and the overall management of Jiyi Household	Nil
Ms. Deng Haiming (鄧海鳴)	57	13 October 1998	1 February 2012	Chief purchasing officer of our Group and the director of Jiyi Household	Responsible for managing and coordinating the procurement of building materials of our Group and the overall management of Jiyi Household	Sister-in-law of Ms. Hou Wei
Mr. Shu Peng (舒鵬)	34	1 October 1999	1 October 2013	Chief sales officer of our Group and the director of Shanghang Jiyi	Responsible for marketing and sales management of our Group and the overall management of Shanghang Jiyi	Nil
Mr. Zhong Pengwei (鍾鵬偉)	29	1 August 2010	1 January 2014	Chief strategic development officer of our Group and the director of Wuping Jiyi and Xinya Decoration	Responsible for strategic development of our Group and the overall management of Wuping Jiyi and Xinya Decoration	Nil

Executive Directors

Ms. Hou Wei (侯薇), aged 46, was appointed as our Director on 2 February 2015 and was re-designated as our executive Director on 5 June 2015. Ms. Hou is also the chairlady and chief executive officer of our Group. She is primarily responsible for the overall management, strategic planning, business development and cooperation of our Group. In September 1999, Ms. Hou joined Jiyi Household as the manager of Jiyi Household and she was later appointed as the executive director of Jiyi Household in May 2004, primarily responsible for the overall management, operation, strategic planning and the supervision of the finance and purchase department. She has about 16 years of experience in retail chain store operation and distribution of housewares and building materials. Prior to joining our Group, from July 1989 to July 1999, Ms. Hou served as a teacher of Meizhou Middle School of Meizhou (梅州市梅州中學). Since October 2011, Ms. Hou served as a member of CPPCC Guangdong Province Meixian Committee (政協廣東省梅縣委員會). In 2011, she received the title of "Guangdong Province Outstanding Entrepreneurs" (廣東省優秀企業家) jointly awarded by Guangdong Entrepreneurs Council (廣東企業家理事會) and Guangdong Province Economists and Entrepreneurs Association (廣東省經濟學家企業家聯誼會). In November 2012, she received the title of "Green Brand Advocates of Chinese Household Building Materials" (中國建材家居綠色品牌倡導者) awarded by China Real Estate Society (中國房地產學會) and China Building Materials Daily (中國建材報). Ms. Hou received her diploma in English from Guangdong Jiaying College (廣東嘉應學院) in the PRC in June 1989 and her graduate certificate in the advanced class of business strategy (經營方略高級研修班) from the Peking University (北京大學) in the PRC in January 2013. Ms. Hou is the sister of Mr. Hou Bo and the sister-in-law of Ms. Deng Haiming.

Ms. Hou was a director and legal representative of Meizhou Jiyi Building Materials Superstore Company Limited (梅州市集一建材超市有限公司), a limited liability company established in PRC with a principal business of sales of integrated building materials. Ms. Hou confirmed that as a result of business restructuring, the shareholders of the company resolved to voluntarily wind up the company on 30 September 2010. The company was solvent at the time of its winding up and was deregistered on 6 December 2010.

Ms. Hou was a supervisor of Meizhou Jiyi Logistic Company Limited (梅州市集一物流有限公司), a limited liability company established in PRC with a principal business of warehouse logistics. Ms. Hou confirmed that as a result of business restructuring, the shareholders of the company resolved to voluntarily wind up the company on 30 September 2010. The company was solvent at the time of its winding up and was deregistered on 6 December 2010.

Mr. Liu Xianxiu (劉賢秀), aged 42, was appointed as an executive Director on 5 June 2015. He is primarily responsible for the overall management of the financial affairs and budgeting of our Group. He joined our Group in July 2011 and served as an accounting manager and warehouse logistics manager of Jiyi Household until February 2013, primarily responsible for accounting and auditing and management of warehouse logistics. He was re-designated as a deputy chief financial officer of Jiyi Household from March 2013 to June 2013, and was appointed as the chief financial officer of Jiyi Household in July 2013, primarily responsible for the overall management of financial affairs. Prior to joining our Group, from July 1995 to November 2001, he served as the accountant of Meizhou Gas Company Limited (梅州市管道煤氣有限公司), a company which is principally engaged in supply of towngas in Meizhou, where he was primarily responsible for accounting. From November 2001 to November 2004, he was the finance manager of Meizhou Huayin Yanming Lake Tourist Resorts Company Limited (梅縣華銀雁鳴湖旅遊度假村有限公司), a company which is principally engaged in the management of Yanming Lake Tourist Resorts (雁鳴湖旅遊度假村), primarily responsible for accounting and finance of such company. From November 2004 to July 2011, he served as the head of finance of Meizhou New Weima Ceramics Company Limited (梅州市新威馬陶瓷有限公司), a company which is principally engaged in the production of ceramics, primarily responsible for accounting and finance of such company. Mr. Liu received his diploma in financial management and computer application from South China Agricultural University (華南農業大學) in the PRC in July 1995. He received his qualification certificate of specialty and technology (intermediate accounting) (專業技術資格證書 (中級會計)) from the Ministry of Finance of the PRC in May 2002.

Non-executive Directors

Mr. Hou Bo (侯波), aged 48, was appointed as our non-executive Director on 5 June 2015. He is primarily responsible for the risk management and providing supervision in the business of our Group. From September 2010 to December 2011, he has been the supervisor of Jiyi Household and from December 2011 onwards, was then appointed as the director of Jiyi Household, primarily responsible for the risk management and providing supervision in the business of Jiyi Household. Since June 2002, he has been the managing director of Meizhou Xikang Real Estate Investment Company Limited (梅州市禧康房地產投資有限公司), a company which is principally engaged in property investments, where he is primarily responsible for the overall business management. From October 2011 onwards, he also serves as the managing director of Meizhou Xikang Estate Management Company Limited (梅州市禧康物業管理有限公司), a company which is principally engaged in estate management, where he is primarily responsible for the overall business management. He received a diploma in electronics from Meizhou West Vocational and Technical College (梅州城西職業技術學校) in the PRC in July 1984. Mr. Hou is the brother of Ms. Hou Wei. He was qualified as a senior industrial construction engineer (工業建築高級工程師) recognized by the Department of Personnel of Guangdong Province (廣東省人事廳) in March 2006, and was registered as an architect with the Department of Housing and Urban Rural Construction of Guangdong Province (廣東省住房和城鄉建設廳) in August 2010.

Mr. Lam On Tai (林安泰), aged 43, was appointed as our non-executive Director on 5 June 2015. He is primarily responsible for advising on finance and investor relationship of our Group. Mr. Lam has more than 18 years of experience in banking and securities industry, in which over 14 years of experience was accumulated in advising on corporate finance relating to various listing and restructuring transactions. Mr. Lam currently serves as the managing director of V Baron Global Financial Services Limited (建泉環球金融服務有限公司), a company which is principally engaged in securities services, which he is primarily responsible for advising on corporate finance. Mr. Lam received his diploma in general business management from the Lingnan College (嶺南學院) (now known as the Lingnan University (嶺南大學) in Hong Kong in November 1994, and his master's degree in business administration from the University of Sheffield in the United Kingdom in December 1996. He also obtained his bachelor's degree in law from the University of Wolverhampton in the United Kingdom in July 1998 through a distance learning course.

Independent non-executive Directors

Mr. Ye Yihui (葉義輝), aged 52, was appointed as our independent non-executive Director on 6 October 2015. He has been the independent director of Jiyi Household from July 2013 onwards, primarily responsible for providing independent view and advice to the board of directors of Jiyi Household including the effectiveness of the internal control system and the audit process of Jiyi Household. Mr. Ye has over 25 years of experience in the areas of finance, audit and tax. Prior to joining our Group, Mr. Ye served in various positions where he was primarily responsible for the overall management of financial affairs, operation and audit management. He worked with the Audit Bureau of Meizhou Province (梅縣審計局) from 1988 to 1998, during 1995 to 1998, he served as the supervisor, where he was primarily responsible for the audit of finance and infrastructure projects; the deputy manager of Zhuhai Huacheng Certified Public Accountants (珠海華誠會計師事務所) from February 2001 onwards, where he was primarily responsible for the management of financial affairs and operation; and the manager of Meizhou Zhengde Tax Agent Office (梅州正德稅務師事務所) from November 2010 onwards, where he was primarily responsible for the overall management and operation. He received his diploma in economics and industrial enterprise management from Guangdong Radio and TV University (廣東廣播電視大學) now known as the Open University of Guangdong (廣東開放大學) in the PRC in July 1986 and his diploma in economic management from CPC Guangdong Provincial Party Committee Party School (中共廣東省委黨校) in the PRC in July 2005 through a distance learning course. He is an auditor registered with the National Audit Office of the PRC (中華人民共和國審計署) since November 1992 and an accountant registered with Ministry of Finance of the PRC (中華人民共和國財政部) since December 1992. He has been admitted as a registered certified public accountant of Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since April 1996 and a registered tax agent of Management Center of Certified Tax Agent of Guangdong Province (廣東省註冊稅務師協會) since June 2000.

Mr. Ho Hin Yip (何衍業), aged 41, was appointed as our independent non-executive Director on 6 October 2015. Mr. Ho has more than 17 years of financial and auditing experience. Since April 2012, he is the financial controller and joint company secretary of Dukang Distillers Holdings Limited (stock code: SGX:GJ8), a company listed on the Singapore Exchange Limited, where he is responsible for the finance and accounting functions, statutory compliance and corporate governance affairs. Mr. Ho was also appointed as an independent non-executive director of each of PME Group Limited (stock code: HK: 379), Xinhua News Media Holdings Limited (stock code: HK: 309) and LC Group Holdings Limited (stock code : HK:1683), all are companies listed on the Main Board of the Stock Exchange, since December 2012, December 2014 and 13 August 2015, respectively. Mr. Ho received his bachelor's degree in business administration from the Chinese University of Hong Kong in December 1997. He was admitted as a member and a fellow member of The Association of Chartered Certified Accountants in August 2000 and August 2005, respectively. He has also been registered as a certified public accountant (Practising) of the Hong Kong Institute of Certified Public Accountants since February 2005.

Mr. Hou Lianchang (侯聯昌), aged 47, was appointed as our independent non-executive Director on 6 October 2015. He has over 15 years of experience in legal work focusing on corporate finance practice. Since April 2000, Mr. Hou has been a lawyer with Jing Tian Law Office of Guangdong (廣東經天律師事務所), specializing in areas such as foreign investment, mergers and acquisitions, venture capital financing, asset and shareholding restructuring, and initial public offerings in overseas markets. He is also well versed in corporate structure and governance matters. From March 2012 onwards, he serves as a board member of Shenzhen Association of Trade in Services (深圳市服務貿易協會理事). Mr. Hou received his bachelor's degree in international law and his graduate certificate in the professional graduate course of economic law (經濟法專業研究生課程進修班) from Wuhan University (武漢大學) in the PRC, in December 1989 and December 2003, respectively. He is a lawyer registered with the Ministry of Justice of the PRC (中華人民共和國司法部) since September 1995.

Mr. Hou was a director of New Heng Ye Investment Development Limited (新恒業投資發展有限公司), a limited liability company incorporated in Hong Kong with a principal business of investment holding and dissolved by deregistration by the Registrar of Companies in Hong Kong as a defunct company pursuant to section 291 of the Predecessor Companies Ordinance. The aforesaid company was inactive prior to its dissolution and was dissolved in 2009.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date. Save as disclosed above, none of our Directors has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

SENIOR MANAGEMENT

Mr. Leung Wai Hong (梁偉康), aged 32, was appointed as our chief financial officer and company secretary on 25 May 2015. He is primarily responsible for the financial and audit management, budgeting, administration and company secretarial matters of our Group. From the period of January 2014 to February 2015 and August 2014 to May 2015, he served as the financial manager and company secretary of Gold Tat Group International Limited (stock code: 8266), a company listed on the GEM Board of the Stock Exchange, respectively, where he was primarily responsible for the finance and accounting functions, statutory compliance and corporate governance affairs. Mr. Leung has more than nine years of financial and auditing experience. Prior to joining our Group, from October 2011 to January 2014, he served as a manager of BDO Limited (香港立信德豪會計師事務所), an accounting firm, where he was primarily responsible for accounting and auditing work. Mr. Leung received his bachelor's degree in business administration in accountancy from the City University of Hong Kong in November 2006. He has been admitted as a member of the Hong Kong Institute of Certified Public Accountants since January 2010.

Mr. Ling Yongshan (凌勇山), aged 44, was appointed as the executive vice president of our Group on 1 January 1999, primarily responsible for managing human resources, warehousing logistics and information technology of the Group. Since January 1999, he has been the deputy general manager of Jiyi Household and is primarily responsible for its overall management, including human resources management, sales and marketing, warehouse logistics and customer services. Since 9 January 2015, Mr. Ling has been a director of Meizhou Jisheng. Mr. Ling received his graduate certificate in the advanced class of innovative entrepreneur (企業家自主創新高級研修班) from the School of Continuing Education, Tsinghua University (清華大學繼續教育學院) in the PRC in October 2012.

Mr. Luo Tianyang (羅天揚), aged 42, was appointed as the executive vice president of our Group on 1 October 2011, primarily responsible for business management, drafting and implementing internal policies of our Group. Since October 2011, he has been the deputy manager and the secretary of the board of director of Jiyi Household, primarily responsible for corporate development and governance, strategic planning, investment and financing, and external relations. Since December 2011, he has been a director of Jiyi Household. Prior to joining our Group, from August 2003 to February 2006, he served as the assistant general manager of Guangdong Xianda Electric Industry Company Limited (廣東先達電業股份有限公司). From February 2006, he was the chief strategic investment manager of Guangdong Huamei International Investment Group (廣東華美國際投資集團), specialising in educational and high-tech investment, financing and commercial real estate development. In April 2010, Mr. Luo founded Shenzhen Tianxing Investment Limited (深圳市天星投資有限公司), in which he served as the executive director and manager until September 2011, responsible for its overall operation and management and engaged in entrepreneurial consultation services and assets management and investment. Mr. Luo received his diploma in international finance awarded by Nanjing Finance College (南京金融高等專科學校) in the PRC in July 1995, and his master's degree in applied finance from Macquarie University, Australia in August 2003.

Ms. Deng Haiming (鄧海鳴), aged 57, was appointed as the chief purchasing officer of our Group on 1 February 2012. She is primarily responsible for managing and coordinating the procurement of raw materials and equipment of our Group. From October 1998 to January 2012, she served as the general manager of various branches of Jiyi Household and was primarily responsible for its overall operation and management. From February 2012 onwards, Ms. Deng serves as the chief purchasing officer of Jiyi Household and is primarily responsible for supervising the procurement of building materials and the selection of suppliers. Since 6 April 2015, Ms. Deng has been a director of Jiyi Household. She has nearly 12 years of experience in procurement and trading of building materials. Prior to joining our Group, Ms. Deng served as the labour statistics officer of Dongfeng Enterprise Group Company of Guangdong Meizhou (廣東梅州東風企業集團公司) from October 1979 to May 1998, where she was primarily responsible for personnel administration. Ms. Deng received her diploma in Financial Accounting from Guangdong Radio and TV University (廣東廣播電視大學) (currently known as the Open University of Guangdong (廣東開放大學) in the PRC in July 1991. Ms. Deng is the sister-in-law of Ms. Hou Wei.

Mr. **Shu Peng (舒鵬)**, aged 34, was appointed as the chief sales officer of our Group on 1 January 2014, primarily responsible for marketing and sales management of our Group. He joined our Group in October 1999 and served as an accountant of Jiyi Household until June 2001, primarily responsible for financial accounting. From July 2001 to September 2004, he was re-designated as a purchasing manager of Jiyi Household, where he was primarily responsible for managing and coordinating the procurement of our Group. Mr. Shu then served in various positions where he was primarily responsible for the marketing and sales management. He was the sales manager of Jiyi Household from October 2004 to October 2009, the ceramic sales manager of the flagship mall under Jiyi Household from November 2009 to December 2012, and the general manager of the flagship mall under Jiyi Household from January 2013 to December 2013. From January 2014 onwards, he has been the chief marketing officer of Jiyi Household, primarily responsible for strategic planning and marketing of our Group. Mr. Shu has been a director of Shanghang Jiyi since November 2011. Mr. Shu received his diploma in Electric Accounting from Hunan Technology College of Electrical Engineering (湖南省機電工程學校) in the PRC in July 1999, and a diploma in accounting from the Open University of China (中央廣播電視大學) in the PRC in July 2006.

Mr. Zhong Pengwei (鍾鵬偉), aged 29, was appointed as the chief strategic development officer of our Group on 1 October 2013, primarily responsible for strategic development of our Group. He joined our Group in August 2010 and served as a clerk in the strategic development department of Jiyi Household, where he was primarily responsible for planning and implementing strategies. From August 2010 to August 2012, he served as a manager assistant of Jiyi Household, where he was primarily responsible for assisting the general manager in the overall business operations. From September 2012 onwards, he served as the strategic development manager of Jiyi Household and was primarily responsible for marketing research, business expansion and development. From September 2012 onwards, apart from maintaining his position as the strategic development manager of Jiyi Household, he became the manager of Xinya Decoration, primarily responsible for managing its strategic development and operations. He has been a director of Wuping Jiyi and Xinya Decoration since June 2011 and September 2012, respectively. Mr. Zhong received his bachelor's degree in the administration of public affairs from Guangzhou University in the PRC in June 2008.

None of our senior management members has been a director of any other listed entities during the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Leung Wai Hong (梁偉康), aged 32, is our company secretary and was appointed on 26 May 2015. For details of Mr. Leung's background, please refer to the paragraph headed "Senior Management" in this section.

BOARD COMMITTEES

Audit Committee

We have established an audit committee on 6 October 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The audit committee consists of three members, Mr. Ye Yihui, Mr. Hou Lianchang and Mr. Ho Hin Yip, all are independent non-executive Directors. The audit committee is chaired by Mr. Ye Yihui. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, risk management and internal control systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a remuneration committee on 6 October 2015 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of three members, two of whom are independent non-executive Directors, being Mr. Ye Yihui and Mr. Hou Lianchang, and one of whom is an executive Director, being Mr. Liu Xianxiu. The remuneration committee is chaired by Mr. Hou Lianchang. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

Nomination Committee

We have established a nomination committee on 6 October 2015 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The nomination committee consists of three members, two of whom are independent non-executive Directors being Mr. Hou Lianchang and Mr. Ye Yihui, and one of whom is an executive Director, being Ms. Hou Wei. The nomination committee is chaired by Ms. Hou Wei. The primary duties of the nomination committee is to identify individuals suitably qualified to become Board members and select, or make recommendations to the Board on the selection of, individuals nominated for directorships.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code (the "**CG Code**") as set forth in Appendix 14 to the Listing Rules. Our Company is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Except for the deviation from CG Code provision A.2.1, the Company's corporate governance practices have complied with the CG Code. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Hou is the chairlady and the chief executive officer of our Company. In view of Ms. Hou's role in day-to-day operation and management of our Group since 1999, the Board believes that it is in the best interest of our Group to have Ms. Hou taking up both roles for effective management and business development. Therefore, our Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance. Notwithstanding the above, the Board is of the view that this management structure is effective for our Group's operations and sufficient checks and balances are in place.

Our Directors are aware that upon Listing, we are expected to comply with such code provision. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in the interim report and the annual report in respect of the relevant period. We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. Save as disclosed in the above, we will comply with the code provisions set out in the CG Code in Appendix 14 to the Listing Rules after the Listing.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors and senior management, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary, cash bonus and other allowances.

For the three years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, the aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to our Directors was RMB120,000, RMB231,000, RMB266,000 and RMB96,000, respectively.

For the three years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, the aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to the five highest paid individuals was RMB329,000, RMB412,000, RMB501,000 and RMB179,000, respectively.

No remuneration was paid by our Group to our Directors or past directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the three years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors for the year ending 31 December 2015 is estimated to be no more than RMB450,000.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 6 October 2015. For details of the Share Option Scheme, please refer to the paragraph headed "D. Other Information — 1. Share Option Scheme" in Appendix IV to this prospectus.

COMPLIANCE ADVISER

We have appointed Cinda International Capital Limited as our 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:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

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

So far as is known to our Directors or chief executive officer as of the Latest Practicable Date, the following persons will, immediately prior to and following the completion of the Capitalisation Issue and the Global Offering (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, 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:

		Shares held immediately prior to the completion of the Global Offering and the Capitalisation Issue(1)		Shares held immediately following the completion of the Global Offering and the Capitalisation Issue(1)	
Name of Shareholder	**Nature of Interest**	**Number**	**Percentage (approximate)**	**Number**	**Percentage (approximate)(6)**
Ms. Hou Wei	Interest in a controlled corporation	7,002(L)	70.02%	189,054,000(L)	52.52%
Xinling(2)	Beneficial owner	7,002(L)	70.02%	189,054,000(L)	52.52%
Mr. Liu Shui	Interest in a controlled corporation	1,044(L)	10.44%	28,188,000(L)	7.83%
Yiju Holdings(3)	Beneficial owner	1,044(L)	10.44%	28,188,000(L)	7.83%
Mr. Li Jianhua	Interest in a controlled corporation	617(L)	6.17%	16,659,000(L)	4.63%
Sheng Guan Investments(4)	Beneficial owner	617(L)	6.17%	16,659,000(L)	4.63%
Mr. Lin Songtian	Interest in a controlled corporation	582(L)	5.82%	15,714,000(L)	4.37%
Sonic Trade Investments(5)	Beneficial owner	582(L)	5.82%	15,714,000(L)	4.37%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Xinling is beneficially and wholly-owned by Ms. Hou Wei. By virtue of the SFO, Ms. Hou Wei is deemed to be interested in our Shares held by Xinling.

(3) Yiju Holdings is beneficially and wholly-owned by Mr. Liu Shui. By virtue of the SFO, Mr. Liu Shui is deemed to be interested in our Shares held by Yiju Holdings.

(4) Sheng Guan Investments is beneficially and wholly-owned by Mr. Li Jianhua. By virtue of the SFO, Mr. Li Jianhua is deemed to be interested in our Shares held by Sheng Guan Investments.

(5) Sonic Trade Investments is beneficially and wholly-owned by Mr. Lin Songtian. By virtue of the SFO, Mr. Lin Songtian is deemed to be interested in our Shares held by Sonic Trade Investments.

(6) The percentages may not added up to 100% due to rounding of figures.

If the Over-allotment Option is fully exercised, beneficial interests of each of Xinling, Yiju Holdings, Sheng Guan Investments and Sonic Trade Investments will be approximately 50.62%, 7.55%, 4.46% and 4.21%, respectively.

Except as disclosed in this prospectus, our Directors and our chief executive officer are not aware of any person will, immediately prior to and following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in any Shares or underlying Shares, which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering (without taking into account the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme) and the Capitalisation Issue (assuming the Over-allotment Option is not exercised):

		Nominal value
		HK$
Authorised share capital:		
5,000,000,000	Shares of HK$0.10 each	500,000,000

		Nominal value
		HK$
Shares issued and to be issued, fully paid or credited as fully paid		
10,000	Shares in issue as of the date of this prospectus	1,000
269,990,000	Shares to be issued pursuant to the Capitalisation Issue	26,999,000
90,000,000	Shares to be issued under the Global Offering	9,000,000
360,000,000	Total	36,000,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering and Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total nominal value of not more than the sum of:

(1) 20% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and

(2) the total nominal amount of share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to our Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option which may be granted under the Share Option Scheme.

This general mandate to issue Shares will remain in effect until the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the paragraph headed "A. Further Information about our Group — 3. Resolutions in writing of our Shareholders passed on 6 October 2015" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which our 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. A summary of the relevant Listing Rules is set out in the paragraph headed "A. Further Information about our Group — 6. Repurchases of our Shares" in Appendix IV to this prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the paragraph headed "A. Further Information about our Group — 3. Resolutions in writing of our Shareholders passed on 6 October 2015" in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders dated 6 October 2015, we conditionally adopted the Share Option Scheme. Summaries of the principal terms of the Share Option Scheme are set out in the paragraph headed "D. Other Information — 1. Share Option Scheme" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Islands Companies Law, reduce its share capital or capital redemption reserve by its Shareholders passing special resolution. For further details, please refer to the paragraph headed "2. Articles of Association — (e) Alteration of capital" in Appendix III to this prospectus.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For further details, please refer to the paragraph headed "2. Articles of Association — (d) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

You should read this section in conjunction with our audited consolidated financial information as at and for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, including the notes thereto, as set out in "Appendix I — Accountant's Report" to this prospectus. The consolidated financial information has been prepared in accordance with HKFRS. You should read the whole of the Accountant's Report included as 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. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those anticipated in the forward-looking statements. Factors that might cause future results to differ significantly from those anticipated in the forward-looking statements include those discussed in "Risk Factors".

OVERVIEW

Founded in 1997, we are a well-established and integrated building and home improvement materials and furnishings supplier and interior design and engineering services provider in the PRC, with operations principally in the eastern part of Guangdong Province and adjacent regions. We are mainly engaged in the sale and distribution of merchandise and we are also engaged in the provision of services.

Our sale and distribution of merchandise represented our core business, accounting for approximately 99.9%, 99.0%, 89.4% and 95.3% of our total revenue for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. Our product portfolio is generally classified, by functionality, into three categories, comprising (i) building materials (such as steel, pipe and fittings, electrical wires, cement and building mortar and glass); (ii) home improvement materials (such as ceramics, electrical materials, flooring and doors, and sanitary ware); and (iii) furnishings (such as lightings, furniture, textile and home accessories), which we believe cover all key aspects in a typical building, property renovation or home improvement project.

With a view to providing value-added services to customers, diversifying our source of revenue and creating cross-selling opportunity, we also offer interior design and engineering services with respect to corporate and household projects, and the revenue from which accounted for approximately 0.1%, 1.0%, 10.6% and 4.7% of our total revenue for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. We offer services in the area of interior design, property renovation and improvement, selection and procurement of the required building or home improvement materials and project management, aiming at giving "one-stop" shopping experience for customers who could gain access to a wide collection of high quality merchandise and ancillary services from us under one roof to complete their renovation, improvement or furnishing project without the hassle.

During the Track Record Period, we achieved stable growth in our revenue from 2012 to 2014, which increased from approximately RMB253.5 million to RMB286.5 million and further to RMB333.8 million for the years ended 31 December 2012, 2013 and 2014, respectively, representing a CAGR of approximately 14.8% from 2012 to 2014. Our net profit increased from approximately RMB28.5 million to RMB34.2 million and further to approximately RMB42.0 million for the years ended 31 December 2012, 2013 and 2014, respectively, representing a CAGR of approximately 21.4%. However, our revenue decreased by 17.9% from RMB101.2 million for the four months ended 30 April 2014 to RMB83.1 million for the four months ended 30 April 2015, which was mainly attributable to the decrease in overall level of orders received from customers, which we believe was mainly due to the substantial completion of our customers' projects in 2014, leading to a decrease in their demand for our products and services before they have undertaken new projects. Our net profit decreased by 66.1% from RMB11.5 million for the four months ended 30 April 2014 to RMB3.9 million for the four months ended 30 April 2015, which was mainly attributable to our decrease in revenue as discussed above and listing expenses of RMB4.1 million we incurred for the four months ended 30 April 2015.

BASIS OF PRESENTATION

Our consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015 included the results of operations of the companies now comprising our Group following the consummation of the Reorganisation, as if our Group had been in existence in its current form throughout the Track Record Period.

Our Group is principally engaged in (i) the sale and distribution of building and home improvement materials and furnishings and (ii) the provision of interior design and engineering services (the "**Listing Business**"). Immediately prior to the Reorganisation, the Listing Business was mainly conducted through Jiyi Household which was ultimately controlled by our Controlling Shareholders. Pursuant to the Reorganisation, the Listing Business was transferred to and held by our Company. Our Company and the intermediate holding entities of the Listing Business have not been involved in other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation did not result in any change in management and the ultimate owners of the Listing Business remained the same. Accordingly, the consolidated financial information of the Company and the Listing Business is prepared using the carrying values of the Listing Business for all periods presented.

We have prepared our consolidated financial information for the Track Record Period in accordance with HKFRS issued by the HKICPA. Such consolidated financial information has been prepared under historical cost convention.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Market demand for building and home improvement materials and furnishings

Our turnover and profitability are affected by the growth of the building and home improvement materials and furnishings market in the PRC. According to the Euromonitor Report, the building and home improvement materials and furnishings market in the PRC is supported by a number of factors, such as the accelerating urbanisation, increasing disposable income, recovery of real estate market and building and home improvement materials and furnishings upgrade. Historically benefited from such factors, the market size for home improvement and furnishing in the PRC and in Guangdong Province achieved CAGR of 11.6% and 11.0% from 2010 to 2014, respectively. We believe these factors will continue to have an impact on the demand for building and home improvement materials and furnishings in the PRC, and any favourable or unfavourable changes in the market demand will directly impact our profitability and future growth.

Competition

The competition in the building and home improvement materials and furnishings industry in the PRC has been increasingly fierce. We compete with our competitors on the basis of price, product quality, product variety, brand portfolio, sales channels. Our larger-scale competitors may have greater financial, marketing, personnel and other resources than we do, and our small-scale competitors may be able to better react to changes in pricing and consumer preferences than we can. We have been committed to maintain a good relationship with our suppliers and customers as well as diversify our product offerings and brand portfolio to satisfy customer preferences and strengthen our market position. Prominent building and home improvement materials and furnishings supply based in Meizhou with proven track record, one-stop provision for property renovation and home improvement, effective supplier management, strategic market presence, and energetic and experienced management team represent our core competitive strengthens. Nevertheless, we aim to constantly improve ourselves in all other aspects in order to maintain our competitiveness and profitability. Our results of operations are affected by our ability to remain competitive, which in turn depends on our ability to increase our brand awareness, enlarge our market share and differentiate from our competitors.

Cost of inventories sold

Our inventories are finished goods of building and home improvement materials and furnishings procured from our suppliers for our sale and distribution of merchandise operation. Our cost of inventories sold represents our major component of cost of sales that accounted for approximately 99.0%, 97.5%, 88.3% and 93.1% of our cost of sales for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively.

We have developed a close and stable relationship with our key suppliers and generally retain at least one to three suppliers for each major type of product, which allow us to maintain a stable and flexible supply of merchandise. We however cannot completely avoid market risk of price fluctuation of merchandise we sourced which in turn is subject to various factors beyond our control, such as industry supply and demand and changes in suppliers' market strategies. As a result, we are exposed to the market risk of price fluctuation which may directly impact our cost of inventories sold. If we are unable to effectively transfer the increase in cost of inventories sold resulting from price fluctuation to our customers through adjusting timely the selling price of our products, our profitability and results of operations could be adversely affected.

Business mix and product mix

Our profitability and results of operations are affected by our business mix. During the Track Record Period, our revenue from provision of services increased significantly despite sale and distribution of merchandise remained as our major source of revenue. Our gross profit margins vary across business segments. Our business mix may change over time and the magnitude of such change has a direct impact our revenue and profitability.

The change in product mix of our sale and distribution of merchandise operation also has a direct impact on our profitability and results of operations. The following table sets forth a breakdown of our revenue, the respective percentage of revenue and gross profit margin, by product category, of our sale and distribution of merchandise operation for the periods indicated:

	For the year ended 31 December									For the four months ended 30 April					
	2012			2013			2014			2014			2015		
Product category	Revenue	Percentage of segment revenue	Gross profit margin	Revenue	Percentage of segment revenue	Gross profit margin	Revenue	Percentage of segment revenue	Gross profit margin	Revenue	Percentage of segment revenue	Gross profit margin	Revenue	Percentage of segment revenue	Gross profit margin
	RMB'000	%	%	*RMB'000*	%	%	*RMB'000*	%	%	*RMB'000* *(Unaudited)*	%	%	*RMB'000*	%	%
Building materials	176,195	69.6	14.8	169,696	59.8	16.9	183,305	61.4	17.9	56,197	59.3	19.9	50,561	63.8	16.9
Home improvement materials	43,703	17.3	42.7	55,853	19.7	40.5	58,123	19.5	35.4	22,552	23.8	35.7	12,201	15.4	42.1
Furnishings	33,303	13.1	45.8	58,143	20.5	47.6	57,086	19.1	43.5	16,007	16.9	39.9	16,458	20.8	43.3
Total	253,201	100.0	23.7	283,692	100.0	27.8	298,514	100.0	26.2	94,756	100.0	27.0	79,220	100.0	26.3

Our change in product mix of different type of products which entail different gross profit margins, depending on various factors such as sales volumes, pricing and marketing strategies. Any change in the structure of revenue contribution from our business or product mix or change in gross profit margin of any component may have a corresponding impact on our overall gross profit margin.

Capital expenditure

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, we incurred capital expenditure of RMB12.7 million, RMB10.2 million, RMB10.1 million and RMB0.8 million, respectively, and majority of which were related to renovation and improvement for our flagship mall and sales outlets. We customise our new sales outlets in order to meet our brand image and setup requirement . We also renovate our flagship mall and sales outlets from time to time with an aim to improve their attractiveness to our customers. Our depreciation of property, plant and equipment was RMB4.2 million, RMB6.8 million, RMB7.0 million and RMB2.6 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. To open additional flagship mall and sales stores according to our expansion plan, our capital expenditure and depreciation are expected to increase, which may in turn directly impact our liquidity, financial condition and results of operations.

Employee benefit expenses

Our retail chain and interior design service operations depend on the hiring and retaining of experienced salesmen to interact with our customers on a daily basis. In addition, we have reliance on our experienced management team to manage our business operations. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our employee benefit expenses (including directors' emoluments) including wages, salaries and bonus, social insurance expenses, and staff benefits amounted to RMB6.3 million, RMB10.7 million, RMB8.7 million and RMB3.1 million, respectively, representing 2.5%, 3.7%, 2.6% and 3.7%, respectively, of our total revenue for the corresponding years. Any change to the level of staff compensation or number of staff we require in our operations will have a direct impact on our operating costs. Our employee benefit expenses may increase in the future to cope with our business expansion, and if we cannot maintain our profitability by generating sufficient revenue to cover the increment in staff costs, our result of operations may be adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements in accordance with HKFRS. The Accountant's Report in Appendix I to this prospectus set forth these significant accounting policies in note 2 of section II. Some of our accounting policies involve subjective assumptions and estimates, as well as judgments relating to accounting items. Our estimates are based on historical experience, latest information and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ under different assumptions and conditions. We believe the following accounting policies, estimates and judgements are of critical importance to us in the preparation of our consolidated financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. We recognise revenue when the amount of revenue can be reliably measured; when 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. Our estimates of return are based on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) ***Sale and distribution of merchandise***

We recognise revenue from sale and distribution of merchandise when significant risks and rewards of ownership of the merchandise are transferred to the customer, and the customer has accepted the merchandise and collectability of the related receivables is reasonably assumed.

(b) ***Provision of services***

We use the 'percentage of completion method' to determine the appropriate amount of revenue to recognise in a given period for the interior design and engineering services. The stage of completion is measured by reference to the costs incurred up to the balance sheet date as a percentage of total estimated costs.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, revenue is recognised as services are provided. When it is probable that total costs to service will exceed total revenue allocated to the interior design and engineering contract, the expected loss is recognised as an expense immediately. When the outcome of an interior design and engineering contract cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that are likely to be recoverable.

Useful lives of property, plant and equipment

We determine the estimated useful lives of our property, plant and equipment and consequently the related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. We will increase the depreciation charge where useful lives are less than previously estimated lives, or we will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of trade and other receivables

We review our trade and other receivables for objective evidence of impairment. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered as objective evidence that a receivable is impaired. In determining this, we make judgments as to whether there is observable data indicating that there has been a significant change in the repayment ability of the debtor, or whether there have been significant changes with adverse effect on the market and economic environment in which the debtor operates in. Where there is objective evidence of impairment, we make judgments as to whether an impairment loss should be recorded as an expense.

Provision for inventories

In determining the amount of provision required for obsolete and slow-moving inventories, we would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable value. A considerable amount of judgment is required in determining such allowances. If conditions which have impact on the net realisable value of inventories deteriorate, additional provision may be required.

Income taxes and deferred taxation

Our Group is subject to income tax in different jurisdictions. Estimation and judgment is required in determining the amount of the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognition, such differences will impact on the income tax and deferred taxation provisions in the period in which such determination is made.

In accordance with the enterprise income tax laws in the PRC, a 10% withholding tax will be levied on the dividend declared by Jiyi Household established in the PRC to their foreign investors starting from 1 January 2008. During the Track Record Period, our directors reassessed the dividend policy of our major subsidiary established in the PRC, Jiyi Household, based on our Group's current business plan and financial position, no retained earnings generated by Jiyi Household would be distributed to its non-PRC registered intermediate holding company and as such, no deferred tax liability has been provided by our Group for the earnings expected to be retained by the Jiyi Household in the PRC and not to be remitted out of the PRC in the foreseeable future.

RESULTS OF OPERATIONS

The following table summarises the selected items in our consolidated statements of comprehensive income for the Track Record Period, extracted from the Accountant's Report in Appendix I to this prospectus.

	For the year ended 31 December			**For the four months ended 30 April**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue	253,460	286,463	333,818	101,202	83,128
Cost of sales	(193,515)	(207,600)	(247,051)	(74,675)	(62,095)
Gross profit	59,945	78,863	86,767	26,527	21,033
Selling expenses	(11,717)	(16,229)	(17,349)	(5,537)	(5,613)
Administrative expenses	(7,002)	(13,377)	(9,419)	(3,601)	(7,577)
Other income and gain/(losses) - net	455	(63)	873	(167)	(4)
Operating profit	41,681	49,194	60,872	17,222	7,839
Finance income	325	253	291	180	136
Finance expenses	(3,663)	(3,628)	(6,552)	(2,106)	(2,040)
Finance expenses - net	(3,338)	(3,375)	(6,261)	(1,926)	(1,904)
Profit before income tax	38,343	45,819	54,611	15,296	5,935
Income tax expense	(9,806)	(11,650)	(12,607)	(3,753)	(1,990)
Profit for the year/period	28,537	34,169	42,004	11,543	3,945

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

We generate all of our revenue from (i) sale and distribution of merchandise and (ii) the provision of services in the PRC during the Track Record Period.

The following table sets forth the breakdown of our revenue by business operations for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2012		2013		2014		2014		2015	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (*Unaudited*)	%	*RMB'000*	%
Sale and distribution of merchandise	253,201	99.9	283,692	99.0	298,514	89.4	94,756	93.6	79,220	95.3
Provision of services	259	0.1	2,771	1.0	35,304	10.6	6,446	6.4	3,908	4.7
Total	253,460	100.0	286,463	100.0	333,818	100.0	101,202	100.0	83,128	100.0

The increase in our revenue from 2012 to 2014 was mainly attributable to our stable growth in the sale and distribution of merchandise and the significant increase in the revenue derived from our provision of services. The decrease in our revenue from the four months ended 30 April 2014 to the four months ended 30 April 2015 was mainly attributable to the decreased in overall level of orders received from customers, which we believe was mainly due to the substantial completion of our customers' projects in 2014, leading to a decrease in their demand for our products before they have undertaken new projects. Since our establishment of Xinya Decoration in September 2012, attributable to the increase in number of projects and the completion of certain major corporate projects, revenue contribution from our provision of services operation increased significantly from 2012 to 2014. Our revenue from provision of services for the four months ended 30 April 2015 decreased compared to that for the same period in 2014, which was mainly attributable to the decrease in the number of projects for the period ended 30 April 2015.

Revenue from sale and distribution of merchandise

Our revenue from sale and distribution of merchandise is recognised upon acceptance of goods by our customers. Revenue represents sales net of returns, discounts and value-added tax.

The following table sets forth a breakdown of our revenue from sale and distribution of merchandise by product category for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2012		2013		2014		2014		2015	
	Revenue	Percentage of segment revenue	Revenue	Percentage of segment revenue	Revenue	Percentage of segment revenue	Revenue	Percentage of segment revenue	Revenue	Percentage of segment revenue
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (Unaudited)	%	*RMB'000*	%
Building materials	176,195	69.6	169,696	59.8	183,305	61.4	56,197	59.3	50,561	63.8
Home improvement materials	43,703	17.3	55,853	19.7	58,123	19.5	22,552	23.8	12,201	15.4
Furnishings	33,303	13.1	58,143	20.5	57,086	19.1	16,007	16.9	16,458	20.8
Total	253,201	100.0	283,692	100.0	298,514	100.0	94,756	100.0	79,220	100.0

Revenue recorded from our headquarter and each other sales outlets represents receipts from sales to customers who complete the purchase with our sales attendants on site as well as sales by way of direct sales and tendering (in case of headquarter) as discussed above. Same-store sales growth provides a period-to-period comparison of performance of our sales outlets as it excludes the impact of the opening of new sales outlet and compare only those have been in operation throughout the relevant period. The table below sets forth our same-store sales growth for the periods indicated:

	For the year ended 31 December		For the four months ended 30 April
	2013	2014	2015
Same-store sales growth	7.7%	5.0%	-16.4%

The same-store sales growth of our sales outlets was primarily affected by the general slowdown in economic growth in China as well as the growth of the building and home improvement materials and furnishings market in Guangdong Province. Our same-store sales growth decreased from 7.7% for 2013 to 5.0% for 2014 was mainly attributable to (i) the decrease in sales growth for high-priced furniture driven by the change in the market sentiments which lower the demand for luxury and high-end products in 2014; (ii) the decrease in sales growth for doors as two new brands of doors were introduced in 2013 which resulted in a larger sales growth in 2013. Our same-store sales decreased by 16.4% for the four months ended 30 April 2015 compared to the same period in 2014, mainly attributable to the decrease in overall level of orders received from customers, which we believe was mainly due to the substantial completion of our customers' projects in 2014, leading to a decrease in their demand for our products before they have undertaken new projects. During the Track Record Period, three of our sales outlets recorded a loss for the year ended 31 December 2012 as these sales outlets were newly opened during that year.

Revenue from provision of services

Our revenue from provision of services is derived from the provision of interior design and engineering services to our customers. Recognition of revenue from the provision of such services is based on the stage of completion of each contract in the relevant period. The contract sum or service fee is determined on a cost-plus basis taking into account various factors such as scope and complexity of the projects, the duration of the projects, costs of required material and services, manpower, and other resources required. Such revenue represents sales net of rebates and discounts.

The following table sets forth a breakdown of revenue from provision of services and the respective number of projects by project type for the periods indicated:

	For the year ended 31 December									For the four months ended 30 April					
Project type	2012			2013			2014			2014			2015		
	Number of projects	Revenue	Percentage of revenue	Number of projects	Revenue	Percentage of revenue	Number of projects	Revenue	Percentage of revenue	Number of projects	Revenue	Percentage of revenue	Number of projects	Revenue	Percentage of revenue
	(Note)	*RMB'000*	*%*	*(Note)*	*RMB'000*	*%*	*(Note)*	*RMB'000*	*%*	*(Note)*	*RMB'000* *(unaudited)*	*%*	*(Note)*	*RMB'000*	*%*
Household	6	145	56.0	53	1,919	69.3	45	7,031	19.9	22	1,131	17.5	9	1,661	42.5
Corporate	1	114	44.0	6	852	30.7	20	28,273	80.1	9	5,315	82.5	4	2,247	57.5
Total	7	259	100.0	59	2,771	100.0	65	35,304	100.0	31	6,446	100.0	13	3,908	100.0

Note: Number of projects comprises completed projects and projects in progress, from which revenue has been recognised for our services performed in the period. As at 31 December 2012, 2013 and 2014 and 30 April 2015, we had 25, 31, 9 and 10 projects secured or in progress, respectively. For the 10 contracts secured or in progress as at 30 April 2015, we anticipate that an aggregate revenue of RMB4.8 million will be recognised from such projects subsequent to the Track Record Period.

Cost of sales

Our cost of sales comprises mainly cost of inventories sold, subcontracting fees, employee benefit expenses, construction material costs, business taxes and surcharges, and others. Construction material costs and subcontracting fees incurred are primarily related to our provision of services.

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

	For the year ended 31 December						For the four months ended 30 April			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Cost of inventories sold	191,518	99.0	202,470	97.5	218,233	88.3	68,436	91.6	57,805	93.1
Subcontracting fees	232	0.1	1,546	0.7	11,046	4.5	4,582	6.1	805	1.3
Construction material costs	—	—	250	0.1	13,413	5.4	504	0.7	2,273	3.7
Business taxes and surcharges	1,228	0.6	1,889	0.9	3,377	1.4	853	1.1	534	0.9
Employee benefit expenses	130	0.1	810	0.4	948	0.4	202	0.3	489	0.8
Others	407	0.2	635	0.4	34	—	98	0.2	189	0.2
Total	193,515	100.0	207,600	100.0	247,051	100.0	74,675	100.0	62,095	100.0

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin by business operations and product category for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2012		2013		2014		2014		2015	
	Gross profit/ (loss)	**Gross profit/ (loss) margin**	**Gross profit/ (loss)**	**Gross profit/ (loss) margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Sale and distribution of merchandise										
— Building materials	26,117	14.8	28,673	16.9	32,863	17.9	11,172	19.9	8,562	16.9
— Home improvement materials	18,676	42.7	22,612	40.5	20,559	35.4	8,048	35.7	5,141	42.1
— Furnishings	15,263	45.8	27,657	47.6	24,830	43.5	6,381	39.9	7,120	43.3
	60,056	23.7	78,942	27.8	78,252	26.2	25,601	27.0	20,823	26.3
Provision of services										
— Household	(43)	(29.7)	24	1.3	1,657	23.6	198	17.5	76	4.6
— Corporate	(68)	(59.6)	(103)	(12.1)	6,858	24.3	728	13.7	134	6.0
	(111)	(42.9)	(79)	(2.9)	8,515	24.1	926	14.4	210	5.4
Overall	59,945	23.7	78,863	27.5	86,767	26.0	26,527	26.2	21,033	25.3

Our fluctuation in gross profit margin during the Track Record Period was primarily attributable to the change in our business and product mix which contributed different gross profit margins. During the Track Record Period, gross profit margins of our sale and distribution of building materials and furnishings remained relatively stable. The decrease in our gross profit margin of home improvement materials for the year ended 31 December 2014 compared to the previous year was primarily attributable to the decrease in sales of high-priced products such as sanitary ware because of the change in market sentiments which lower the demand for luxury and high-end products in 2014; attributable to the relatively lower level of sales of flooring and doors, which entail relatively lower margin, our gross profit margin of home improvement materials increased for the four months ended 30 April 2015.

Our Xinya Decoration was established in September 2012 and in a ramp-up stage during 2012 and 2013, as such, we recorded gross loss of RMB111,000 and RMB79,000 from our provision of services operation for the years ended 31 December 2012 and 2013 respectively. As we completed more projects and achieved better economies of scale, our provision of services operation recorded gross profit of RMB8.5 million and gross profit margin of 24.1% for the year ended 31 December 2014. Due to (i) the decrease in number of and revenue from projects, in particular corporate projects of relatively larger scale; and (ii) the increased staff costs mainly as we reallocated certain internal resources and manpower to our provision of services operation, our gross profit decreased to approximately RMB0.2 million and gross profit margin decreased to 5.4% for the four months ended 30 April 2015.

Selling expenses

Our selling expenses consist primarily of employee benefit expenses for our sales team, operating lease expenses for our sales outlets, depreciation, office and utility expenses, delivery and installation expenses, advertising and promotion expenses and others.

The following table sets forth a breakdown of our selling expenses for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
Employee benefit expenses	3,699	31.6	5,080	31.3	4,803	27.7	1,437	26.0	1,493	26.6
Operating lease expenses	2,681	22.9	3,604	22.2	3,592	20.7	1,267	22.9	1,135	20.2
Depreciation	2,483	21.2	4,282	26.4	4,563	26.3	1,436	25.9	1,729	30.8
Office and utility expenses	1,431	12.2	1,289	7.9	1,567	9.0	461	8.3	320	5.7
Delivery and installation expenses	117	1.0	247	1.5	1,253	7.2	523	9.4	313	5.6
Advertising and promotion expenses	783	6.7	1,257	7.7	779	4.5	257	4.6	179	3.2
Others	523	4.4	470	3.0	792	4.6	156	2.9	444	7.9
Total	11,717	100.0	16,229	100.0	17,349	100.0	5,537	100.0	5,613	100.0

Our selling expenses accounted for 4.6%, 5.7%, 5.2% and 6.8% of our total revenue for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively.

Administrative expenses

Our administrative expenses primarily comprise employee benefit expenses for administrative and management personnel, depreciation and amortisation, office and utility expenses, other tax and surcharges, operating lease expenses, provision for/(reversal of) impairment of trade and other receivables, legal and professional fees, listing expenses, and others.

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

	For the year ended 31 December						For the four months ended 30 April			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*Unaudited*)	*%*	*RMB'000*	*%*
Employee benefit expenses	2,451	35.0	4,782	35.7	2,949	31.3	976	27.1	1,116	14.7
Depreciation and amortisation	1,847	26.4	2,584	19.3	2,560	27.2	901	25.0	937	12.4
Office and utility expenses	1,442	20.6	2,016	15.1	1,731	18.4	682	18.9	771	10.2
Other tax and surcharges	653	9.3	988	7.4	958	10.2	169	4.7	233	3.1
Operating lease expenses	170	2.4	397	3.0	551	5.8	90	2.5	93	1.2
Provision for/(reversal of) impairment of trade and other receivables	280	4.0	97	0.7	(347)	(3.7)	573	15.9	227	3.0
Legal and professional fees	45	0.6	2,167	16.2	76	0.8	98	2.7	68	0.9
Listing expenses	—	—	—	—	250	2.7	—	—	4,126	54.5
Others	114	1.7	346	2.6	691	7.3	112	3.2	6	—
	7,002	100.0	13,377	100.0	9,419	100.0	3,601	100.0	7,577	100.0

Our administrative expenses accounted for 2.8%, 4.7%, 2.8% and 9.1% of total revenue for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively.

Other income and gains/(losses) - net

Net other income and gains/(losses) mainly consists of government grants and loss on disposal of property, plant and equipment. Our net other income and gains/(losses) recorded a gain of RMB0.5 million, a loss of RMB63,000, a gain of RMB0.9 million and a loss of RMB4,000 for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. Government grants we received during the Track Record Period were one-off in nature and had no future conditions attached.

Finance expenses - net

Net finance expenses comprise interest charges on our interest-bearing bank borrowings net of interest income received on our bank balances. Our net finance expenses amounted to RMB3.3 million, RMB3.4 million, RMB6.3 million and RMB1.9 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively.

Income tax expense

Income tax expenses represents income tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile. We had no tax payable in tax jurisdiction other than the PRC during the Track Record Period.

PRC enterprise income tax ("EIT")

All our PRC subsidiaries incorporated in the PRC are subject to EIT at a standard enterprise income tax rate of 25%.

According to the Notice (Meiguoshuifa [2007] No.1 and 2013 No.1) issued by the local tax bureau of Meizhou County, Guangdong Province in 2007 and 2013 respectively, Xinya Decoration, the subsidiary of our Group, used the tax collection method on a deemed profit basis, thus the taxable income is calculated at 8% of total revenue for the period from 1 January 2012 to 31 December 2014.

PRC withholding tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our income tax expenses were RMB9.8 million, RMB11.7 million, RMB12.6 million and RMB2.0 million, respectively, and our effective tax rate for the same period was 25.6%, 25.4%, 23.1% and 33.5%, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Four months ended 30 April 2015 compared to four months ended 30 April 2014

Revenue

Our revenue decreased by RMB18.1 million or 17.9% from RMB101.2 million for the four months ended 30 April 2014 to RMB83.1 million for the four months ended 30 April 2015. Such decrease was driven by the decrease in sales from both of our business operations mainly resulting from the decrease in overall level of orders received from customers, which we believe was mainly due to the substantial completion of our customers' projects in 2014, leading to a decrease in their demand for our products and services before they have undertaken new projects.

Revenue from sale and distribution of merchandise

Our revenue from sale and distribution of merchandise decreased by RMB15.6 million or 16.5% from RMB94.8 million for the four months ended 30 April 2014 to RMB79.2 million for the four months ended 30 April 2015. The decrease was a combined result of the followings:

Sale of building materials

Our sale of building materials decreased by RMB5.6 million or 10.0% from RMB56.2 million for the four months ended 30 April 2014 to RMB50.6 million for the four months ended 30 April 2015. Such decrease was mainly due to the decrease in sales of pipe and fittings and electrical wires and cables, mainly attributable to the decreased sales orders from our customers due to the substantial completion of their projects during the year ended 31 December 2014 leading to the decrease in their demand for such products during the period; and was partially offset by the increase in sales of aluminium alloy and glass products, mainly as a result of certain new brands of aluminium alloy products as well as new types of glass products which we introduced to our product offerings in the second half of 2014.

Sale of home improvement materials

Our sale of home improvement materials decreased by RMB10.4 million or 46.0% from RMB22.6 million for the four months ended 30 April 2014 to RMB12.2 million for the four months ended 30 April 2015. Such decrease was mainly attributable to (i) our decreased sales of flooring and doors and ceramics mainly resulted from the decreased sales orders from certain construction companies as fewer construction projects were undertaken and lower demand from dealers of flooring and doors during the four months ended 30 April 2015 compared to the same period in 2014.

Sale of furnishings

Our sale of furnishings slightly increased by RMB0.5 million or 3.1% from RMB16.0 million for the four months ended 30 April 2014 to RMB16.5 million for the four months ended 30 April 2015. Such increase was mainly attributable to the increase in sales of lightings mainly due to the introduction of new brands and certain relatively large sales orders received in the four months ended 30 April 2015, which was partially offset by the decrease in sales of furniture mainly attributable to the lower demand for luxury and high-end furniture in the period.

Revenue from provision of services

Our revenue from provision of services decreased by RMB2.5 million or 39.1% from RMB6.4 million for the period ended 30 April 2014 to RMB3.9 million for the period ended 30 April 2015, which was mainly attributable to (i) we had a number of relatively large-scale corporate projects, which are not recurring in nature, in the previous year whereas we did not have such kind of large-scale projects in this period; and (ii) the decrease in number of projects which comprised completed projects and projects in progress.

Cost of sales

Our cost of sales decreased by RMB12.6 million or 16.9% from RMB74.7 million for the four months ended 30 April 2014 to RMB62.1 million for the four months ended 30 April 2015. Such decrease was mainly due to the decrease in the costs of inventories sold and subcontracting fees in line with the decrease in sales by 17.9% for the four months ended 30 April 2015, and was partially offset by the increase in construction material costs which was mainly due to our engagement of a subcontractor who also provided construction materials for a certain relatively large-scale project for the period ended 30 April 2014 resulting in a lower amount of construction materials for that period.

Gross profit and gross profit margin

Our overall gross profit decreased by RMB5.5 million or 20.8% from RMB26.5 million for the four months ended 30 April 2014 to RMB21.0 million for the four months ended 30 April 2015. Our overall gross profit margin also decreased from 26.2% for the four months ended 30 April 2014 to 25.3% for the four months ended 30 April 2015, which was attributable to the decrease in gross profit margin of both business operations.

Our gross profit margin of sale and distribution of merchandise slightly decreased from 27.0% for the four months ended 30 April 2014 to 26.3% for the four months ended 30 April 2015, which was mainly due to (i) the decrease in gross profit margin of sales of pipe and fittings mainly attributable to our pricing adjustments in response to the change in market demand; (ii) the decrease in gross profit margin of paint and chemicals mainly attributable to the increased purchase costs of certain types of paint and chemicals in the period; (iii) the increase in sales of aluminium alloy which mainly came from the new brands contributing to lower gross profit margins; and was partially offset by (i) the significant decrease in sales of flooring and doors which generally entail relatively lower gross profit margin as home improvement materials and (ii) the increase in sales of certain furniture which entail relatively higher gross profit margins in the period ended 30 April 2015 compared to the same period in the previous year.

Our gross profit margin of provision of services decreased from 14.4% for the four months ended 30 April 2014 to 5.4% for the four months ended 30 April 2015 mainly due to the decrease in number of projects and the increase in staff costs as we reallocated certain internal resources and manpower to our provision of services operation for the four months ended 30 April 2015.

Selling expenses

Our selling expenses remained relatively stable at RMB5.5 million and RMB5.6 million for the four months ended 30 April 2014 and 2015, respectively.

Administrative expenses

Our administrative expenses increased by RMB4.0 million or 111.1% from RMB3.6 million for the four months ended 30 April 2014 to RMB7.6 million for the four months ended 30 April 2015. The increase was primarily due to the listing expenses of RMB4.1 million we incurred during the four months ended 30 April 2015.

Other losses - net

Our net other losses decreased from RMB0.2 million for the four months ended 30 April 2014 to RMB4,000 for the four months ended 30 April 2015, which mainly represented the absence of loss on disposal of property, plant and equipment during the period.

Finance expenses - net

Our net finance expenses remained relatively stable at RMB1.9 million for the four months ended 30 April 2014 and 2015 respectively.

Income tax expense

Our income tax expense decreased by RMB1.8 million or 47.4% from RMB3.8 million for the four months ended 30 April 2014 to RMB2.0 million for the four months ended 30 April 2015. The decrease was mainly due to the decrease in profit before income tax by RMB9.4 million. Our effective tax rate increased from 24.5% for the four months ended 30 April 2014 to 33.5% for the four months ended 30 April 2015 primarily due to the increase in expenses which were not deductible for tax purpose and which mainly resulted from the listing expenses.

Profit for the period

As a result of the foregoing, our profit for the period decreased by RMB7.6 million or 66.1% from RMB11.5 million for the four months ended 30 April 2014 to RMB3.9 million for the four months ended 30 April 2015. Our net profit margin decreased from 11.4% for the four months ended 30 April 2014 to 4.7% for the four months ended 30 April 2015 which was mainly due to the listing expenses of RMB4.1 million incurred for the four months ended 30 April 2015.

Year ended 31 December 2014 compared to year ended 31 December 2013

Revenue

Our revenue increased by RMB47.3 million or 16.5% from RMB286.5 million for the year ended 31 December 2013 to RMB333.8 million for the year ended 31 December 2014. Such increase was driven by the increase in sales from both of our business operations driven by the economic developments in Meizhou thus the increased investments in property market in Meizhou.

Revenue from sale and distribution of merchandise

Our revenue from sale and distribution of merchandise increased by RMB14.8 million or 5.2% from RMB283.7 million for the year ended 31 December 2013 to RMB298.5 million for the year ended 31 December 2014. The increase was a combined result of the followings:

Sale of building materials

Our sale of building materials increased by RMB13.6 million or 8.0% from RMB169.7 million for the year ended 31 December 2013 to RMB183.3 million for the year ended 31 December 2014. Such increase was mainly due to (i) the increase in sales of pipe and fittings to certain of our major recurring customers; and (ii) the increase in sales of aluminium alloy, primarily related to certain construction projects undertaken by our customers; and partially offset by the decrease in sales of steel products as we focused less on trading of steel products which entails a relatively lower gross profit margin among our product offerings.

Sale of home improvement materials

Our sale of home improvement materials increased by RMB2.2 million or 3.9% from RMB55.9 million for the year ended 31 December 2013 to RMB58.1 million for the year ended 31 December 2014. Such increase was mainly attributable to our increased sales of two new brands of doors introduced to our product offerings in 2013 which received higher market acceptance; and partially offset by (i) the decrease in sales of our high-priced sanitary ware and hardware and kitchen system because of the change in market sentiments which lower the demand for luxury and high-end products during 2014 and (ii) the decrease in sales of electrical materials mainly resulting from market competition for such standardised merchandise with relatively low values.

Sale of furnishings

Our sale of furnishings slightly decreased by RMB1.0 million or 1.7% from RMB58.1 million for the year ended 31 December 2013 to RMB57.1 million for the year ended 31 December 2014. Such decrease was mainly attributable to the decrease in sales of high-priced furniture driven by the change in market sentiments which lower the demand for luxury and high-end products in 2014 and partially offset by our increased sales of lightings mainly as a result of a new brand of lightings was introduced in 2014.

Revenue from provision of services

Our revenue from provision of services increased significantly by RMB32.5 million from RMB2.8 million in 2013 to RMB35.3 million in 2014. The increase was primarily due to the increase in number of corporate projects during the year ended 31 December 2014. Contract sums of such corporate projects are generally higher than household projects whereby we were engaged by certain property developers or construction companies to carry out, such as design and engineering work of lift lobbies and common areas of a number of new residential estate developments.

Cost of sales

Our cost of sales increased by RMB39.5 million or 19.0% from RMB207.6 million for the year ended 31 December 2013 to RMB247.1 million for the year ended 31 December 2014. Such increase mainly due to the increase in cost of inventories sold, construction material costs and subcontracting fees, which primarily reflected the increase in our revenue in 2014.

Gross profit and gross profit margin

Our overall gross profit increased by RMB7.9 million or 10.0% from RMB78.9 million for the year ended 31 December 2013 to RMB86.8 million for the year ended 31 December 2014. Our overall gross profit margin slightly decreased from 27.5% for the year ended 31 December 2013 to 26.0% for the year ended 31 December 2014, which was mainly due to the decrease in gross profit margin for sale and distribution of merchandise from 27.8% for the year ended 31 December 2013 to 26.2% for the year ended 31 December 2014; and was partially offset by the improvement in gross profit margin for our provision of services.

Our decrease in gross profit margin of sale and distribution of merchandise was mainly due to the decrease in sales of high-end products mainly including ceramics, sanitary ware, furniture and textile products in 2014 which in general entail relatively higher gross profit margins; and was partially offset by the increase in sales of building materials such as pipe and fittings and aluminium alloy, which entail relatively higher gross profit margins.

Our gross profit/loss margin of provision of services changed from a gross loss margin of 2.9% for the year ended 31 December 2013 to a gross profit margin of 24.1% for the year ended 31 December 2014 mainly due to the increase in number of projects, in particular the completion of certain major corporate projects during the year, and achieved better economies of scale.

Selling expenses

Selling expenses slightly increased by RMB1.1 million or 6.8% from RMB16.2 million for the year ended 31 December 2013 to RMB17.3 million for the year ended 31 December 2014, which was mainly attributable to the increase in delivery and installation expenses of RMB1.0 million primarily related to the increase in sale of merchandise such as doors and paint and chemicals which required our delivery and installation.

Administrative expenses

Our administrative expenses decreased by RMB4.0 million or 29.9% from RMB13.4 million for the year ended 31 December 2013 to RMB9.4 million for the year ended 31 December 2014. The decrease was primarily due to (i) the decrease in employee benefit expenses of RMB1.8 million mainly due to absence of discretionary bonus to staff in 2014 compared to the previous year; and (ii) the decrease in legal and professional fees by RMB2.1 million mainly because we incurred certain expenses related to the preparation work for a proposed listing in Taiwan in 2013, which our management voluntarily ceased and switched to a proposed listing on the Stock Exchange.

Other income and gains/(losses) - net

Our net other income and gain changed from a loss of RMB63,000 in 2013 to a gain of RMB0.9 million in 2014, which mainly represented government grant of RMB1.0 million we received in 2014 as a subsidy to our preparation for the proposed listing.

Finance expenses - net

Our net finance expenses increased by RMB2.9 million or 85.3% from RMB3.4 million in 2013 to RMB6.3 million in 2014. The increase was mainly due to the increased utilisation of bank facilities and the increase in the weighted average effective interest rate of our bank borrowings in 2014.

Income tax expense

Our income tax expense increased by RMB0.9 million or 7.7% from RMB11.7 million for the year ended 31 December 2013 to RMB12.6 million for the year ended 31 December 2014. The increase was mainly due to the increase in profit before income tax by RMB8.8 million. Our effective tax rate decreased from 25.4% for the year ended 31 December 2013 to 23.1% for the year ended 31 December 2014 primarily due to the increase in revenue from our provision of services conducted through Xinya Decoration, using the tax collection method on a deemed profit basis.

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB7.8 million or 22.8% from RMB34.2 million for the year ended 31 December 2013 to RMB42.0 million for the year ended 31 December 2014. Our net profit margin increased from 11.9% for the year ended 31 December 2013 to 12.6% for the year ended 31 December 2014 which was mainly due to the decrease in administrative expenses as a percentage of revenue and partially offset by the decrease in gross profit margin and the increase in our finance expenses in 2014.

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Our revenue increased by RMB33.0 million or 13.0% from RMB253.5 million in 2012 to RMB286.5 million in 2013. Such increase mainly derived from the increase in sale and distribution of merchandise.

Revenue from sale and distribution of merchandise

Sale of building materials

Our sales of building materials slightly decreased by RMB6.5 million or 3.7% from RMB176.2 million for the year ended 31 December 2012 to RMB169.7 million for the year ended 31 December 2013, which was mainly attributable to the decrease in sales of steel products, and partially offset by the increase in sales of other buildings materials such as electrical wires and cables, aluminium alloy, and paint and chemicals as a result of several new brands introduced to these types of products. The market price of steel and hence the margin from sale of steel continued to diminish since the second half of 2012, therefore we focused less on the sale of steel products and engaged more sales efforts on the sale of other types of products, such as pipe and fittings, electrical wires and cables, which entail comparatively higher margins.

Sale of home improvement materials

Our sales of home improvement materials increased by RMB12.2 million or 27.9% from RMB43.7 million for the year ended 31 December 2012 to RMB55.9 million for the year ended 31 December 2013. Such increase was mainly attributable to (i) the increase in sales contribution from three new sales outlets we opened in the second quarter of 2012; (ii) the increase in sales of doors since we successfully introduced two new brands of doors to our product offerings during 2013; and was partially offset by the decrease in sales of electrical materials mainly due to the decrease in purchases from our certain major customers including construction companies and dealers of electrical materials.

Sale of furnishings

Our sales of furnishings increased by RMB24.8 million or 74.5% from RMB33.3 million for the year ended 31 December 2012 to RMB58.1 million for the year ended 31 December 2013. Such increase was mainly attributable to (i) the increase in sales contribution from three new sales outlets we opened in the second quarter of 2012; and (ii) we entered into new distributorship agreements with five brands of furnitures and textile products in 2013 which contributed to the increase in the sales of these products.

Revenue from provision of services

Revenue from provision of services increased by RMB2.5 million from RMB0.3 million for the year ended 31 December 2012 to RMB2.8 million for the year ended 31 December 2013. As we established Xinya Decoration in September 2012, the increase in revenue under this operation was contributed from the significant increase in the number of projects from 7 for the year ended 31 December 2012 to 59 for the year ended 31 December 2013.

Cost of sales

Cost of sales increased by RMB14.1 million or 7.3% from RMB193.5 million for the year ended 31 December 2012 to RMB207.6 million for the year ended 31 December 2013. Such increase mainly came from the increase in cost of inventories sold, construction material costs and subcontracting fees, which primarily reflected the increase in our revenue for the same period.

Gross profit and gross profit margin

Our overall gross profit increased by RMB19.0 million or 31.7% from RMB59.9 million for the year ended 31 December 2012 to RMB78.9 million for the year ended 31 December 2013. Our overall gross profit margin increased from 23.7% for the year ended 31 December 2012 to 27.5% for the year ended 31 December 2013.

Our gross profit margin of sale and distribution of merchandise increased from 23.7% for the year ended 31 December 2012 to 27.8% for the year ended 31 December 2013, which was mainly due to the change of our product mix whereby the sales of building materials such as steel products that entail relatively lower gross profit margins decreased, and the sales of home improvement materials and furnishings such as doors and sanitary ware that entail relatively higher margins increased.

Our Xinya Decoration was only established in September 2012 and in a ramp-up stage during 2012 and 2013, as such, we recorded gross loss of RMB111,000 and RMB79,000 for the years ended 31 December 2012 and 2013, respectively.

Selling expenses

Our selling expenses increased by RMB4.5 million or 38.5% from RMB11.7 million for the year ended 31 December 2012 to RMB16.2 million for the year ended 31 December 2013. The increase was primarily due to (i) the increase in depreciation by RMB1.8 million mainly due to the renovation and improvement works undertaken for three new sales outlets and our flagship mall; (ii) the increase in employee benefit expenses by RMB1.4 million that mainly due to the increase in number of salesmen mainly for our new sales outlets, increased salary base and bonus distributed in 2013; and (iii) the increase in operating lease expenses by RMB0.9 million mainly resulted from the opening of three new stores in Fujian and Jiangxi in the second quarter in 2012.

Administrative expenses

Our administrative expenses increased by RMB6.4 million or 91.4% from RMB7.0 million for the year ended 31 December 2012 to RMB13.4 million for the year ended 31 December 2013. The increase was primarily due to (i) the increase in legal and professional fees by RMB2.1 million mainly related to the preparation work for the proposed listing in Taiwan in 2013; (ii) the increase in employee benefit expenses by RMB2.3 million as a result of the increase in number of administrative staff to accommodate our business expansion and the distribution of discretionary bonus of RMB1.2 million in 2013.

Other income and gains/(losses) - net

Our net other income and gain changed from a gain of RMB0.5 million for the year ended 31 December 2012 to a loss of RMB63,000 for the year ended 31 December 2013. Such change was mainly due to the absence of the government grants of RMB0.5 million received in 2012 related to a subsidy for preparation of listing.

Finance expenses - net

Our net finance expenses remained relatively stable at RMB3.3 million and RMB3.4 million for the years ended 31 December 2012 and 2013, respectively.

Income tax expense

Income tax expense increased by RMB1.9 million or 19.4% from RMB9.8 million for the year ended 31 December 2012 to RMB11.7 million for the year ended 31 December 2013. The increase was mainly due to the increase in the profits before income tax for the year ended 31 December 2013. Our effective tax rate remained relatively stable at 25.6% and 25.4% for the years ended 31 December 2012 and 2013, respectively.

Profit for the year

As a result of the foregoing, profit for the year increased by RMB5.7 million or 20.0% from RMB28.5 million for the year ended 31 December 2012 to RMB34.2 million for the year ended 31 December 2013. Our net profit margin remained relatively stable at 11.3% and 11.9% for the year ended 31 December 2012 and 2013, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our use of cash primarily relates to operating activities, capital expenditure and repayment of bank borrowings. We have historically financed our operations primarily through a combination of capital contribution from our Shareholders, cash flow generated from our operation and bank borrowings. We were able to repay our obligations under bank borrowings when they became due. We did not experience any difficulties in rolling over our bank borrowings during the Track Record Period. We currently expect that there will not be any material change in the sources and uses of cash of our Group, except that we would have additional funds from proceeds of the Global Offering for implementing our future plans as detailed under the section headed "Future Plans and Use of Proceeds" in this prospectus.

Cash Flow

The following table sets forth a summary of our consolidated cash flows for the periods indicated:

	For the year ended 31 December			**For the four months ended 30 April**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Net cash generated from/(used in) operating activities	9,274	17,026	52,175	(1,391)	(1,075)
Net cash used in investing activities	(16,013)	(10,744)	(17,307)	(2,670)	(2,555)
Net cash generated from/(used in) financing activities	23,100	24,729	(25,725)	(40,050)	(15,265)
Net increase/(decrease) in cash and cash equivalents	16,361	31,011	9,143	(44,111)	(18,895)
Cash and cash equivalents at beginning of the year/period	2,583	18,944	49,955	49,955	59,098
Cash and cash equivalents at end of the year/period	18,944	49,955	59,098	5,844	40,203

Operating activities

Net cash generated from or used in operating activities comprises profit before income tax adjusted for non-cash items, such as depreciation and amortisation, and adjusted for the change in working capital. During our Track Record Period, our cash flow from operating activities was principally from our sale and distribution of merchandise and service fee we received from our provision of services. Our cash used in operating activities was principally for purchases of inventories and operating expenses. We recorded negative operating cash flow of RMB1.1 million for the four months ended 30 April 2015, primarily attributable to (i) the settlement pattern of our customers which they mainly settle their trade balances in the second half of a year which led to the increase in trade receivable during the four months ended 30 April 2015; and (ii) the decrease in profit before income tax mainly resulting from the listing expenses of RMB4.1 million we incurred for the period.

For the four months ended 30 April 2015, our net cash used in operating activities of RMB1.1 million was a combined result of operating cash inflow before changes in working capital of RMB11.1 million, interest paid of RMB2.0 million, income tax paid of RMB3.5 million and change in working capital of RMB6.6 million. Change in working capital primarily reflected an increase in inventories of RMB0.6 million, a decrease in trade and other payables of RMB7.9 million and a decrease in trade and other receivables of RMB1.9 million.

For the year ended 31 December 2014, our net cash generated from operating activities of RMB52.2 million was a combined result of operating cash inflow before changes in working capital of RMB68.0 million, interest paid of RMB6.5 million, income tax paid of RMB11.7 million and change in working capital of RMB2.4 million. Change in working capital primarily reflected (i) a decrease in inventories of RMB13.9 million, (ii) an increase in trade and other receivable of RMB24.3 million and (iii) an increase in trade and other payables of RMB12.8 million.

For the year ended 31 December 2013, our net cash generated from operating activities of RMB17.0 million was a combined result of operating cash inflow before changes in working capital of RMB56.9 million, interest paid of RMB3.6 million, income tax paid of RMB13.2 million and change in working capital of RMB23.1 million. Change in working capital primarily reflected (i) a decrease in inventories of RMB1.4 million, (ii) an increase in trade and other receivables of RMB26.3 million and (iii) an increase in trade and other payables of RMB1.8 million.

For the year ended 31 December 2012, our net cash generated from operating activities of RMB9.3 million was a combined result of operating cash inflow before changes in working capital of RMB47.0 million, interest paid of RMB3.6 million, income tax paid of RMB10.9 million and change in working capital of RMB23.2 million. Change in working capital primarily reflected (i) an increase in inventories of RMB7.4 million, (ii) an increase in trade and other receivables of RMB34.7 million and (iii) an increase in trade and other payables of RMB18.9 million.

Investing activities

For the four months ended 30 April 2015, our net cash used in investing activities of RMB2.6 million primarily reflected the purchase of property, plant and equipment of RMB0.8 million mainly for renovation and improvement for our flagship mall and net increase of restricted cash of RMB1.8 million as a pledged deposit for utilisation of notes payables.

For the year ended 31 December 2014, our net cash used in investing activities of RMB17.3 million primarily reflected the purchase of property, plant and equipment of RMB10.1 million mainly for renovation and improvement for our flagship mall and an amount due from a related party of RMB7.0 million.

For the year ended 31 December 2013, our net cash used in investing activities of RMB10.7 million primarily reflected the purchase of property, plant and equipment of RMB10.2 million for renovation and improvement for our sales outlets.

For the year ended 31 December 2012, our net cash used in investing activities of RMB16.0 million primarily reflected (i) the purchase of property, plant and equipment of RMB12.7 million mainly for renovation and improvement for our sales outlets and (ii) the increase of restricted cash of RMB3.3 million as a pledged deposit for our utilisation of notes payable.

Financing activities

For the four months ended 30 April 2015, our net cash used in financing activities of RMB15.3 million primarily resulted from dividends paid of RMB57.4 million and was partially offset by a deemed contribution of RMB40.0 million in connection with the transfer of entire equity interest in Meizhou Jiyi Realty.

For the year ended 31 December 2014, our net cash used in financing activities of RMB25.7 million primarily reflected a deemed distribution of RMB39.5 million in connection with the disposal of Meizhou Jiyi Realty for the purpose of the Reorganisation and the repayment of bank borrowings of RMB74.3 million, and partially offset by the proceeds from bank borrowings of RMB69.8 million and capital contribution of RMB18.0 million from a shareholder, and a deemed contribution of RMB0.3 million in connection with the disposal of Jiyi Electronic Commerce for the purpose of the Reorganisation.

For the year ended 31 December 2013, our net cash generated from financing activities of RMB24.7 million primarily reflected the proceeds from bank borrowings of RMB88.3 million and partially offset by the repayments of bank borrowings of RMB62.8 million.

For the year ended 31 December 2012, our net cash generated from financing activities of RMB23.1 million primarily reflected the proceeds from bank borrowings of RMB96.8 million and partially offset by the repayments of bank borrowings of RMB73.7 million.

Net Current Assets

We recorded net current assets of RMB60.5 million, RMB88.8 million, RMB107.1 million, RMB79.8 million and RMB95.7 million as at 31 December 2012, 2013 and 2014, 30 April 2015 and 31 August 2015, respectively. The table below sets forth our current assets and current liabilities as of the dates indicated:

	As at 31 December			As at 30 April	As at 31 August
	2012	**2013**	**2014**	**2015**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current Assets					
Inventories	47,413	45,515	31,721	32,174	38,002
Trade and other receivables	86,206	112,437	144,111	144,096	152,550
Restricted cash	4,775	5,270	5,430	7,180	3,480
Cash and cash equivalents	18,944	49,955	59,098	40,203	48,690
Total current assets	157,338	213,177	240,360	223,653	242,722
Current Liabilities					
Trade and other payables	31,760	34,426	46,874	61,481	61,041
Bank borrowings	62,800	88,329	83,804	81,104	83,222
Current income tax liabilities	2,243	1,600	2,535	1,275	2,747
Total current liabilities	96,803	124,355	133,213	143,860	147,010
Net current assets	60,535	88,822	107,147	79,793	95,712

Our net current assets increased from RMB60.5 million as at 31 December 2012 to RMB88.8 million as at 31 December 2013. The increase was primarily due to the increase in trade and other receivables of RMB26.2 million reflecting our increase in revenue for the year.

Our net current assets increased from RMB88.8 million as at 31 December 2013 to RMB107.1 million as at 31 December 2014. The increase was primarily due to an increase in trade and other receivables of RMB31.7 million reflecting our increase in revenue for the year.

Our net current assets decreased from RMB107.1 million as at 31 December 2014 to RMB79.8 million as at 30 April 2015, which was primarily due to the dividends of RMB80.0 million declared and partially offset by the deemed contribution of RMB40.0 million in connection with the transfer of entire equity share of Meizhou Jiyi Realty, and a capital injection of RMB6.3 million from a Shareholder of our Company.

Based on our unaudited consolidated financial statements as at 31 August 2015, our net current assets increased from RMB79.8 million as at 30 April 2015 to RMB95.7 million as at 31 August 2015. The increase was primarily due to the increase in our trade receivables.

Working Capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including our cash generated from operations, available banking facilities and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least next 12 months from the date of this prospectus.

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED BALANCE SHEETS

Inventories

Our inventories principally comprise merchandise we purchase from our suppliers for sale and distribution through our sales channels. The balance of our inventories accounted for 30.1%, 21.4%, 13.2% and 14.4% of our total current assets as at 31 December 2012, 2013 and 2014 and 30 April 2015, respectively.

The following table sets forth a summary of our inventory balance as at the dates indicated:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	48,040	46,627	32,758	33,399
Less: provision for impairment of inventories	(627)	(1,112)	(1,037)	(1,225)
Inventories - net	47,413	45,515	31,721	32,174

Our balance of inventories slightly decreased by RMB1.9 million or 4.0% from RMB47.4 million as at 31 December 2012 to RMB45.5 million as at 31 December 2013 mainly attributable to (i) the decrease in inventories of building materials such as pipe and fittings, and partially offset by the increase in inventories of home improvement materials such as flooring and doors corresponding to the change in our product mix in 2013. Our balance of inventories decreased by RMB13.8 million or 30.3% from RMB45.5 million as at 31 December 2013 to RMB31.7 million as at 31 December 2014, mainly attributable to (i) we strategically maintained lower levels of standardised merchandise such as paint and chemicals, steel products, and pipe and fittings; and (ii) the decrease in inventories of doors as we adjusted our inventory management of doors through our better anticipation of customer demand and focused on keeping primarily the two major brands of doors that we introduced in 2013. Our balance of inventories remained relatively stable at RMB31.7 million and RMB32.2 million as at 31 December 2014 and 30 April 2015, respectively.

We semi-annually review our inventory levels for slow moving inventory, obsolescence or declines in market value. Allowance is made against when the net realisable value of inventories falls below the cost or any of the inventories is identified obsolete. Provision for impairment of inventories of RMB0.6 million, RMB1.1 million, RMB1.0 million and RMB1.2 million were recorded as at 31 December 2012, 2013 and 2014 and 30 April 2015, respectively.

The following table sets forth the turnover days of our inventories for the periods indicated.

	For the year ended 31 December			For the four months ended 30 April
	2012	**2013**	**2014**	**2015**
Inventory turnover days	84	83	59	64

Inventory turnover days is calculated using the average balance of inventory divided by the cost of sales for the relevant period and multiplied by number of days in the relevant period. Average balance of inventory is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

Our inventory turnover days remained relatively stable at 84 days and 83 days for the year ended 31 December 2012 and 2013, respectively. Our inventory turnover days then decreased to 59 days for the year ended 31 December 2014, primarily due to our adjustment in inventory management of certain types of products for the year ended 31 December 2014 as mentioned above. Our inventory turnover days increased from 59 days for the year ended 31 December 2014 to 64 days for the four months ended 30 April 2015 which was mainly due to our relatively lower level of sales of merchandise during the four months ended 30 April 2015.

As at 30 September 2015, RMB23.8 million or 71.4% of our inventories as at 30 April 2015 had been sold.

Trade and other receivables

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

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables due from third parities	51,823	90,544	115,804	121,627
Trade receivables due from a related party	—	53	21	313
Less: provision for impairment	(573)	(670)	(323)	(550)
Trade receivables, net	51,250	89,927	115,502	121,390
Prepayments for purchase of merchandise	13,999	20,271	19,783	12,040
Prepayments for listing expenses	—	—	400	1,759
Amount due from a related party	—	—	7,000	7,000
Deposits	20,842	958	1,140	1,264
Amount due from shareholders	—	—	—	340
Other receivables	115	1,281	286	303
	86,206	112,437	144,111	144,096

(i) Trade receivables

Our trade receivables primarily relate to receivables for goods sold to our customers. Trade receivables due from a related party arose from sales of goods to a related party carried out in the normal course of business.

Our trade receivables increased from RMB51.3 million as at 31 December 2012 to RMB89.9 million as at 31 December 2013, which was mainly due to (i) the increase in sale and distribution of merchandise to certain major customers in the fourth quarter of 2013; and (ii) a longer credit period has been offered to our major and recurring customers with more transactions with us during the year. Our trade receivables further increased from RMB89.9 million as at 31 December 2013 to RMB115.5 million as at 31 December 2014, which was mainly due to (i) the significant increase in revenue from provision of services; and (ii) the increase in number of major customers, mainly property developers and construction companies, to whom we generally offer a longer credit period. Our trade receivables increased from RMB115.5 million as at 31 December 2014 to RMB121.4 million as at 30 April 2015, which was mainly due to the fact that our customers mainly settle their trade balances in the second half of a year which led to relatively higher balance of trade receivable as at 30 April 2015.

Before accepting any new customers, our Group will apply an internal credit assessment policy to assess the potential customer's credit quality and define credit limit by customer. We generally granted a period of 0 to 180 days from the month end of date of invoice for our major customers. We may extend the credit period up to 360 days for some selected customers with good credit history and long-term relationship. Each customer has a maximum credit limit. We seek to maintain strict control over our outstanding receivables to minimise the credit risk. We typically do not require any collateral as security.

The following table sets forth the aging analysis (based on dates of sales) of our gross trade receivables due from third parties, as at the dates indicated:

	As at 31 December			As at 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 6 months	40,849	78,573	111,157	111,808
6 to 12 months	10,809	11,567	4,374	9,845
Over 12 months	165	457	294	287
	51,823	90,597	115,825	121,940

Our policy for impairment on trade receivables due from third parties is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgment and estimates of our management. Provisions would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. We closely review the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we have made provisions for the impairment of certain overdue trade receivables in order to ensure the quality of our assets. We did not experience any material payment defaults from our customers during the Track Record Period. As at 31 December 2012, 2013 and 2014 and 30 April 2015, respectively, our provision for impairment of trade receivables was RMB0.6 million, RMB0.7 million, RMB0.3 million and RMB0.6 million, respectively.

Based on the management accounts of our Group, as at 30 September 2015, RMB102.8 million or 84.3% of our trade receivables outstanding as at 30 April 2015 were settled.

The table below sets forth our turnover days of trade receivables as at the dates indicated:

	For the year ended 31 December			For the four months ended 30 April
	2012	2013	2014	2015
Turnover days of trade receivables	60	91	113	171

Turnover days of trade receivables is calculated using the average balance of trade receivables divided by revenue for the relevant period and multiplied by number of days in the relevant period. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

The increase in trade receivable turnover days of our Group during the Track Record Period was mainly due to a combination of various reasons: (i) the change in the sales mix whereby the increase in the revenue contributions from provision of interior design and engineering services for corporate projects with customers who are mainly property developers. In view of the relatively long construction schedule of their projects, our Group generally granted longer credit period to such type of customers; (ii) the increase in sales of merchandise to customers who are property developers or material and equipment suppliers of construction projects as driven by the new property developments in Meizhou and such customers are usually granted with longer credit period; and (iii) our Group strategically extended the credit period and/or increased the credit limit to certain major customers in order to maintain a long-term business relationship and support the needs of their business expansions. Our higher trade receivable turnover days as at 30 April 2015 primarily reflected (i) the settlement pattern of our customers which they mainly settle their trade balances in the second half of a year and led to relatively higher balance of trade receivable as at 30 April 2015; and (ii) our relatively lower level of sales during the four months ended 30 April 2015.

(ii) Other receivables

Other receivables mainly comprise prepayments for purchase, prepayments for listing expenses, amounts due from a related party and shareholders, deposits and others. Our prepayments for purchase mainly comprise prepayments to our suppliers and subcontractors according to our purchase agreements and service contracts. Amounts due from a related party and shareholders were denominated in RMB, unsecured, interest free and repayable on demand. Such balance will be settled prior to the Listing. Deposits mainly comprise deposits paid to our suppliers, rental deposits for leasing and tender deposits. Others mainly include staff advance, other tax receivables and others.

Our other receivables decreased from RMB35.0 million as at 31 December 2012 to RMB22.5 million as at 31 December 2013 that was mainly due to the decrease in deposits by RMB19.9 million mainly due to the bid bond of RMB20.0 million for a tender for a state-owned land use right recorded as at 31 December 2012 which was refunded in 2013, and partially offset by the increase in prepayments for purchase by RMB6.3 million to accommodate our increased scale of sales and purchases. Our other receivables increased from RMB22.5 million as at 31 December 2013 to RMB28.6 million as at 31 December 2014, which was mainly due to an amount due from Meizhou Jiyi Realty of RMB7.0 million as at 31 December 2014. Our other receivables decreased from RMB28.6 million as at 31 December 2014 to RMB22.7 million as at 30 April 2015 which was mainly due to the decrease in prepayments for purchase of merchandise of RMB7.7 million primarily resulting from the decrease in purchase of merchandise for the four months ended 30 April 2015, and partially offset by the increase in prepayments for listing expenses by RMB1.4 million as at 30 April 2015.

Trade and other payables

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

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	8,708	5,189	17,058	12,591
Notes payable	15,918	16,933	14,800	14,600
Advances from customers	881	3,395	2,136	2,418
Salaries and staff welfare payable	933	3,620	3,519	3,502
Other taxes payables	3,807	1,039	4,930	2,226
Accrued operating lease expenses	1,354	2,225	2,831	2,966
Withholding individual income tax of dividends	—	—	—	14,360
Dividends payable	—	—	—	8,199
Other payables	159	2,025	1,600	619
	31,760	34,426	46,874	61,481

(i) Trade payables and notes payable

Our trade payables primarily consist of balances due to our suppliers for purchases of inventories. Our notes payables primarily represent the balances due to our suppliers in bank notes in lieu of cash payments.

Our trade and notes payables decreased from RMB24.6 million as at 31 December 2012 to RMB22.1 million as at 31 December 2013, which was mainly due to higher trade payables balance as at 31 December 2012 primarily due to certain purchases made near the end of 2012. Our trade and notes payables then increased to RMB31.9 million as at 31 December 2014, mainly attributable to (i) the increases in our purchases of inventories and subcontracting fees incurred during the year; and (ii) we utilised the credit term that our major suppliers granted us and reduced our prepayment for purchase from certain major suppliers. Our trade and notes payables decreased from RMB31.9 million as at 31 December 2014 to RMB27.2 million as at 30 April 2015, which was mainly due to the decrease in our level of purchases of merchandise during the four months ended 30 April 2015.

Our suppliers generally offer us trade credit periods from 0 to 90 days. The table below sets forth, as of the end of reporting periods indicated, the aging analysis of our trade payables (based on invoice date):

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 3 months	8,708	5,186	17,019	2,687
3 to 6 months	—	—	—	9,865
6 to 12 months	—	—	—	—
Over 12 months	—	3	39	39
	8,708	5,189	17,058	12,591

The following table sets out our turnover days of trade payables for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April
	2012	2013	2014	2015
Turnover days of trade payables	11	12	16	29

Turnover days of trade payables is calculated using the average balance of trade payables divided by cost of sales for the relevant period and multiplied by number of days in the relevant period. Average balance of trade payables is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

Our trade payables turnover days remained relatively stable at 11 days and 12 days in 2012 and 2013 respectively, then increased to 16 days in 2014 and further increased to 29 days for the four months ended 30 April 2015, which was mainly attributable to our utilization of the credit term offered by our major suppliers.

As at 30 September 2015, RMB11.3 million or 90.0% of our trade payables outstanding as at 30 April 2015 had been fully settled.

(ii) Other payables

Our other payables mainly include advances from customers, salaries and staff welfare payables, accrued operating lease expenses, other taxes payables, dividends payable, withholding individual income tax of dividends and others.

Other payables increased by RMB5.2 million from RMB7.1 million as at 31 December 2012 to RMB12.3 million as at 31 December 2013, which was mainly attributable to (i) an increase in advance from customers of RMB2.5 million mainly because certain sales orders with large quantity were received but not yet delivered in 2013 and the increase in advance for our services in 2013, (ii) an increase in salaries and staff welfare payables by RMB2.7 million due to the increase in average wages and a discretionary bonus accrued for 2013, and (iii) an increase in other payables of RMB1.9 million mainly due to legal and professional fees accrued in 2013, which was partially offset by a decrease in other tax payables of RMB2.8 million mainly reflected the decrease in VAT payables. VAT payable is based on the difference between output VAT and input VAT under relevant tax regulations in PRC. Since we had relatively lower amount of sales and relatively higher amount of purchases during the month of December 2013, we had a relatively minor difference between output VAT and input VAT, and hence a lower VAT payable was recorded as at 31 December 2013. Other payables increased by RMB2.7 million from RMB12.3 million as at 31 December 2013 to RMB15.0 million as at 31 December 2014, which was mainly attributable to an increase in other tax payables of RMB3.9 million primarily because of (i) the increase in VAT payable reflecting our relatively higher amount of sales and relatively lower amount of purchases during the month of December 2014 and hence a greater difference between output VAT and input VAT and (ii) the increase in business tax payable reflecting increase in revenue from our provision of interior design and engineering services in 2014, and partially offset by a decrease in advance from customers of RMB1.3 million mainly due to certain sales orders with large quantity were received but not yet delivered in 2013. Other payables increased by RMB19.3 million from RMB15.0 million as at 31 December 2014 to RMB34.3 million as at 30 April 2015, mainly attributable to dividends payable and the relevant withholding individual income tax in an aggregate of RMB22.6 million, and partially offset by the decrease in other tax payable of RMB2.7 million mainly because of the decrease in VAT payables reflecting a minor difference between output VAT and input VAT for the month of April 2015.

CAPITAL EXPENDITURE AND COMMITMENT

Capital expenditure

Our capital expenditure for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015 was RMB12.7 million, RMB10.2 million, RMB10.1 million and RMB0.8 million, respectively, which primarily related to improvement and renovation of our flagship mall and sales outlets. We have financed our capital expenditure primarily through cash flow generated from operating activities and bank borrowings.

Operating lease commitments

As at the end of the reporting periods during the Track Record Period, we had commitments for future minimum lease payments in respect of sales outlets and warehouses under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 December			As at 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not later than one year	2,304	2,755	3,013	3,021
Later than one year and not later than five years	15,625	16,695	10,998	11,221
Later than five years	16,276	12,450	12,450	11,211
	34,205	31,900	26,461	25,453

PROPERTY INTERESTS

Our Directors confirm that, as at 30 April 2015, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As at 30 April 2015, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

INDEBTEDNESS

Bank borrowings

The following table sets forth our bank borrowings as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 August
	2012	**2013**	**2014**	**2015**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)
Secured bank borrowing	62,800	88,329	83,804	81,104	83,222

The following table sets forth our weighted average effective interest rates for the period indicated:

	For the Year ended 31 December			For the four months ended 30 April	For the two months ended 31 August
	2012	**2013**	**2014**	**2015**	**2015**
					(*Unaudited*)
Bank borrowings	6.82%	6.44%	7.36%	7.09%	6.90%

We mainly used proceeds from our bank borrowings to finance our working capital requirement and capital expenditure. All our bank borrowings during the Track Record Period were secured by certain of our buildings and land use right, and guaranteed by Ms. Hou Wei and her family.

At the close of business on 31 August 2015, being the latest practicable date for the purpose of this indebtedness statement, we had outstanding bank borrowings of RMB83.2 million, which was secured by certain of our buildings and land use right and guaranteed by Ms. Hou Wei and her associate. All such guarantees provided will be released before Listing.

Certain bank borrowings of our PRC subsidiaries contain conditions and covenants that require us to obtain the bank's consents prior to certain activities and entering into certain transactions, such as change in use of borrowed funds, change in beneficial ownership, material investment, capital reduction, disposal of substantial part of its assets, or distribution of dividend. Some of our bank loans also contain requirements in respect of financial ratios of one of our PRC subsidiaries. Our Directors confirm that there had not been any delay or default in repayment of borrowings or material non-compliance with the covenants or requirements contained in our borrowings agreements that affect the renewal of such borrowings throughout the Track Record Period and up to the Latest Practicable Date. Our Directors do not expect that such covenants and requirements would materially restrict our Group's overall ability to undertake additional debt or equity financing necessary to carry out our business plans.

As at 31 August 2015, we had unutilised banking facilities for short term financing of approximately RMB10.8 million and total bank borrowings of approximately RMB83.2 million.

During the Track Record Period, we did not experience any delay or default in payment of trade and non-trade payables and of bank borrowings nor experience any difficulties in obtaining banking facilities with terms that are commercially acceptable to us. As of the date of this prospectus, we did not have any plan for material external debt financing.

Contingent liabilities

As at 31 August 2015, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at Latest Practicable Date any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

RELATED PARTY TRANSACTIONS

For details of related party transactions, see Note 29 to the Accountant's Report in Appendix I to the prospectus. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on normal commercial terms. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations or make our historical results non-reflective in the Track Record Period.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	For the year ended 31 December			For the four months ended 30 April
	2012	2013	2014	2015
Gross Profit Margin (%)[1]	23.7	27.5	26.0	25.3
Net Profit Margin (%)[2]	11.3	11.9	12.6	4.7
Return on equity (%)[3]	26.7	24.8	25.5	2.5[10]
Return on total assets (%)[4]	15.6	13.8	14.3	1.3[10]
Interest coverage[5]	11.5	13.6	9.3	3.9

	As at 31 December			As at 30 April
	2012	2013	2014	2015
Current ratio[6]	1.6	1.7	1.8	1.6
Quick ratio[7]	1.1	1.3	1.6	1.3
Gearing ratio (%)[8]	51.9	57.2	47.8	55.6
Net debt to equity ratio (%)[9]	32.3	21.4	11.0	23.1

Notes:

(1) Gross profit margin for each of the three years ended 31 December 2014 and the four months ended 30 April 2015 was calculated on gross profit divided by turnover for the respective period. Please refer to the paragraph headed "Review of Historical Results of Operations" in this section for more details on our gross profit margins.

(2) Net profit margin for each of the three years ended 31 December 2014 and the four months ended 30 April 2015 was calculated on net profit attributable to the Shareholders divided by turnover for the respective period. Please refer to the paragraph headed "Review of Historical Results of Operations" in this section for more details on our net profit margins.

(3) Return on equity equals profit for the period divided by average balance of total equity attributable to the Shareholders of the relevant period and multiplied by 100%. Average balance is calculated as the sum of the opening balance and closing balance of the relevant period divided by two.

(4) Return on total assets equals profit for the period divided by average balance of total assets of the relevant period and multiplied by 100%. Average balance is calculated as the sum of the opening balance and closing balance of the relevant period divided by two.

(5) Interest coverage equals profit before interest and tax divided by interest expenses in the relevant period.

(6) Current ratios is calculated as the total current assets divided by the total current liabilities.

(7) Quick ratio is calculated as total current assets less inventories and divided by total current liabilities.

(8) Gearing ratios is calculated as the total debt divided by total equity and multiplied by 100%.

(9) Net debt to equity ratios is calculated as total borrowings net of cash and cash equivalents and restricted cash, and divided by total equity and multiplied by 100%.

(10) Return on equity and return on total assets for the four months ended 30 April 2015 are not comparable to that for each of the years ended 31 December 2012, 2013 and 2014, respectively.

Return on equity

Our return on equity decreased from 26.7% for the year ended 31 December 2012 to 24.8% for the year ended 31 December 2013, primarily due to the increase in our total equity as a result of profit accumulation for the year ended 31 December 2013. Our return on equity increased from 24.8% for the year ended 31 December 2013 to 25.5% for the year ended 31 December 2014, primarily due to the increase in the profit for the year and a deemed distribution of RMB39.5 million related to disposal of Meizhou Jiyi Realty pursuant to the Reorganisation, which was partially offset by the capital injection of RMB18.0 million from a Shareholder.

Return on total assets

Our return on total asset decreased from 15.6% for the year ended 31 December 2012 to 13.8% for the year ended 31 December 2013, primarily due to increase in trade receivables as at 31 December 2013 as a result of the increase in sale and distribution of merchandise to certain major customers in the fourth quarter of 2013. Our return on total assets increased from 13.8% for the year ended 31 December 2013 to 14.3% for the year ended 31 December 2014, which was mainly due to the increase in the profit for the year in 2014.

Interest coverage

Our interest coverage increased from 11.5 for the year ended 31 December 2012 to 13.6 for the year ended 31 December 2013 mainly reflected our improvement in profitability. Our interest coverage reduced to 9.3 for the year ended 31 December 2014 was primarily due to the increase in weighted average effective interest rate of our bank borrowings in the period. Our interest coverage further decreased to 3.9 for the four months ended 30 April 2015, mainly due to the decrease in profit for the four months ended 30 April 2015 primarily resulting from the decrease in revenue and listing expenses incurred for the period.

Current ratio

Our current ratio remain relatively stable at 1.6, 1.7, 1.8 and 1.6 as at 31 December 2012, 2013 and 2014 and 30 April 2015, respectively.

Quick ratio

Our quick ratio was 1.1, 1.3, 1.6 and 1.3 as at 31 December 2012, 2013 and 2014 and 30 April 2015, respectively. Our relatively higher quick ratio as at 31 December 2014 was primarily due to our increase in trade and other receivables.

Gearing ratio

Our gearing ratio increased from 51.9% as at 31 December 2012 to 57.2% as at 31 December 2013, primarily due to an increase in our bank borrowings to finance our working capital requirement and capital expenditure. Our gearing ratio then decreased to 47.8% as at 31 December 2014, primarily due to the increase in equity mainly resulting from profit accumulation and the capital contribution from a shareholder and partially offset by a deemed distribution in connection with the disposal of Meizhou Jiyi Realty for the purpose of the Reorganisation. Our gearing ratio increased from 47.8% as at 31 December 2014 to 55.6% as at 30 April 2015, which was mainly due to a dividend declared of RMB80.0 million and partially offset by a deemed contribution of RMB40.0 million in connection with the transfer of entire equity interest in Meizhou Jiyi Realty.

Net debt to equity ratio

Our net debt to equity ratio decreased from 32.3% as at 31 December 2012 to 21.4% as at 31 December 2013, primarily due to an increase in our cash and cash equivalents, which was partially offset by the increase in our bank borrowings. Our net debt to equity ratio further decreased to 11.0% as at 31 December 2014, primarily due to the increase in equity because of profit accumulation and capital injection from a shareholder and partially offset by a deemed distribution in connection with the disposal of Meizhou Jiyi Realty for the purpose of the Reorganisation. Our net debt to equity ratio increased from 11.0% as at 31 December 2014 to 23.1% as at 30 April 2015 was mainly due to the decrease in equity primarily resulting from dividend declared of RMB80.0 million and the deemed contribution of RMB40.0 million in relation to the transfer of entire equity interest in Meizhou Jiyi Realty.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

(a) Interest rate risk

Other than bank balances with variable interest rate, our Group has no other significant interest-bearing assets. Our management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

As our Group has no long-term borrowings, our management considers the exposure to interest rate risk is low.

(b) Credit risk

Our Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash and trade and other receivables.

For cash and cash equivalents and restricted cash, our management manages the credit risk by placing all the bank deposits in state-owned financial institutions or reputable banks which are all high-credit-quality financial institutions.

For trade receivables, our Group performs ongoing credit evaluations of our debtors' financial condition and does not require collateral from the debtors on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, our Group maintains a provision for doubtful accounts and actual losses incurred have been within management's expectations.

For other receivables, our management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of our Company believe that there is no material credit risk inherent in our Group's outstanding balance of other receivables.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

Our Group's primary cash requirements have been for additions of and upgrades on property, plant and equipment, payment on related debts and payment for purchases and operating expenses. Our Group finances our working capital requirements through a combination of internal resources and bank borrowings, as necessary.

Our Group's policy is to regularly monitor current and expected liquidity requirements to ensure we maintain sufficient cash and cash equivalents and have available funding through adequate amount of committed credit facilities to meet our working capital requirements.

DIVIDENDS AND DIVIDEND POLICY

During the Track Record Period, a dividend of RMB80.0 million was declared in January 2015. As at the Latest Practicable Date, such dividend had been fully settled to the relevant Shareholders by our cash flow generated from operations and our proceeds from deemed contribution. Save for disclosed above, we have no plan to pay or declare any dividends prior to the Listing. We do not intend to pay or declare any dividends in relation to our accumulated profits as at 30 April 2015 and we also do not intend to determine any expected dividend payout ratio since our priority is to use our earnings for business development and expansion of customer base in the interest of our Shareholders as a whole. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Group does not have any dividend policy. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Cayman Islands Companies Law, including the approval of our Shareholders.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our PRC subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements, convertible bond instruments or other agreements that we or they may enter into in the future.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

As at 30 April 2015, our Company had reserves available for distribution to our Shareholders of approximately RMB145.8 million.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Global Offering and the Listing. Assuming an Offer Price of HK$1.35 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, our total listing expenses is estimated to be approximately RMB25.9 million, of which RMB8.2 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity, and the remaining amount of RMB17.7 million has been or will be reflected in our consolidated statements of comprehensive income. Listing expenses, of RMB0.3 million and RMB4.1 million, in relation to services already performed by relevant parties, were reflected in our consolidated statements of comprehensive income for the year ended 31 December 2014 and the four months ended 30 April 2015 respectively, and an additional of RMB13.3 million is expected to be recognised in our consolidated statements of comprehensive income subsequent to the Track Record Period and upon Listing. As such, our results of operations for the year ending 31 December 2015 is expected to be adversely affected by the listing expenses incurred in the period.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of our Group attributable to the owners of our Company as at 30 April 2015 as if the Global Offering had taken place on 30 April 2015 assuming the over-allotment is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as at 30 April 2015 or at any future dates following the Global Offering. It is prepared based on the consolidated net assets of our Group as at 30 April 2015 as set out in the Accountant's Report of our Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of our Group attributable to equity holders of our Company as at 30 April 2015[(1)]	**Estimated net proceeds from the Global Offering[(2)]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of our Company as at 30 April 2015**	**Unaudited pro forma adjusted net tangible assets per Share[(3)]**	**Unaudited pro forma adjusted net tangible assets per Share[(5)]**
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$1.10 per Offer Share	145,763	60,206	205,969	0.57	0.70
Based on an Offer Price of HK$1.60 per Offer Share	145,763	96,004	241,767	0.67	0.82

Notes:

(1) The audited consolidated net tangible assets attributable to the owners of our Company as at 30 April 2015 is extracted from the accountant's report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to the owners of our Company as at 30 April 2015 of RMB145,790,000 with an adjustment for the intangible assets as at 30 April 2015 of RMB27,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$1.10 and HK$1.60 per Offer Share after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB4.4 million which have been expensed in the consolidated statements of comprehensive income for the year ended 31 December 2014 and the four months ended 30 April 2015) and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 360,000,000 Shares were in issue assuming that the Global Offering had been completed on 30 April 2015 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company pursuant to General Mandate to Allot and Issue Shares or General Mandate to Repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2015.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted in to Hong Kong dollars at the rate of RMB1.00 to HK$1.2193.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that save as disclosed under section headed "Summary — Recent Developments and No Material Adverse Change", there is no event which could materially affect the information shown in our consolidated financial information included in the Accountant's Report set forth in Appendix I to this prospectus since 30 April 2015, and as of the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects.

FUTURE PLANS

Please refer to the paragraph headed "Business — Business Strategies" in this prospectus for details of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering) (the "**Net Proceeds**"), assuming an Offer Price of HK$1.35 per Offer Share, being the mid-point of the indicative Offer Price range, will be approximately HK$89.9 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply the Net Proceeds in the following manner:

(i) 51.0%, or approximately HK$45.8 million, will be used for the establishment of one flagship mall with a GFA of approximately 12,000 sq.m. in Meijiang District (梅江區) of Meizhou which is expected to be put into operation during the first half of 2017, of which:

- approximately 25.7% or approximately HK$23.1 million will be used for purchasing and setting up major facilities including fire safety and security system, as well as renovating the display area of the flagship mall;

- approximately 25.3% or approximately HK$22.7 million will be used for purchasing inventories for display and initial operation at the flagship mall;

(ii) 35.0%, or approximately HK$31.5 million, will be used for the establishment of our new logistics centre with a GFA of approximately 13,500 sq.m. which is expected to be put into operation by the fourth quarter of 2016 to enhance our logistics and delivery efficiency;

(iii) 4.0%, or approximately HK$3.6 million, will be used for refurbishing our Meijiang Outlet to strengthen our brand influence and reputation;

(iv) 3.5%, or approximately HK$3.1 million, will be used for the establishment of one sales outlet with a GFA of approximately 1,500 sq.m. in Wuhua County (五華縣) of Meizhou which is expected to be put into operation during the second quarter of 2016;

(v) 1.5%, or approximately HK$1.4 million, will be used for upgrading our information system to increase our overall efficiency and optimize our operational flow; and

(vi) 5.0%, or approximately HK$4.5 million, will be used as working capital and other general corporate purposes.

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range, the Net Proceeds, assuming that the Over-allotment Option is not exercised, will increase to approximately HK$111.7 million or decrease to approximately HK$68.1 million, respectively, and in such event, we intend to increase or decrease, respectively, the Net Proceeds to be used for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, and assuming the Offer Price is set at the high-end of the indicative Offer Price range, the Net Proceeds including the proceeds from the exercise of the Over-allotment Option will increase to approximately HK$132.7 million, and in such event, we intend to increase the allocation of the Net Proceeds to the above purposes on a pro-rata basis.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the Net Proceeds are not sufficient to fund the purposes as set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings, as appropriate. Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the Net Proceeds of the Global Offering are not immediately required for the above purposes and to the extent permitted by applicable law and regulations, if we are unable to effect any part of our future plans as intended, we may hold such funds in short term demand deposits with banks in Hong Kong or the PRC and/or through money market instruments.

HONG KONG UNDERWRITERS

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

Cinda International Securities Limited

Co-lead Managers

Convoy Investment Services Limited
Gransing Securities Co., Limited
Black Marble Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Sole Global Coordinator, for itself and on behalf of the Underwriters, and our Company agreeing to the final Offer Price), the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among others, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to the termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), in its sole and absolute opinion, with immediate effect by giving notice in writing to our Company if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

1. there has come to the notice of the Sole Global Coordinator:

   (i) that any statement contained in any of this prospectus, the Application Forms, the formal notice and/or the international underwriting documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendment thereto) (collectively the "**Relevant Documents**") was, when it was issued, or has become untrue or incorrect in any material respect or misleading or deceptive in any respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not 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 or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a material omission therefrom; or

(iii) any material breach of any of the obligations imposed or to be 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 material liability of any of the executive Directors and the Controlling Shareholders (the "**Warrantors**") pursuant to provisions under the indemnity clause in the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or

(v) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group ("**Group Company**"); or

(vi) any material breach of, or any event or circumstance rendering untrue or incorrect in any material respect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Hong Kong Underwriting Agreement (the "**Warranties**"); or

(vii) the approval by the Listing Committee of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted other than subject to customary conditions, 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 Relevant Documents or the Global Offering; or

(ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of this prospectus, the Application Forms, the formal notice and/or the international underwriting documents or to the issue of any of such documents; or

(x) an authority or a political body or organization in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the executive Directors as set out in the section headed "Directors and Senior Management" in this prospectus; or

(xi) a portion of the orders in the book-building process, which is considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its absolute opinion to be material, at the time the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Sole Global Coordinator, in its sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

(xii) any loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which the risks associated therewith have not been disclosed in this prospectus, which is considered by the Sole Global Coordinator (for itself and on behalf of the other Underwriters) in its sole absolute opinion to be material; or

2. there shall develop, occur, exist or come into effect:

(i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Ebola disease or such related or mutated forms) in or affecting Hong Kong, the PRC, the United States, the Cayman Islands, the British Virgin Islands or any other jurisdiction relevant to any member of the Group (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or

(iv) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgement(s), decree(s) or ruling(s) of any governmental authority ("**Law(s)**") or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of the Relevant Jurisdictions); or

(v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, the Cayman Islands, the British Virgin Islands or any other Relevant Jurisdiction, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Relevant Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency), in or affecting any of the Relevant Jurisdictions or affecting an investment in the Shares; or

(viii) any litigation or claim of any third party being threatened or instigated against any Group Company; or

(ix) any of the Directors as set out in the section headed "Directors and Senior Management" in this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or

(x) the chairlady or chief executive officer of our Company vacating her office; or

(xi) the commencement by any governmental, regulatory or political body or organisation in any of the Relevant Jurisdictions of any action, litigation or claim against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation in any of the Relevant Jurisdictions that it intends to take any such action; or

(xii) a contravention by any Group Company or any executive Director of the Listing Rules, the Companies Ordinance or any other laws applicable to the Global Offering; or

(xiii) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Over-allotment Shares pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this prospectus and the other Relevant Documents 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 documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC save for such supplement or amendment is made at the request of the Sole Global Coordinator; or

(xvi) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity; or

(xvii) that a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company,

which in each case individually or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operations, financial, trading or other condition or prospects or risks of our Company or our Group or any Group Company or on any present or prospective shareholder of our Company in his, her or its capacity as such; or

(b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with an envisaged or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or

(d) has or will or may have the effect of making any part of the 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.

Undertakings Given to the Stock Exchange Pursuant to the Listing Rules

By our Company

We have undertaken to the Stock Exchange that (except pursuant to the Capitalisation Issue, the Global Offering, the Over-allotment Option, the grant of options or exercise of options granted or to be granted under the Share Option Scheme) at any time during the period commencing on the date of this prospectus and ending on the expiry of the six-month period after the Listing Date, we shall not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot and issue or agree to allot or issue any Shares or other securities convertible into our equity securities of our Company (including warrants or other convertible securities) whether or not of a class already listed, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and 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 registered holders controlled by each of our Controlling Shareholders shall not:

(a) in the period commencing on the date by reference (the "**Reference Date**") to which disclosure of the shareholdings in our Company is made in this prospectus in relation to the Global Offering and ending on the date (the "**End Date**") which is six months from the Listing Date on which dealings in the shares of the Company commence on the Stock Exchange, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save as 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 securities that it is shown to beneficially owned by the Controlling Shareholders in this prospectus (the "**Relevant Securities**"); or

(b) in the period of six months commencing from the End Date, dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances (save as 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 the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, she or it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the Reference Date and ending on the date which is 12 months from the Listing Date, she or it will:

(a) when she or it pledges or charges any securities in our Company beneficially owned by her 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 in writing of such pledge or charge together with the number of our securities so pledged or charged; and

(b) when she or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities beneficially owned by her or it will be disposed of, immediately inform us in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of our Controlling Shareholders and subject to the requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings to the Hong Kong Underwriters

Undertakings by our Company

Except pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the exercise of any options granted or to be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), our Company hereby undertakes to each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters not to, and to procure each other Group Company not to, without the prior written consent of the Sole Sponsor and 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, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create a pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other Group Company, as applicable), save as the foregoing action which is made in favour of banks in respect of loans necessary for the Group's operational needs, or deposit any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, with a depositary in connection with the issue of depositary receipts or repurchase any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable); or

(c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

(e) in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other Group Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

Our Company will not, and will procure each other Group Company not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of the Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**").

In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders hereby jointly and severally undertakes to each of our Company, the Stock Exchange, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the other Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement and in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(i) at any time during the First Six-Month Period, she or it shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for her or it and the companies controlled by she or it (together, the "**Controlled Entities**") shall not,

(a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge (other than any pledge or charge of the Company's issued share capital after the consummation of the Global Offering (assuming the Over-allotment Option is not exercised) in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan in compliance with Rule 10.07 of the Listing Rules), hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by her or it directly or indirectly through its Controlled Entities (the "**Relevant Securities**"), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities;

(c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(ii) at any time during the Second Six-Month Period, she or it shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, she or it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be controlling shareholders (as defined in the Listing Rules) of our Company;

(iii) in the event that she or it enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, she or it shall take all reasonable steps to ensure that she or it will not create a disorderly or false market for any Shares or other securities of our Company; and

(iv) she or it shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by she or it or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

Each of the Controlling Shareholders further undertakes to each of our Company, the Stock Exchange, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the other Hong Kong Underwriters that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, she or it will:

(i) when she or it pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

(ii) when she or 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 Sponsor in writing of such indications.

Undertakings by our other shareholders

Each of Mr. Liu Shui, Mr. Li Jianhua, Mr. Lin Songtian, Mr. Lin Kuanming, Mr. Hou Bo and Mr. Liu Xinping has agreed with and undertaken to each of us, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and will procure each of Yiju Holdings, Sheng Guan Investments, Sonic Trade Investments, Corporate Image, Jiesi Global Investments and Metro Hill International that, without the prior written consent of our Company and each of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters):

(a) at any time in the six-month period commencing on the Listing Date:

(i) it will not, either directly or indirectly, dispose of any Shares (including other securities of our Company or any interest in any of the foregoing), or any interest of any company or entity holding such Shares (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company), carry out (either directly or indirectly, conditionally or unconditionally), sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance, over any Shares or other securities of our Company or any interest in any of the foregoing;

(ii) it will not enter into any swap or other arrangement that disposes of or transfers to another, in whole or in part, the ownership of any such Shares or any interests therein, or any of the economic consequences or ancillary rights of ownership of any such Shares or any interest therein; or

(iii) it will not directly or indirectly enter into any transaction having the same economic effect as any transaction described in (i) or (ii) above; or

(iv) it will not agree to or consent to, or announce any intention to enter into, any transaction described in (i), (ii) or (iii) above;

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such Shares or securities, in cash or otherwise (whether or not such transactions will be completed within the six-month period).

Underwriters' Interests in Our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, as of the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The International Offering

International Offering

In connection with the International Offering, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares initially being offered pursuant to the International Offering. Please refer to the paragraph headed "Structure of the Global Offering — The International Offering" in this prospectus.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sole Global Coordinator on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to issue and allot up to an aggregate of 13,500,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover, among other things, any over-allocations in the International Offering, if any.

Total Commission and Expenses

We will pay the Sole Global Coordinator (for itself and on behalf of the Underwriters) an underwriting commission of 3.0% on the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering), out of which the Underwriters will pay all sub-underwriting commission, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Sole Global Coordinator and the relevant International Underwriters, but not the Hong Kong Underwriters.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$1.35 per Offer Share (being the mid-point of the indicative Offer Price range of HK$1.10 to HK$1.60 per Offer Share), the aggregate commissions and fees, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to HK$31.6 million in total payable by us.

Indemnity

We undertake to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner and the Hong Kong Underwriters (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and 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 us of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, 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. We will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules is made within seven days of the expiration of the stabilising period.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

(i) the Hong Kong Public Offering of an initial 9,000,000 Hong Kong Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed "The Hong Kong Public Offering" in this section; and

(ii) the International Offering of an initial 81,000,000 International Offer Shares, subject to adjustment and the Over-allotment Option as mentioned below, outside the U.S. (including to professional investors within Hong Kong) in offshore transactions in reliance on Regulation S or pursuant to another exemption from the registration requirements under the U.S. Securities Act.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Offering, but cannot do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the Offer Shares to institutional and professional investors and other investors outside the U.S. in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed "Pricing and Allocation" in this section.

References in this prospectus to applications, Application Forms, application monies or the procedure for application refer solely to the Hong Kong Public Offering.

PRICING AND ALLOCATION

Pricing

The Offer Price is expected to be fixed by an agreement between us and the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, 30 October 2015 and in any event no later than Wednesday, 4 November 2015 and the Offer Shares are expected to be allocated shortly thereafter. If, for any reason, we and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price, the Global Offering will not proceed and will lapse.

The Offer Price will be not more than HK$1.60 per Offer Share and is expected to be not less than HK$1.10 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

Reduction in offer price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters), with our consent, considers it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may be reduced 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 Offering.

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 last day for lodging applications under the Hong Kong Public Offering, expected to be on Friday, 30 October 2015, cause to be published on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.jiyihousehold.com** notice(s) of the reduction in the number of Offer Shares and/or the indicative offer price range. Such notice(s) will also include confirmation or revision, as appropriate, of the working capital statement, the offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction(s). Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares 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 Offering.

Upon the issuance of such notice, the revised number of Offer Shares and/or the revised offer price range will be final and conclusive. The Offer Price, if agreed upon, will be fixed within such revised offer price range. In the absence of any notice of a reduction in the indicative offer price range and/or the number of Offer Shares stated in this prospectus being published on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon, will under no circumstances be set outside the offer price range stated in this prospectus, and the number of Offer Shares will under no circumstances be fewer than the number stated in this prospectus.

Allocation

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of our Offer Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation may be made to professional and institutional investors and is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number or Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Announcement of Offer Price and Basis of Allocations

The Offer Price under the Global Offering, the level of indications of interest in the International Offering, and the level of applications and the results of and basis of allocations under the Hong Kong Public Offering are expected to be announced on Thursday, 5 November 2015, on our website (**www.jiyihousehold.com**) (in English and Chinese) and on the Hong Kong Stock Exchange's website (**www.hkexnews.hk**) and in a variety of channels in the manner described in the paragraph headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus. You should note that our website, and all information contained in our website, does not form part of this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including an additional 13,500,000 Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to commencement of dealing in the Shares on the Hong Kong Stock Exchange;

(ii) the Offer Price having been duly determined between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the execution and delivery of the Price Determination Agreement on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator (on behalf of the Underwriters)) and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If for any reason the Offer Price is not agreed by Wednesday, 4 November 2015 between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us on the website of our Company at **www.jiyihousehold.com** and on the website of the Stock Exchange at **www.hkexnews.hk** on the next day following such lapse. In such eventuality, all application monies will be returned to the applicants, 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, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Hong Kong Offer Shares are expected to be issued on Thursday, 5 November 2015 but will only become valid certificates of title at 8:00 a.m. on Friday, 6 November 2015, the date of commencement of dealings in the Shares, provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the paragraph headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — 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.

THE HONG KONG PUBLIC OFFERING

We are initially offering 9,000,000 Hong Kong Offer Shares at the Offer Price, representing 10% of the 90,000,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 25% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Offering will not be allotted Offer Shares in the International Offering.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the Application Form or applying online through **White Form eIPO** service or the **electronic application instruction** to HKSCC submitted by him or her, that he or she, and any person(s) for whose benefit he or she is making the application (if any), have not indicated an interest for or taken up and will not indicate an interest for or take up any International Offer Shares, and such applicant's application will be rejected if this undertaking and/or confirmation is breached and/or untrue.

Our Company, our Directors, the Sole Sponsor and the Sole Global Coordinator will take reasonable steps to identify and reject applicants under the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Offer Shares in the Hong Kong Public Offering.

The Sole Global Coordinator, on behalf of the Underwriters, may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that he or she is excluded from any application for Shares under the Hong Kong Public Offering.

The Offer Price will be not more than HK$1.60 per Offer Share and is expected to be not less than HK$1.10 per Offer Share. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$1.60 on each Hong Kong Offer Share plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee on each Hong Kong Offer Share. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK$1.60 per Offer Share, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) 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 to the procedure for application relate solely to the Hong Kong Public Offering.

Allocation

The total number of Offer Shares available for subscription under the Hong Kong Public Offering (after taking into account any reallocation and clawback referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B (subject to adjustment of odd lot size). 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 subscription price of HK$5 million (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) or less. 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 subscription price of more than HK$5 million (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) and up to the value of pool B. For this purpose, the "subscription price" for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the 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.

Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, in relation to both pool A and pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares. Multiple or suspected multiple applications within either pool or between pools and any application for more than 4,500,000 Hong Kong Offer Shares, being 50% of the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering, will be rejected.

Reallocation and Clawback

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Offer Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 27,000,000, 36,000,000 and 45,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Shares will be allocated to pool A and pool B. In addition, the Sole Global Coordinator may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate.

THE INTERNATIONAL OFFERING

The International Offering will consist of initially 81,000,000 Shares and is subject to adjustment and the Over-allotment Option, to be offered outside the United States (within the meaning of Regulation S under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act, including to professional investors in Hong Kong. The International Offering will be subject to, among other matters, the Hong Kong Public Offering becoming unconditional.

Pursuant to the International Offering, the International Underwriters will conditionally place our Shares with institutional and professional investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Hong Kong 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, we expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator 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 until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require us to issue and allot up to an aggregate of 13,500,000 additional Offer Shares (representing 15% of the Offer Shares initially available under the Global Offering), at the same price per Offer Share under the International Offering to cover, among other things, over-allocations in the International Offering, if any. If the Over-Allotment Option is exercised in full, the additional Offer Shares will represent 3.6% 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.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow, whether on its own or through any person acting for it, up to 13,500,000 Shares (being the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option) from Xinling pursuant to the Stock Borrowing Agreement, and/or acquire Shares from other sources, including the exercise of the Over-allotment Option.

If such stock borrowing arrangement with Xinling is entered into, it will only be effected by the Stabilising Manager or any person acting for it for settlement of over-allocation in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The same number of Shares so borrowed must be returned to Xinling or its nominees, as the case may be, on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the day on which the Over-allotment Option is exercised in full, or (iii) such earlier time as may be agreed in writing between the Stabilising Manager and Xinling. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Xinling by the Stabilising Manager or any person acting for it in relation to such stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise, and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the International Underwriters, may, to the extent permitted by applicable laws in Hong Kong, over-allocate and/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 commencing on the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilising action which may be taken by the Stabilising Manager or any person acting for it may include primary and ancillary stabilising actions such as purchasing or agreeing to purchase any of the Offer Shares, exercising the Over-allotment Option, stock borrowing, establishing a short position in the Shares, liquidating long positions in the Shares or offering or attempting to do any such actions. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity. Any such stabilising activities will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules. Such stabilisation, if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager or any person acting for it, and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares which may be issued or sold upon exercise of the Over-allotment Option, being 13,500,000 Shares, which is 15% of our Offer Shares initially available under the Global Offering and before the exercise of the Over-allotment Option.

The Stabilising Manager or any person acting for it, may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

(a) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and/or

(b) in connection with any action described in paragraph (a) above:

(i) (A) over-allocate our Shares; or

(B) sell or agree to sell our Shares so as to establish a short position in them,

for the sole purpose of preventing or minimising any reduction in the market price of our Shares;

(ii) exercise the Over-allotment Option so as to purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (i) above;

(iii) sell or agree to sell any of our Shares acquired by it in the course of the stabilising action referred to in paragraph (a) above in order to liquidate any position that has been established by such action; and/or

(iv) offer or attempt to do anything as described in paragraph (b)(i)(B), (b)(ii) or (b)(iii) above.

The Stabilising Manager or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares, and there is no certainty as to the extent to which or the time period for which it or any person acting for it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager or any person acting for it, which may have an adverse impact on the market price of our Shares.

Stabilisation cannot be used to support the price of our Shares for longer than the stabilisation period, which begins on the day on which dealings in our Shares commence on the Hong Kong Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering which will be Sunday, 29 November 2015. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore their market price, could fall. Our Company will ensure or procure that a public announcement will be made within seven days after the end of the stabilising period in compliance with the Securities and Futures (Price Stabilising) Rules.

Any stabilising action taken by the Stabilising Manager or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilisation bids or market purchases effected in the course of the stabilising action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring our Shares.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to an aggregate of 13,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Sole Global Coordinator on behalf of the International Underwriters, or by making purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

In particular, for the purpose of settlement of over-allocations in connection with the International Offering, the Stabilising Manager may borrow up to 13,500,000 Shares, under the stock borrowing arrangement. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefit will be made to Xinling by the Sole Global Coordinator in relation to the stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 6 November 2015, it is expected that dealings in our Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Friday, 6 November 2015. Our Shares will be traded in board lots of 2,000 Shares each under the Company's stock code 1495.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering 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 (on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or around the Price Determination Date, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering.

The underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed "Underwriting" in this prospectus.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 am on Tuesday, 27 October 2015 to 12:00 noon on Friday, 30 October 2015 from:

(i) the following addresses of the Hong Kong Underwriters:

Cinda International Securities Limited	45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
Convoy Investment Services Limited	24C, @Convoy 169 Electric Road, North Point Hong Kong

Gransing Securities Co., Limited	805-806 Far East Consortium Building 121 Des Voeux Road Central Hong Kong
Black Marble Securities Limited	Unit 03&05, 32/F, Sino Plaza 255-257 Gloucester Road, Causeway Bay Hong Kong

(ii) any of the following branches of the receiving bank:

The Bank of East Asia, Limited

District	Branch Name	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	Causeway Bay Branch	46 Yee Wo Street, Causeway Bay
	Taikoo Shing Branch	Shop G1010-1011, Yiu Sing Mansion, Taikoo Shing
	North Point Branch	326-328 King's Road, North Point
Kowloon	Tsim Sha Tsui Branch	Shop A & B, Milton Mansion, 96 Nathan Road, Tsim Sha Tsui
	Yaumatei Branch	G/F, 526 Nathan Road, Yaumatei
	Hoi Yuen Road Branch	Unit 1, G/F, Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong
New Territories	Shatin Plaza Branch	Shop 3-4, Level 1, Shatin Plaza, Shatin
	Tuen Mun Town Plaza Branch	Shop 2-10, UG/F, Tuen Mun Town Plaza Phase II, 3 Tuen Lung Street, Tuen Mun
	East Point City Branch	Shop 217B, Level 2, East Point City, 8 Chung Wa Road, Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 am on Tuesday, 27 October 2015 until 12:00 noon on Friday, 30 October 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited — Jiyi Household Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- 9:00 am to 5:00 pm, Tuesday, 27 October 2015
- 9:00 am to 5:00 pm, Wednesday, 28 October 2015
- 9:00 am to 5:00 pm, Thursday, 29 October 2015
- 9:00 am to 12:00 noon, Friday, 30 October 2015

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 30 October 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Hong Kong Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfil the criteria mentioned in the section entitled "personal collection" to collect share certificate(s) and/or refund cheque(s);

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 am on Tuesday, 27 October 2015 until 11:30 a.m. on Friday, 30 October 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 30 October 2015 or such later time under the "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for 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 **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The obvious advantage of the **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Jiyi Household International Holdings Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang—Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- **agree** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- **agree** to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the electronic application instructions are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- **confirm** that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- **authorize** the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- **agree** that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- **agree** to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/ or its respective advisers and agents;

- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Offering results;

- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- **agree** with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized 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 authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/ or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- 9:00 am to 8:30 pm(1), Tuesday, 27 October 2015
- 8:00 am to 8:30 pm(1), Wednesday, 28 October 2015
- 8:00 am to 8:30 pm(1), Thursday, 29 October 2015
- 8:00 am(1) to 12:00 noon, Friday, 30 October 2015

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 27 October 2015 until 12:00 noon on Friday, 30 October 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 30 October 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Hong Kong 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 Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Bookrunner, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 30 October 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 am and 12:00 noon on Friday, 30 October 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 am and 12:00 noon.

If the application lists do not open and close on Friday, 30 October 2015 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 5 November 2015 on our Company's website at **www.jiyihousehold.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.jiyihousehold.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Thursday, 5 November 2015;
- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 am on Thursday, 5 November 2015 to 12:00 midnight pm on Wednesday, 11 November 2015;
- by telephone enquiry line by calling 2682 8669 between 9:00 am and 10:00 pm from Thursday, 5 November 2015 to Sunday, 8 November 2015;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 5 November 2015 to Saturday, 7 November 2015 at all the receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.60 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 5 November 2015.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 5 November 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) ***If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 am to 1:00 pm on Thursday, 5 November 2015 or such other date as announced by our Company.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 5 November 2015, by ordinary post and at your own risk.

(ii) ***If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 5 November 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 5 November 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 5 November 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) ***If you apply through the White Form eIPO service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 am to 1:00 pm on Thursday, 5 November 2015, or such other date as announced by our Company as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 5 November 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) ***If you apply via Electronic Application Instructions to HKSCC***

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 5 November 2015, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, 5 November 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 5 November 2015 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 5 November 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 5 November 2015.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from 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 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

27 October 2015

The Directors
Jiyi Household International Holdings Limited

Cinda International Capital Limited

Dear Sirs,

We report on the financial information of Jiyi Household International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") which comprises the consolidated balance sheets as at 31 December 2012, 2013 and 2014 and 30 April 2015, the balance sheet of the Company as at 30 April 2015, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015 (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 III below for inclusion in Appendix I to the prospectus of the Company dated 27 October 2015 (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 the Cayman Islands on 2 February 2015 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on 30 April 2015, the Company became the holding company of the subsidiaries now comprising the Group.

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As at the date of this report, the Company has direct and indirect 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.

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 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.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). 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 HKFRS. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

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 HKFRS, 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" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 30 April 2015 and of the state of affairs of the Group as at 31 December 2012, 2013 and 2014 and 30 April 2015 and of the Group's results and cash flows for the Relevant Periods then ended.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for the four months ended 30 April 2014 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

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 2012, 2013 and 2014 and 30 April 2015 and for each of the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2014 and 2015 (the "Financial Information"):

(A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Four months ended 30 April	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	5	253,460	286,463	333,818	101,202	83,128
Cost of sales	5, 7	(193,515)	(207,600)	(247,051)	(74,675)	(62,095)
Gross profit		59,945	78,863	86,767	26,527	21,033
Selling expenses	7	(11,717)	(16,229)	(17,349)	(5,537)	(5,613)
Administrative expenses	7	(7,002)	(13,377)	(9,419)	(3,601)	(7,577)
Other income and gain/(losses) - net	6	455	(63)	873	(167)	(4)
Operating profit		41,681	49,194	60,872	17,222	7,839
Finance income	10	325	253	291	180	136
Finance expenses	10	(3,663)	(3,628)	(6,552)	(2,106)	(2,040)
Finance expenses - net	10	(3,338)	(3,375)	(6,261)	(1,926)	(1,904)
Profit before income tax		38,343	45,819	54,611	15,296	5,935
Income tax expense	11	(9,806)	(11,650)	(12,607)	(3,753)	(1,990)
Profit for the year/period, all attributable to equity holders of the Company		28,537	34,169	42,004	11,543	3,945
Other comprehensive income		—	—	—	—	—
Total comprehensive income for the year/period, all attributable to equity holders of the Company		28,537	34,169	42,004	11,543	3,945
Earnings per share for profit attributable to owners of the Company - basic and diluted (RMB)	12	2,853.7	3,416.9	4,200.4	1,154.3	394.5
Dividends	13	—	—	—	—	80,000

(B) CONSOLIDATED BALANCE SHEETS

		As at 31 December			As at 30 April
	Notes	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	14	56,381	60,643	63,164	60,968
Land use right	15	3,303	3,207	3,111	3,079
Intangible assets		11	7	30	27
Deferred income tax assets	21	767	1,687	1,718	1,923
		60,462	65,544	68,023	65,997
Current assets					
Inventories	17	47,413	45,515	31,721	32,174
Trade and other receivables	18	86,206	112,437	144,111	144,096
Restricted cash	19	4,775	5,270	5,430	7,180
Cash and cash equivalents	20	18,944	49,955	59,098	40,203
		157,338	213,177	240,360	223,653
Total assets		217,800	278,721	308,383	289,650
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	22	—	—	—	1
Share premium	23	—	—	—	145,789
Other reserves	23	66,265	65,465	44,265	(54,850)
Retained earnings		54,732	88,901	130,905	54,850
Total equity		120,997	154,366	175,170	145,790
LIABILITIES					
Current liabilities					
Trade and other payables	24	31,760	34,426	46,874	61,481
Bank borrowings	25	62,800	88,329	83,804	81,104
Current income tax liabilities		2,243	1,600	2,535	1,275
		96,803	124,355	133,213	143,860
Total liabilities		96,803	124,355	133,213	143,860
Total equity and liabilities		217,800	278,721	308,383	289,650
Net current assets		60,535	88,822	107,147	79,793
Total assets less current liabilities		120,997	154,366	175,170	145,790

(C) COMPANY BALANCE SHEET

	Notes	As at 30 April 2015 *RMB'000*
ASSETS		
Non-current assets		
Investment in a subsidiary	16	145,450
		145,450
Current assets		
Amounts due from shareholders	18	340
		340
Total assets		145,790
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	22	1
Share premium	23	145,789
Total equity		145,790
LIABILITIES		
Total liabilities		—
Total equity and liabilities		145,790
Net current assets		340
Total assets less current liabilities		145,790

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				
	Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Total Equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2012					
Balance at 1 January 2012	—	—	66,265	26,195	92,460
Comprehensive income:					
Profit for the year	—	—	—	28,537	28,537
Balance at 31 December 2012	—	—	66,265	54,732	120,997
For the year ended 31 December 2013					
Balance at 1 January 2013	—	—	66,265	54,732	120,997
Comprehensive income:					
Profit for the year	—	—	—	34,169	34,169
Transactions with owners:					
Deemed distributions *(Note 23(b))*	—	—	(800)	—	(800)
Balance at 31 December 2013	—	—	65,465	88,901	154,366
For the year ended 31 December 2014					
Balance at 1 January 2014	—	—	65,465	88,901	154,366
Comprehensive income:					
Profit for the year	—	—	—	42,004	42,004
Transactions with owners:					
Capital injection from a new investor *(Note 23(a))*	—	—	18,000	—	18,000
Deemed distributions *(Note 23(b))*	—	—	(39,500)	—	(39,500)
Deemed contributions *(Note 23(c))*	—	—	300	—	300
Balance at 31 December 2014	—	—	44,265	130,905	175,170

	Attributable to equity holders of the Company				
	Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Total Equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the four months ended 30 April 2014 (unaudited)					
Balance at 1 January 2014	—	—	65,465	88,901	154,366
Comprehensive income:					
Profit for the period	—	—	—	11,543	11,543
Transactions with owners:					
Deemed distributions *(Note 23(b))*	—	—	(39,500)	—	(39,500)
Balance at 30 April 2014	—	—	25,965	100,444	126,409
For the four months ended 30 April 2015					
Balance at 1 January 2015	—	—	44,265	130,905	175,170
Comprehensive income:					
Profit for the period	—	—	—	3,945	3,945
Transactions with owners:					
Capital injection from equity holders *(Note 23(a))*	—	—	6,335	—	6,335
Deemed contributions *(Note 23(c))*	—	—	40,000	—	40,000
Dividends *(Note 13)*	—	—	—	(80,000)	(80,000)
Share issued and Reorganisation of Listing Business *(Note 22 and 23(d))*	1	145,789	(145,450)	—	340
Balance at 30 April 2015	1	145,789	(54,850)	54,850	145,790

(E) CONSOLIDATED CASH FLOW STATEMENTS

		Year ended 31 December			Four months ended 30 April	
	Notes	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from operating activities						
Cash generated from operations	26(a)	23,813	33,805	70,422	6,111	4,426
Interest paid		(3,627)	(3,566)	(6,543)	(2,119)	(2,047)
Income tax paid		(10,912)	(13,213)	(11,704)	(5,383)	(3,454)
Net cash generated from/(used in) operating activities		9,274	17,026	52,175	(1,391)	(1,075)
Cash flows from investing activities						
Purchase of property, plant and equipment		(12,738)	(10,249)	(10,120)	(2,773)	(805)
Purchase of intangible assets		—	—	(27)	—	—
Amount due from a related party		—	—	(7,000)	—	—
Release of restricted cash		—	4,875	8,750	3,043	5,130
Addition of restricted cash		(3,275)	(5,370)	(8,910)	(2,940)	(6,880)
Net cash used in investing activities		(16,013)	(10,744)	(17,307)	(2,670)	(2,555)
Cash flows from financing activities						
Proceeds from bank borrowings		96,800	88,329	69,804	4,700	5,000
Repayments of bank borrowings		(73,700)	(62,800)	(74,329)	(5,250)	(7,700)
Capital injection from new investors	23(a)	—	—	18,000	—	6,335
Deemed distributions	23(b)	—	(800)	(39,500)	(39,500)	—
Deemed contributions	23(c)	—	—	300	—	40,000
Payment of IPO expenses (equity portion)		—	—	—	—	(1,459)
Dividends	13	—	—	—	—	(57,441)
Net cash generated from/(used in) financing activities		23,100	24,729	(25,725)	(40,050)	(15,265)
Net increase/(decrease) in cash and cash equivalents		16,361	31,011	9,143	(44,111)	(18,895)
Cash and cash equivalents at beginning of the year/period		2,583	18,944	49,955	49,955	59,098
Cash and cash equivalents at end of the year/period	20	18,944	49,955	59,098	5,844	40,203

II. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Jiyi Household International Holdings Limited (the "Company") was incorporated in the Cayman Islands on 2 February 2015 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company's registered office is Clifton House 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in the business of sale and distribution of building and home improvement materials and furnishings and provision of interior design and engineering services in the People's Republic of China (the "PRC") (the "Listing Business"). The ultimate holding company of the Group is Xinling Limited, a company incorporated in British Virgin Islands ("BVI") which is wholly-owned by Ms. Hou Wei (the "Controlling Shareholder").

This Financial Information is presented in thousands of Renminbi ("RMB"), unless otherwise stated.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation steps as described below, the Listing Business was carried out by Guangdong Jiyi Household Building Materials Chain Co., Ltd ("Jiyi Household") and its subsidiaries, which were directly or indirectly controlled by the Controlling Shareholder.

Apart from the Listing Business, two subsidiaries of Jiyi Household, namely Guangzhou Jiyi Electronic Commerce Company Limited ("Jiyi Electronic Commerce") (note (a) below) and Meizhou Jiyi Realty Development Company Limited ("Meizhou Jiyi Realty") (note (b) below) were engaged in other dissimilar business (the "Excluded Business").

In preparation for the listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "HKEX") (the "Listing"), the Group underwent the following transactions (the "Reorganisation") to transfer the Listing Business to the Company and to dispose of the Excluded Business from Jiyi Household, the Reorganisation involved the following:

(a) On 1 December 2014, Jiyi Household and Mr. Luo Tianyang (羅天揚), one of members of the senior management, transferred their respective 60% and 40% equity interests in Jiyi Electronic Commerce to the independent third parties, at a consideration of RMB300,000 and RMB200,000, respectively. Upon completion of such transfers, Jiyi Household no longer held any equity interests in Jiyi Electronic Commerce.

(b) On 8 December 2014, Jiyi Household transferred 49% and 51% of its equity interests in Meizhou Jiyi Realty to the son of Ms. Deng Haiming (鄧海鳴), senior management of Jiyi Household, and Mr. Liang Chun (梁春), a nephew-in-law of the Controlling Shareholder, at a consideration of RMB19,600,000 and RMB20,400,000, respectively. Upon completion of such transfers, Jiyi Household no longer held any equity interests in Meizhou Jiyi Realty. The consideration has been received in January 2015.

(c) On 9 January 2015, Meizhou Jisheng Household Building Materials Company Limited ("Meizhou Jisheng") was established by Jiyi Household with an initial registered capital of RMB2,000,000.

On 19 January 2015, Jiyi Household transferred its 100% equity interest in Guangdong Jiyi Xinya Decoration and Design Construction Company Limited ("Xinya Decoration") to Meizhou Jisheng at a consideration of RMB16,970,896.

(d) On 2 February 2015, the Company was incorporated in the Cayman Islands with an initial authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.10 each. On the same date, one share was issued and allotted to Reisan Moiten, the initial subscriber, at par, who then transferred such share to Xinling Limited, a BVI company wholly-owned by the Controlling Shareholder.

(e) Zhan Yun Holdings Limited ("Zhan Yun"), a company incorporated in the BVI with an initial authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1.00 each, issued and allotted one ordinary share at par to the Company. Upon completion of such issue and allotment, Zhan Yun became a wholly-owned subsidiary of the Company.

(f) On 16 February 2015, Jiyi Investments Limited ("Jiyi Investments") was incorporated by Zhan Yun as an indirectly wholly-owned subsidiary of the Company.

(g) On 28 April 2015, each of the Controlling Shareholder, Mr. Liu Shui (劉水), Mr. Li Jianhua (李建華), Mr. Lin Songtian (林松填), Mr. Lin Kuanming (林坤銘), Mr. Hou Bo (侯波) and Mr. Liu Xinping (劉新平), through their respective offshore holding companies, subscribed for and was issued and allotted with the number of shares (totally 9,999 shares) in the Company in proportion to their respective directly or indirectly owned equity interests in Jiyi Household, for an aggregate consideration of HK$123,500,000 (equivalent to RMB97,540,000).

(h) On 30 April 2015, Jiyi Investments acquired the 100% equity interest in Jiyi Household from its then shareholders, including 70.02% equity interest from the Controlling Shareholder and 29.98% equity interest from other shareholders, for an aggregate consideration of RMB97,200,000. Upon completion of this step, the Company became the holding company of the companies comprising the Group.

Upon completion of the Reorganisation and as at 31 December 2012, 2013 and 2014 and 30 April 2015 and the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group					Principal activities
				31 December			30 April	As at the date of this report	
				2012	2013	2014	2015		
Directly owned:									
Zhan Yun	BVI	09/12/2014	50,000 ordinary share of US$1 each/ 1 ordinary share of US$1 each	N/A	N/A	N/A	100%	100%	Investment holding(a)
Indirectly owned:									
Jiyi Investments	Hong Kong	16/02/2015	1 ordinary share of HK$1 each/ 1 ordinary share of HK$1 each	N/A	N/A	N/A	100%	100%	Investment holding(b)
Jiyi Household	PRC	21/04/1997	RMB48,600,000/ RMB48,600,000	100%	100%	100%	100%	100%	Sales of household building materials(c)
Meizhou Jisheng	PRC	09/01/2015	RMB2,000,000/ -	N/A	N/A	N/A	100%	100%	Investment holding(b)
Xingya Decoration	PRC	07/09/2012	RMB10,100,000/ RMB10,100,000	100%	100%	100%	100%	100%	provision of interior design and engineering services(c)
Shanghang County Jiyi Household Building Materials Company Limited	PRC	18/11/2011	RMB3,000,000/ RMB3,000,000	100%	100%	100%	100%	100%	Sales of household building materials(c)
Zhongshan Jiyi Household Building Materials Company Limited	PRC	21/12/2010	RMB1,300,000/ RMB1,300,000	100%	100%	100%	100%	100%	Sales of household building materials(c)
Anyuan County Jiyi Household Building Materials Company Limited	PRC	25/06/2012	RMB1,000,000/ RMB1,000,000	100%	100%	100%	100%	100%	Sales of household building materials(c)
Xunwu County Jiyi Household Building Materials Company Limited	PRC	24/10/2011	RMB2,000,000/ RMB2,000,000	100%	100%	100%	100%	100%	Sales of household building materials(c)

Company name	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group: 31 December 2012	31 December 2013	31 December 2014	30 April 2015	As at the date of this report	Principal activities
Wuping County Jiyi Household Building Materials Company Limited	PRC	16/06/2011	RMB2,000,000/ RMB2,000,000	100%	100%	100%	100%	100%	Sales of household building materials(c)
Lianchen County Jiyi Household Building Materials Company Limited	PRC	16/05/2012	RMB2,000,000/ RMB2,000,000	100%	100%	100%	100%	100%	Sales of household building materials(c)
Changting County Jiyi Household Building Materials Company Limited	PRC	11/06/2012	RMB1,000,000/ RMB1,000,000	100%	100%	100%	100%	100%	Sales of household building materials(c)

Notes:

(a) No statutory audited financial statements have been prepared by this company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

(b) No statutory audited financial statements have been prepared by this company as it was newly incorporated in 2015.

(c) The statutory auditor of these PRC companies for the year ended 31 December 2012 was Zhuhai Huacheng Certified Public Accountant Co., Ltd (珠海市華城會計師事務所有限公司). No statutory audited financial statements for 2013 and 2014 have been prepared as it is not required to issue audited financial statement under the statutory requirement of its respective place of incorporation.

All the companies now comprising the Group have adopted 31 December as their financial year-end date.

The English names of certain subsidiaries and auditor referred to above represented the best efforts by management of the Company in translating the subsidiaries' and auditor's Chinese names, as they do not have official English names.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business is held by the Controlling Shareholder. The Listing Business is mainly conducted through Jiyi Household. Pursuant to the Reorganisation, the Listing Business was transferred to the Company. The Company is an investment holding company. The Company has not been involved in any other activities prior to the Reorganisation that meet the definition of business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the consolidated financial information of the companies now comprising the Group is presented using the carrying values of the Listing Business 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 Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The Financial Information of the Company have been prepared in accordance with HKFRS issued by HKICPA and are set out below. The Financial Information has been prepared under the historical cost convention.

The Financial Information is prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap.32) for the Relevant Periods.

The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

All standards, amendments and interpretation to the existing standards that are effective during the Relevant Periods have been adopted by the Group consistently throughout the Relevant Periods unless prohibited by the relevant standard to apply retrospectively.

The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 January 2015, and have not been early adopted by the Group.

	Effective for annual periods beginning on or after
Annual improvements 2014	1 January 2016
Amendment to HKFRS 11 on accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41 on Agriculture: bearer plants	1 January 2016
Amendments to HKFRS 10 and HKAS 28 on sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to HKAS 27 on equity method in separate financial statements	1 January 2016
Amendment to HKFRS 5, 'Non-current assets held for sale and discontinued operations'	1 January 2016
Amendment to HKFRS 7, 'Financial instruments: Disclosures'	1 January 2016
Amendment to HKAS 19, 'Employee benefits'	1 January 2016
Amendment to HKAS 34, 'Interim financial reporting'	1 January 2016
Amendment to HKFRS 10, HKFRS 12 and HKAS 28 on investment entities: applying the consolidation exception	1 January 2016
Amendment to HKAS 1 for the disclosure initiative	1 January 2016
HKFRS 14 "Regulatory Deferral Accounts"	1 January 2016
HKFRS 15 "Revenue from Contracts with Customers"	1 January 2018
HKFRS 9 "Financial Instruments"	1 January 2018

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

The Group is in the process of making an assessment of the impact of HKFRS 15.

2.2 Subsidiaries

2.2.1 ***Consolidation***

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations not under common control

Except for the Reorganisation as described in Note 1.2 above, the Group applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

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 the total of consideration transferred, non-controlling interest recognised and previously held interest measured 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 income statement (Note 2.9).

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Merger accounting for common control combination

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of an acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The consolidated income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or businesses are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or businesses have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 ***Separate financial statements***

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources, assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions.

2.4 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 Financial Information is presented in Renminbi ("RMB"), which is the Group's presentation currency.

(b) ***Group companies***

The results and financial position of all the Group entities (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:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) 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 rate on the dates of the transaction); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

(c) ***Disposal of foreign operation and partial disposal***

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.5 Land use rights

Land use rights are up-front payments to acquire long-term interests in the usage of land. They are stated at cost and charged to the consolidated income statement over the remaining period of the lease on a straight-line basis, net of any impairment losses.

2.6 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress is property, plant and equipment on which construction work has not been completed and stated at cost. Cost includes acquisition and construction expenditure incurred, interest and other direct costs attributable to the development. Depreciation is not provided on construction in progress until the related asset is completed for intended use.

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 expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings (including the property improvement)	10-30 years
Motor vehicles	5-10 years
Furniture, fittings and equipment	5-10 years
Leasehold improvements	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 2.8).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income and gain/(losses) - net' in the consolidated statement of comprehensive income.

2.7 Intangible assets

Intangible assets represent the computer software. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Amortisation is calculated using the straight-line basis to allocate the cost of the computer software over their estimated useful lives of 5 years respectively.

2.8 Impairment of non-financial assets

Assets that are subject to amortization 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 disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units), which are not larger than the operating segments under HKFRS 8. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 ***Classification***

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 those that are not expected to be realised within the normal operating cycle of the business. These are classified as non-current assets. Loans and receivables comprise trade and other receivables (Note 2.12), restricted cash (Note 2.15) and cash and cash equivalents (Note 2.14).

2.9.2 ***Recognition and measurement***

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 carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. 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.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprising purchases and other incidental cost, are determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or solutions 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 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.

2.13 Impairment of financial assets

(a) ***Assets carried at amortised cost***

The group assesses at the end of each reporting period 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

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 consolidated income statement.

2.14 Cash and cash equivalents

In the consolidated cash flow statements, cash and cash equivalents comprise cash in hand, deposits held at call with banks and with original maturities of three months or less.

2.15 Restricted cash

Restricted cash represents guaranteed deposits held in a separate reserve account to be pledged to the bank for issuance of trade facilities such as bills payable or bankers' guarantee. Such restricted cash will be released when the Group settle the related trade facilities.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade 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 payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

(a) ***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 income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(b) ***Borrowing costs***

General and specific 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.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statements of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.20 Current and deferred income tax

The tax expense for the period comprised current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) ***Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantially 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) ***Deferred income tax***

Inside basis differences

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 Information. 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/loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially 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 utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability 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. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) ***Offsetting***

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employee payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year.

2.22 Provisions

Provisions 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 rate 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.

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when 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. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) ***Sale and distribution of merchandise***

Revenue from the sales and distribution of merchandise is recognised when significant risks and rewards of ownership of the merchandise are transferred to the customer, and the customer has accepted the merchandise and collectability of the related receivables is reasonably assumed.

(b) ***Provision of interior design and engineering services***

The Group uses the 'percentage of completion method' to determine the appropriate amount of revenue to recognise in a given period for the provision of interior design and engineering services. The stage of completion is measured by reference to the costs incurred up to the balance sheet date as a percentage of total estimated costs.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, revenue is recognised as services are provided. When it is probable that total costs to service will exceed total revenue allocated to the interior design and engineering contract, the expected loss is recognised as an expense immediately. When the outcome of an interior design and engineering contract cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that are likely to be recoverable.

2.24 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.25 Leases (as the lessee for 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 expensed in the consolidated income statement on a straight-line basis over the period of the lease.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Group treasury identifies and evaluates in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, non-derivative financial instrument and investment of excess liquidity.

(a) ***Interest rate risk***

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

As the Group has no long-term borrowings, management considers the exposure to interest rate risk is low.

(b) ***Credit risk***

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash and trade and other receivables.

For cash and cash equivalents and restricted cash, management manages the credit risk by placing all the bank deposits in state-owned financial institutions or reputable banks which are all high-credit-quality financial institutions.

For trade receivables, the Group performs ongoing credit evaluations of its debtors' financial condition and does not require collateral from the debtors on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, the Group maintains a provision for doubtful accounts and actual losses incurred have been within management's expectations.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

(c) ***Liquidity risk***

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for additions of and upgrades on property, plant and equipment, payment on related debts and payment for purchases and operating expenses. The Group finances its working capital requirements through a combination of internal resources and bank borrowings, as necessary.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintain sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

The following table details the remaining contractual maturities at each of the reporting dates during the Relevant Periods of Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year-end dates during the Relevant Periods) and the earliest date the Group may be required to pay.

	Less than 1 year
	RMB'000
As at 31 December 2012	
Trade and other payables (*)	24,785
Borrowings, including interest payables	65,754
	90,539
As at 31 December 2013	
Trade and other payables (*)	24,147
Borrowings, including interest payables	94,478
	118,625
As at 31 December 2014	
Trade and other payables (*)	33,458
Borrowings, including interest payables	88,301
	121,759
As at 30 April 2015	
Trade and other payables (*)	36,009
Borrowings, including interest payables	82,991
	119,000

* It excluded other taxes payable, salaries and staff welfare payable, advances from customers, accrued operating lease expenses, and withholding individual income tax of dividends.

3.2 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, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total borrowings referred to 'bank borrowings' as shown in the consolidated balance sheets. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt. Management considers the gearing ratio not applicable when the net debt is below zero.

The gearing ratios at 31 December 2012, 2013 and 2014 and 30 April 2015 were as follows:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	62,800	88,329	83,804	81,104
Total equity	120,997	154,366	175,170	145,790
Total capital	183,797	242,695	258,974	226,894
Gearing ratio	34%	36%	32%	36%

3.3 Fair value estimation

The financial instruments carried at fair value by valuation method are analysed into three levels as follows:

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

The Group has no financial assets and liabilities that are measured at fair value as at 31 December 2012, 2013 and 2014 and 30 April 2015.

There were no transfers between levels 1 and level 3 during the Relevant Periods.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment and consequently the related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of trade and other receivables

Management reviews its trade and other receivables for objective evidence of impairment. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered as objective evidence that a receivable is impaired. In determining this, management makes judgments as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect on the market and economic environment in which the debtor operates in. Where there is objective evidence of impairment, management makes judgments as to whether an impairment loss should be recorded as an expense.

Provision for impairment of trade and other receivables of the Group as at 31 December 2012, 2013 and 2014 and 30 April 2015 are RMB573,000, RMB670,000, RMB323,000 and RMB550,000, respectively.

(c) Provision for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable value. A considerable amount of judgment is required in determining such allowances. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required.

Provision for impairment of inventories of the Group as at 31 December 2012, 2013 and 2014 and 30 April 2015 are RMB627,000, RMB1,112,000, RMB1,037,000 and RMB1,225,000, respectively.

(d) Revenue recognition

The Group uses the percentage-of-completion method in accounting for its contracts to provide interior design and engineering services. The stage of completion is measured by reference to the services performed to date compared to the estimated total costs for the contract. Significant assumptions are required to estimate the total contract costs and in making these estimates, management has relied on past experience and industry knowledge. Management monitors the progress of the contracts and reviews periodically the estimated total costs for each contract as the contract progresses. If the actual costs differ from management's estimates, the revenue, cost of sales and provision for foreseeable losses would be adjusted.

(e) Income taxes and deferred taxation

The Group is subject to income tax in different jurisdictions. Estimation and judgment is required in determining the amount of the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact on the income tax and deferred taxation provisions in the period in which such determination is made.

In accordance with the corporate income tax laws in the PRC, a 10% withholding tax will be levied on the dividend declared by Jiyi Household established in the PRC to their foreign investors starting from 1 January 2008. During the Relevant Periods, the directors reassessed the dividend policy of its major subsidiary established in the PRC, Jiyi Household, based on the Group's current business plan and financial position, no retained earnings as of 30 April 2015 generated by Jiyi Household would be distributed to its non-PRC registered intermediate holding company and as such, no deferred tax liability has been provided by the Group for the earnings expected to be retained by the Jiyi Household in the PRC and not to be remitted out of the PRC in the foreseeable future.

5 SEGMENT INFORMATION

The CODM has been identified as the chief executive officer of the Company. The chief executive officer reviews the Group's internal reporting in order to assess performance and allocate resources. The chief executive officer has determined the operating segments based on these reports. The chief executive officer considers the business from products and services perspective, and determines that the Group has the following operating segments:

(i) Sale and distribution of merchandise

(ii) Provision of interior design and engineering services

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The Company currently does not allocate assets and liabilities to its segments, as the CODM does not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Company does not report a measure of total assets or total liabilities for each reportable segment.

The segment information provided to the CODM for the reportable segments for the Relevant Periods is as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Segment Revenue					
- Sale and distribution of merchandise					
Total segment revenue	253,201	284,048	304,322	95,086	80,634
Inter-segment revenue	—	(356)	(5,808)	(330)	(1,414)
Revenue from external customers	253,201	283,692	298,514	94,756	79,220
- Provision of interior design and engineering services					
Total segment revenue	259	2,771	36,913	6,770	3,908
Inter-segment revenue	—	—	(1,609)	(324)	—
Revenue from external customers	259	2,771	35,304	6,446	3,908
	253,460	286,463	333,818	101,202	83,128

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Segment Cost					
- Sale and distribution of merchandise	193,145	204,750	220,262	69,155	58,397
- Provision of interior design and engineering services	370	2,850	26,789	5,520	3,698
	193,515	207,600	247,051	74,675	62,095

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Segment gross profit/(loss)					
Sale and distribution of merchandise	60,056	78,942	78,252	25,601	20,823
Provision of interior design and engineering services	(111)	(79)	8,515	926	210
	59,945	78,863	86,767	26,527	21,033

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Segment gross profit	59,945	78,863	86,767	26,527	21,033
Other income and other gain/(losses) - net	455	(63)	873	(167)	(4)
Selling expenses	(11,717)	(16,229)	(17,349)	(5,537)	(5,613)
Administrative expenses	(7,002)	(13,377)	(9,419)	(3,601)	(7,577)
Finance expenses - net	(3,338)	(3,375)	(6,261)	(1,926)	(1,904)
Income tax expense	(9,806)	(11,650)	(12,607)	(3,753)	(1,990)
Profit for the year/period	28,537	34,169	42,004	11,543	3,945

During the Relevant Periods, all revenues of the Group were derived from the PRC.

Non-current assets for this purpose consist of land use right, property, plant and equipment and intangible assets which are all located in the PRC as at 31 December 2012, 2013 and 2014 and 30 April 2015.

For the Relevant Periods, there was no revenue derived from a single external customer accounting for 10% or more of the Group's revenues.

Entity-wide information

Breakdown of the revenue by products or service is as follow:

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Segment Revenue					
Sale and distribution of merchandise					
- Building materials	176,195	169,850	185,331	56,456	50,644
- Home improvement	43,703	55,940	60,579	22,627	12,975
- Furnishings	33,303	58,258	58,412	16,003	17,015
	253,201	284,048	304,322	95,086	80,634
Provision of interior design and engineering services	259	2,771	36,913	6,770	3,908
Elimination	—	(356)	(7,417)	(654)	(1,414)
	253,460	286,463	333,818	101,202	83,128

6 OTHER INCOME AND GAIN/(LOSSES) - NET

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Government grants	500	10	1,006	—	—
Loss on disposal of property, plant and equipment	—	—	(167)	(167)	—
Others	(45)	(73)	34	—	(4)
	455	(63)	873	(167)	(4)

7 EXPENSES BY NATURE

Expenses included in cost of sales, selling expenses and administrative expenses are analysed as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Cost of inventories sold	191,518	202,470	218,233	68,436	57,805
Cost of services provided	232	1,946	24,568	5,087	3,078
Depreciation of property, plant and equipment *(Note 14)*	4,230	6,764	7,023	2,304	2,633
Amortization of land use right *(Note 15)*	96	96	96	32	32
Amortization of intangible assets	4	4	4	1	1
Employee benefit expenses *(Note 8)*	6,280	10,672	8,700	2,615	3,099
Rental fees and property management fees	2,851	4,001	4,143	1,357	1,228
Other tax expenses	1,881	2,877	4,336	1,022	767
Provision for/(reversal of) write-down of inventories	407	485	(75)	98	188
Provision for/(reversal of) impairment of trade and other receivables	280	97	(347)	573	227
Advertising and promotion expenses	824	1,346	806	270	183
Water and electricity expenditures	861	974	990	232	193
Auditor's remuneration	13	309	40	20	—
Entertainment expenses	172	402	389	139	297
Office expenses	596	328	277	116	60
Automobile Expense	581	520	569	205	85
Travel expenses	378	408	465	132	132
Legal fees and professional charges	32	1,858	36	78	68
Listing expenses	—	—	250	—	4,126
Other expenses	998	1,649	3,316	1,096	1,083
Total	212,234	237,206	273,819	83,813	75,285

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Wages, allowance and bonus	4,628	8,633	7,003	2,096	2,524
Retirement benefits contribution (a)	694	1,070	1,050	314	379
Other social insurance and housing funds	958	969	647	205	196
	6,280	10,672	8,700	2,615	3,099

(a) Employees of the PRC Subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage (2012, 2013, 2014: 15%) of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

9 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive officer of the Company during the Relevant Periods are set out below:

	Year ended 31 December 2012				
Name of Directors	Fees	Salary	Discretionary bonus	Employer's contribution to retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Ms. Hou Wei (i)	—	74	—	5	79
Mr. Liu Xianxiu (ii)	—	36	—	5	41
	—	110	—	10	120
Non-executive Director					
Mr. Hou Bo (iii)	—	—	—	—	—
Mr. Lam On Tai (iv)	—	—	—	—	—
	—	—	—	—	—

Name of Directors	Year ended 31 December 2012 Fees	Salary	Discretionary bonus	Employer's contribution to retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Independent non-executive Director					
Mr. Ye Yihui (iv)	—	—	—	—	—
Mr. Ho Hin Yip (iv)	—	—	—	—	—
Mr. Hou Lianchang (iv)	—	—	—	—	—
	—	—	—	—	—

Name of Directors	Year ended 31 December 2013 Fees	Salary	Discretionary bonus	Employer's contribution to retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Ms. Hou Wei (i)	—	97	—	5	102
Mr. Liu Xianxiu (ii)	—	58	—	5	63
	—	155	—	10	165
Non-executive Director					
Mr. Hou Bo (iii)	—	36	—	—	36
Mr. Lam On Tai (iv)	—	—	—	—	—
	—	36	—	—	36
Independent non-executive Director					
Mr. Ye Yihui (iv)	—	30	—	—	30
Mr. Ho Hin Yip (iv)	—	—	—	—	—
Mr. Hou Lianchang (iv)	—	—	—	—	—
	—	30	—	—	30

Name of Directors	Year ended 31 December 2014				
	Fees	Salary	Discretionary bonus	Employer's contribution to retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Ms. Hou Wei (i)	—	121	—	6	127
Mr. Liu Xianxiu (ii)	—	73	—	6	79
	—	194	—	12	206
Non-executive Director					
Mr. Hou Bo (iii)	—	—	—	—	—
Mr. Lam On Tai (iv)	—	—	—	—	—
	—	—	—	—	—
Independent non-executive Director					
Mr. Ye Yihui (iv)	—	60	—	—	60
Mr. Ho Hin Yip (iv)	—	—	—	—	—
Mr. Hou Lianchang (iv)	—	—	—	—	—
	—	60	—	—	60

Name of Directors	Four months ended 30 April 2014 (unaudited)				
	Fees	Salary	Discretionary bonus	Employer's contribution to retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Ms. Hou Wei (i)	—	40	—	2	42
Mr. Liu Xianxiu (ii)	—	24	—	2	26
	—	64	—	4	68
Non-executive Director					
Mr. Hou Bo (iii)	—	—	—	—	—
Mr. Lam On Tai (iv)	—	—	—	—	—
	—	—	—	—	—

Name of Directors	Four months ended 30 April 2014 (unaudited) Fees	Salary	Discretionary bonus	Employer's contribution to retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Independent non-executive Director					
Mr. Ye Yihui (iv)	—	20	—	—	20
Mr. Ho Hin Yip (iv)	—	—	—	—	—
Mr. Hou Lianchang (iv)	—	—	—	—	—
	—	20	—	—	20

Name of Directors	Four months ended 30 April 2015 Fees	Salary	Discretionary bonus	Employer's contribution to retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Ms. Hou Wei (i)	—	40	—	5	45
Mr. Liu Xianxiu (ii)	—	27	—	4	31
	—	67	—	9	76
Non-executive Director					
Mr. Hou Bo (iii)	—	—	—	—	—
Mr. Lam On Tai (iv)	—	—	—	—	—
	—	—	—	—	—
Independent non-executive Director					
Mr. Ye Yihui (iv)	—	20	—	—	20
Mr. Ho Hin Yip (iv)	—	—	—	—	—
Mr. Hou Lianchang (iv)	—	—	—	—	—
	—	20	—	—	20

(i) Appointed as executive director on 2 February 2015. Ms. Hou Wei is also the chief executive officer.

(ii) Appointed as executive director on 5 June 2015.

(iii) Appointed as non-executive director on 5 June 2015.

(iv) Appointed as non-executive director on 6 October 2015.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Relevant Periods include 1, 1, 2, 1 and 2 directors in the year ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2014 and 2015 whose emoluments are reflected in the analysis presented above, respectively. The emoluments paid to the remaining four, four, three, four and three individuals during the Relevant Periods are as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Wages, allowance and bonus	238	289	277	119	94
Retirement scheme contribution	18	21	18	7	12
	256	310	295	126	106

During the Relevant Periods, no directors or any of the five highest paid individuals of the companies now comprising the Group waived any emoluments and no emoluments were paid by the companies now comprising the Group to any of the directors or five highest paid individuals as an inducement to join or upon joining the companies now comprising the Group or as compensation for loss of office.

During the Relative Periods, the emoluments paid to each of the highest individuals fell within the banding between nil to HKD1,000,000.

There was no arrangement under which a director or any of the five highest paid individuals agreed to waive any emolument during the Relevant Periods.

10 FINANCE EXPENSES - NET

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Finance income:					
- Interest income on short-term bank deposits	(325)	(253)	(291)	(180)	(136)
Finance expenses:					
- Interest expense on bank borrowings	3,663	3,628	6,552	2,106	2,040
Net finance expenses	3,338	3,375	6,261	1,926	1,904

11 INCOME TAX EXPENSE

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current income tax	10,318	12,570	12,638	3,983	2,195
Deferred income tax *(Note 21)*	(512)	(920)	(31)	(230)	(205)
	9,806	11,650	12,607	3,753	1,990

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Group as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before income tax	38,343	45,819	54,611	15,296	5,935
Tax calculated at the tax rate applicable to profits in the respective companies	9,625	11,600	12,467	3,728	1,528
Expenses not deductible for tax purposes	181	50	140	25	462
	9,806	11,650	12,607	3,753	1,990

Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

BVI income tax

The Company's subsidiary in the BVI was incorporated under the International Business Companies Act of the BVI and, accordingly, is exempted from the BVI income tax.

Hong Kong profits tax

No Hong Kong profits tax has been provided for as there was no business operation that is subject to Hong Kong profits tax during the Relevant Periods.

PRC enterprise income tax ("EIT")

The entities incorporated in the PRC are subject to EIT. According to the EIT law effective from 1 January 2008, all PRC enterprises are subject to a standard enterprise income tax rate of 25%.

According to the Notice (Meiguoshuifa 2007 No.1 and 2013 No.1) issued by the local tax bureau of Meizhou County, Guangdong Province in 2007 and 2013 respectively, Xingya Decoration, the subsidiary of the Group, used the tax collection method on a deemed profit basis, thus the taxable income is calculated at 8% of total revenue for the period from 1 January 2012 to 30 April 2015.

PRC withholding tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. During the Relevant Periods, the directors reassessed the dividend policy of its major subsidiary established in the PRC, Jiyi Household, based on the Group's current business plan and financial position, no retained earnings as of 30 April 2015 generated by Jiyi Household would be distributed to its non-PRC registered intermediate holding company and as such, no deferred tax liability has been provided by the Group for the earnings expected to be retained by the Jiyi Household in the PRC and not to be remitted out of the PRC in the foreseeable future.

12 EARNINGS PER SHARE

The earnings per share information is presented based on the 10,000 shares issued by the Company for the Reorganisation purpose as if the new structure had been in issue throughout the Relevant Periods. The earnings per share has not taken into account the capitalisation issue.

13 DIVIDENDS

On 21 January 2015, the shareholders of the Company approved to declare and distribute a dividend of RMB80 million to the shareholders. Up to 30 April 2015, RMB57,441,000 has been paid.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Furniture, fittings and equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012						
Cost	42,940	1,523	722	6,350	—	51,535
Accumulated depreciation	(2,304)	(301)	(182)	(876)	—	(3,663)
Net book amount	40,636	1,222	540	5,474	—	47,872
Year ended 31 December 2012						
Opening net book amount	40,636	1,222	540	5,474	—	47,872
Additions	370	164	239	11,966	—	12,739
Depreciation *(Note 7)*	(1,431)	(136)	(170)	(2,493)	—	(4,230)
Closing net book amount	39,575	1,250	609	14,947	—	56,381
At 31 December 2012						
Cost	43,310	1,687	961	18,316	—	64,274
Accumulated depreciation	(3,735)	(437)	(352)	(3,369)	—	(7,893)
Net book amount	39,575	1,250	609	14,947	—	56,381
Year ended 31 December 2013						
Opening net book amount	39,575	1,250	609	14,947	—	56,381
Additions	—	185	76	10,765	—	11,026
Depreciation *(Note 7)*	(2,441)	(160)	(201)	(3,962)	—	(6,764)
Closing net book amount	37,134	1,275	484	21,750	—	60,643
At 31 December 2013						
Cost	43,310	1,872	1,037	29,081	—	75,300
Accumulated depreciation	(6,176)	(597)	(553)	(7,331)	—	(14,657)
Net book amount	37,134	1,275	484	21,750	—	60,643
Year ended 31 December 2014						
Opening net book amount	37,134	1,275	484	21,750	—	60,643
Additions	—	—	72	164	9,475	9,711
Transfer	9,323	—	—	—	(9,323)	—
Disposal	(167)	—	—	—	—	(167)
Depreciation *(Note 7)*	(1,760)	(174)	(216)	(4,873)	—	(7,023)
Closing net book amount	44,530	1,101	340	17,041	152	63,164

	Buildings	Motor vehicles	Furniture, fittings and equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2014						
Cost	51,247	1,872	1,109	29,245	152	83,625
Accumulated depreciation	(6,717)	(771)	(769)	(12,204)	—	(20,461)
Net book amount	44,530	1,101	340	17,041	152	63,164
Four months ended 30 April 2015						
Opening net book amount	44,530	1,101	340	17,041	152	63,164
Additions	—	275	12	150	—	437
Transfer	152	—	—	—	(152)	—
Depreciation *(Note 7)*	(567)	(62)	(69)	(1,935)	—	(2,633)
Closing net book amount	44,115	1,314	283	15,256	—	60,968
At 30 April 2015						
Cost	51,399	2,061	1,119	29,395	—	83,974
Accumulated depreciation	(7,284)	(747)	(836)	(14,139)	—	(23,006)
Net book amount	44,115	1,314	283	15,256	—	60,968

As 31 December of 2012, 2013 and 2014 and 30 April 2015, bank borrowings of RMB62,800,000, RMB88,329,000, RMB83,804,000 and RMB81,104,000 were secured by buildings at the carrying amount of RMB38,316,000, RMB36,994,000, RMB35,671,000 and RMB35,230,000 respectively (Note 25).

During the Relevant Periods, depreciation of property, plant and equipment has been charged to the consolidated statements of comprehensive income (Note 7) as follows:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Selling expenses	2,483	4,282	4,563	1,729
Administrative expenses	1,747	2,482	2,460	904
	4,230	6,764	7,023	2,633

15 LAND USE RIGHT

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening net book amount	3,399	3,303	3,207	3,111
Amortisation *(Note 7)*	(96)	(96)	(96)	(32)
Closing net book amount	3,303	3,207	3,111	3,079
Cost	3,630	3,630	3,630	3,630
Accumulated amortisation	(327)	(423)	(519)	(551)
Net book amount	3,303	3,207	3,111	3,079

The Group's land use right is located in mainland China. The lease period of land use right is 39 years. As at 31 December 2012, 2013 and 2014 and 30 April 2015, the remaining lease periods of the Group's land use right were 36, 35, 34 and 33.5 years respectively.

As 31 December of 2012, 2013 and 2014 and 30 April 2015, bank borrowings of RMB60,000,000, RMB78,329,000, RMB73,804,000 and RMB66,104,000 were secured by the land use right at the carrying amount of RMB3,303,000, RMB3,207,000, RMB3,111,000 and RMB3,079,000 respectively (Note 25).

16 INVESTMENT IN A SUBSIDIARY

	As at 30 April
	2015
	RMB'000
Investment at cost:	
Unlisted shares	145,450

It represented the consolidated net assets of Zhan Yun and its subsidiaries as at 30 April 2015, which was recorded as deemed investment cost.

17 INVENTORIES

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	48,040	46,627	32,758	33,399
Less: provision for impairment of inventories	(627)	(1,112)	(1,037)	(1,225)
Inventories - Net	47,413	45,515	31,721	32,174

The cost of inventories included in cost of sales during the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015 amounted to RMB191,518,000, RMB202,470,000, RMB218,233,000 and RMB57,805,000, respectively.

Movements on the Group's provision for impairment of inventories are as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
At beginning of the year/period	220	627	1,112	1,112	1,037
Provision for impairment of inventories	407	485	—	98	188
Write down of inventories	—	—	(75)	—	—
At end of the year/period	627	1,112	1,037	1,210	1,225

The relevant inventories were sold to independent customers during the years ended 31 December 2012, 2013 and 2014 and 30 April 2015. The above amounts are included in 'cost of sales' in the consolidated statements of comprehensive income.

18 TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables due from third parties (a)	51,823	90,544	115,804	121,627
Trade receivables due from a related party (a) *(Note 29(d))*	—	53	21	313
Less: provision for impairment (b)	(573)	(670)	(323)	(550)
Trade receivables, net	51,250	89,927	115,502	121,390
Prepayments for purchase of merchandise	13,999	20,271	19,783	12,040
Amount due from a related party (c)	—	—	7,000	7,000
Prepayments for listing expenses	—	—	400	1,759
Deposits	20,842	958	1,140	1,264
Amounts due from shareholders (d)	—	—	—	340
Other receivables	115	1,281	286	303
	86,206	112,437	144,111	144,096

The Company

	As at 30 April
	2015
	RMB'000
Amounts due from shareholders (d)	340

The fair values of trade and other receivables approximate to their carrying values as at 31 December 2012, 2013 and 2014 and 30 April 2015, respectively.

The carrying amounts of the Group's trade and other receivables are all denominated in RMB.

(a) Trade receivables

The credit period granted to customers is between 0 to 360 days. The ageing analysis of the trade receivables from the date of sales is as follows:

	As at 31 December			As at 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 6 months	40,849	78,573	111,157	111,808
6 to 12 months	10,809	11,567	4,374	9,845
Over 12 months	165	457	294	287
	51,823	90,597	115,825	121,940

As at 31 December 2012, 2013 and 2014 and 30 April 2015, no trade receivables was past due but not impaired.

As at 31 December 2012, 2013 and 2014 and 30 April 2015, trade receivables of RMB10,974,000, RMB12,024,000, RMB4,668,000 and RMB10,132,000 were impaired and partially provided for the provision of RMB573,000, RMB670,000, RMB323,000 and RMB550,000, respectively.

(b) Provision for impairment of trade receivables

The movements on the provision for impairment of trade receivables are as follows:

	Year ended 31 December			Four months ended 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	293	573	670	323
Provision for receivable impairment	280	97	—	227
Reversal of receivable impairment	—	—	(347)	—
At end of the year/period	573	670	323	550

The maximum exposure to credit risk at the reporting date is the carrying values of each class of receivables mentioned above. The Group did not hold any collateral as security for these receivables.

(c) Amount due from a related party

It represented amount due from Meizhou Jiyi Realty, which is interest free and repayable on demand. It has been received as at the date of this report.

The other classes within trade and other receivables do not contain impaired assets.

(d) Amounts due from shareholders

It represented the difference between the amounts of RMB97,540,000 which was due from the shareholders (Note 1.2(g)) and the amounts of RMB97,200,000 which was due to the shareholders (Note 1.2(h)).

19 RESTRICTED CASH

	As at 31 December			As at 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted cash	4,775	5,270	5,430	7,180

Restricted cash represented bank deposits of the Group which were placed as guarantee deposits for issuing notes payable (Note 24(b)).

As at 31 December 2012, 2013 and 2014 and 30 April 2015, the effective interest rate on restricted cash was 2.41%, 2.45%, 2.55% and 2.48% per annum, respectively.

The carrying amounts of restricted cash approximate to their fair values and represent maximum exposure to credit risk.

The carrying amounts of restricted cash are all denominated in RMB.

20 CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and on hand	18,944	49,955	59,098	40,203

The carrying amounts of cash and cash equivalents approximate to their fair values and represent maximum exposure to credit risk.

The carrying amounts of cash at banks and on hand are denominated in:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	18,944	49,955	59,098	35,023
USD	—	—	—	5,180
Cash at banks and on hand	18,944	49,955	59,098	40,203

21 DEFERRED INCOME TAX

As no deferred income tax liabilities were recognized, there are no offset amounts as at 31 December 2012, 2013 and 2014 and 30 April 2015.

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
- to be recovered within 12 months	767	1,687	1,718	1,923

The movements in deferred tax assets are as follows:

Deferred tax assets:

	Accrued rental	Accrued payroll	Provision for impairment of trade and other receivables	Provision for impairment of inventories	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	103	23	74	55	255
Charged to profit or loss	235	106	68	103	512
At 31 December 2012	338	129	142	158	767
At 1 January 2013	338	129	142	158	767
Credited to profit or loss	217	558	25	120	920
At 31 December 2013	555	687	167	278	1,687
At 1 January 2014	555	687	167	278	1,687
Charged to profit or loss	153	(17)	(86)	(19)	31
At 31 December 2014	708	670	81	259	1,718
At 1 January 2015	708	670	81	259	1,718
Charged to profit or loss	34	67	57	47	205
At 30 April 2015	742	737	138	306	1,923

There are no unrecognised deferred tax assets on tax losses and other deductible temporary differences as at 31 December 2012, 2013 and 2014 and 30 April 2015.

22 SHARE CAPITAL

	Authorised Capital	
	Number of ordinary shares (of HKD0.10 each)	*HKD'000*
Upon incorporation of the Company on 2 February 2015	3,800,000	380,000
At 30 April 2015	3,800,000	380,000

	Share capital	
	Number of ordinary shares (of HKD0.10 each)	*RMB'000*
At 1 January 2015	—	—
Upon incorporation of the Company on 2 February 2015 *(Note 1.2(d))*	1	—
Share issued *(Note 1.2(g))*	9,999	1
At 30 April 2015	10,000	1

23 SHARE PREMIUM AND OTHER RESERVES

(a) Capital injection

On 25 August 2014, a third party, a new investor, Mr. Li Jianhua (李建華) made a capital contribution of RMB18,000,000 in Jiyi Household, which represented 6.39% of the total registered capital of Jiyi Household.

On 6 February 2015, Honest Winner International Limited ("Honest Winner"), which is owned by Mr. Lin Kuanming, a third party, a new investor, entered into a capital contribution agreement with Ms. Hou Wei, Mr. Liu Shui, Mr. Li Jianhua, Mr. Lin Songtian, Mr. Hou Bo and Mr. Liu Xinping, pursuant to which Honest Winner made a capital contribution of RMB6,335,250 in Jiyi Household, which represented 3.43% of the total registered capital of Jiyi Household. The capital contribution was settled in cash on 17 March 2015 and the registered capital of Jiyi Household was increased from RMB46,932,829 to RMB48,600,000.

(b) Deemed distributions

It represented the capital investments in Jiyi Electronic Commerce amounted to RMB300,000 in 2013, and in Meizhou Jiyi Realty amounted to RMB500,000 and RMB39,500,000 in 2013 and 2014 respective. Given the capital investments represent resource flow out of the Listing Business, it were accounted as the deemed distribution to the equity holders of the Company.

(c) Deemed contributions

Pursuant to equity transfer agreements on 1 December 2014 (Note 1.2(a)), Jiyi Household transferred its entire equity interest in Jiyi Electronic Commerce to an independent third party at a consideration of RMB300,000. It was accounted for as the deemed contribution from the equity holders of the Company.

Pursuant to equity transfer agreements on 8 December 2014 (Note 1.2(b)), Jiyi Household transferred its entire equity interest in Meizhou Jiyi Realty at a consideration of RMB40,000,000. The consideration has been received in January 2015. It was accounted for as the deemed contribution from the equity holders of the Company.

(d) Share premium

Upon the completion of the Reorganisation, the carrying amount of the consolidated net asset value of the Listing Business, amounting to RMB145,450,000 as of 30 April 2015, together with a cash consideration of RMB340,000 (Note 18(d)) to be paid, is aggregately determined to be the deemed cost of the consideration paid to the Company for the issuance of 9,999 new shares to the shareholders.

24 TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables (a)	8,708	5,189	17,058	12,591
Notes payable (b)	15,918	16,933	14,800	14,600
Advance from customers	881	3,395	2,136	2,418
Salaries and staff welfare payable	933	3,620	3,519	3,502
Other tax payables	3,807	1,039	4,930	2,226
Accrued operating lease expenses	1,354	2,225	2,831	2,966
Withholding individual income tax of dividends	—	—	—	14,360
Dividends payable	—	—	—	8,199
Other payables	159	2,025	1,600	619
	31,760	34,426	46,874	61,481

The fair values of trade and other payables approximated to their carrying values as at 31 December 2012, 2013 and 2014 and 30 April 2015.

(a) The ageing analysis of trade payables based on invoice date were as follows:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 3 months	8,708	5,186	17,019	2,687
3 to 6 months	—	—	—	9,865
6 to 12 months	—	—	—	—
Over 12 months	—	3	39	39
	8,708	5,189	17,058	12,591

The credit period secured by the Group's suppliers ranges from 0 to 90 days.

(b) The notes payable represented non-interest bearing bank acceptance notes with maturity dates within six months, and was secured by restricted cash (Note 19).

(c) The carrying amounts of trade and other payables are all denominated in RMB.

25 BANK BORROWINGS

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings	62,800	88,329	83,804	81,104

The bank borrowings of the Group were secured by property, plant and equipment (Note 14) and land use right (Note 15) of Jiyi Household as at 31 December 2012, 2013 and 2014 and 30 April 2015, and guaranteed by Ms. Hou Wei and her family (Note 29(b)). These personal guarantees will be released before Listing.

The weighted average effective interest rates during the Relevant Periods are as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
				(unaudited)	
Bank borrowings	6.82%	6.44%	7.36%	7.20%	7.09%

The carrying amounts of the Group's borrowings were approximated to their fair values as at 31 December 2012, 2013 and 2014 and 30 April 2015 as the interest rates of most of borrowings were variable and original term within one year. As the Group has no long-term borrowings, management considers the exposure to interest rate risk is low.

The carrying amounts of bank borrowings are all denominated in RMB.

26 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit before income tax to cash generated from operations

	Year ended 31 December			**Four months ended 30 April**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before income tax	38,343	45,819	54,611	15,296	5,935
Adjustments for:					
Interest expense *(Note 10)*	3,663	3,628	6,552	2,106	2,040
Depreciation of property, plant and equipment *(Note 14)*	4,230	6,764	7,023	2,304	2,633
Amortisation of land use right *(Note 15)*	96	96	96	32	32
Amortisation of intangible assets	4	4	4	1	1
Loss on disposal of property, plant and equipment - net	—	—	167	167	—
Provision for/(reversal of) write-down of inventories *(Note 7)*	407	485	(75)	98	188
Provision for/(reversal of) impairment of trade and other receivables *(Note 7)*	280	97	(347)	573	227
Changes in working capital:					
(Increase)/decrease in inventories	(7,402)	1,412	13,870	(265)	(641)
(Increase)/decrease in trade and other receivables	(34,735)	(26,327)	(24,327)	(26,383)	1,887
Increase/(decrease) in trade and other payables	18,927	1,827	12,848	12,182	(7,876)
Cash generated from operations	23,813	33,805	70,422	6,111	4,426

(b) In the consolidated cash flow statements, proceeds from disposal of properties, plant and equipment comprise:

	As at 31 December 2014	As at 30 April 2014
	RMB'000	*RMB'000*
Net book amount *(Note 14)*	167	167
Loss on disposal of property, plant and equipment *(Note 6)*	(167)	(167)
Proceeds from disposal	—	—

27 CONTINGENT LIABILITIES

As at 31 December 2012, 2013 and 2014 and 30 April 2015, the Group had no significant contingent liabilities.

28 OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises under non-cancellable operating lease agreements. As at 31 December 2012, 2013 and 2014 and 30 April 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not later than one year	2,304	2,755	3,013	3,021
Later than one year and not later than five years	15,625	16,695	10,998	11,221
Later than five years	16,276	12,450	12,450	11,211
	34,205	31,900	26,461	25,453

29 RELATED PARTY TRANSACTIONS

The directors of the Company are of the view that the following companies and individuals were related parties that had transactions or balances with the Group during the Relevant Periods:

Name of the related party	Principal business activities	Relationship with the Group
Ms. Hou Wei		Controlling Shareholder
Meizhou Xikang Construction Company Limited ("Meizhou Xikang")	Architectural Engineering	An entity is significantly influenced by a close member of the family of the Controlling Shareholder
Mr. Wen Jingfeng ("Mr. Wen")		Son of Ms. Deng Haiming, key management
Meizhou Jiyi Realty		An entity is significantly influenced by a close member of the family of Ms. Deng Haiming, senior management

(a) Key management compensation

The compensation paid or payable to the management personnel (including directors, CEO and other senior executives) for employee services are shown below:

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Wages, allowance and bonus	394	570	664	223	225
Contributions to pension plans and others	32	37	41	17	24
	426	607	705	240	249

(b) Guarantees provided by the Controlling shareholder and her family (Note 25)

As at 31 December 2012, 2013 and 2014 and 30 April 2015, the secured bank borrowing of the Group with amount of RMB62,800,000, RMB88,329,000, RMB83,804,000 and RMB81,104,000 were guaranteed by Ms. Hou Wei and her family. These guarantees will be released before or upon Listing.

(c) Transactions with related parties

Saved as disclosed in Note 18(c) and 18(d) in this report during the Relevant Periods, the following transactions were carried out between the Group and related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sales to Meizhou Xikang	781	767	4,704	2,976	339
Rental paid to Mr. Wen	24	24	26	9	10

(d) Balances with a related party

	As at 31 December			As at 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from Meizhou Xikang	—	53	21	313

The balances due from a related party are denominated in RMB, unsecured, interest free and are repayable on demand, and will be settled before or upon listing.

No balance due from related companies is past due or impaired.

30 SUBSEQUENT EVENTS

There were no significant post balance sheet events up to the date of this report.

III SUBSEQUENT FINANCIAL INFORMATION

No audited financial information has been prepared by the Company or any of the companies of the Group in respect of any period subsequent to 30 April 2015 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2015.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following information does not form part of the accountant's report prepared by PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the owners of the Company as at 30 April 2015 as if the Global Offering had taken place on 30 April 2015 assuming the over-allotment is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 April 2015 or at any future dates following the Global Offering. It is prepared based on the consolidated net assets of the Group as at 30 April 2015 as set out in the accountant's report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the accountant's report.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 April 2015	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company as at 30 April 2015**	**Unaudited pro forma adjusted net tangible assets per Share**	**Unaudited pro forma adjusted net tangible assets per Share**
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$1.10 per Share	145,763	60,206	205,969	0.57	0.70
Based on an Offer Price of HK$1.60 per Share	145,763	96,004	241,767	0.67	0.82

Notes:

(1) The audited consolidated net tangible assets attributable to the owners of the Company as at 30 April 2015 is extracted from the accountant's report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 30 April 2015 of RMB145,790,000 with an adjustment for the intangible assets as at 30 April 2015 of RMB27,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$1.10 and HK$1.60 per Share after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB4.4 million which have been expensed in the consolidated statements of comprehensive income for the year ended 31 December 2014 and the four months ended 30 April 2015) and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 360,000,000 Shares were in issue assuming that the Global Offering had been completed on 30 April 2015 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company pursuant to General Mandate to Allot and Issue Shares or General Mandate to Repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2015.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted in to Hong Kong dollars at the rate of RMB1.000 to HK$1.2193.

B. REPORT FROM THE REPORTING ACCOUNTANT ON 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

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

TO THE DIRECTORS OF JIYI HOUSEHOLD INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Jiyi Household International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 April 2015, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 27 October 2015, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in notes as set out on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 April 2015 as if the proposed initial public offering had taken place at 30 April 2015. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the year ended 30 April 2015, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 April 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled 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, 27 October 2015

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands Companies Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 February 2015 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association and the Amended and Restated Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 6 October 2015 and effective from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the

Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) ***Power to allot and issue shares and warrants***

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) ***Power to dispose of the assets of the Company or any subsidiary***

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) ***Compensation or payments for loss of office***

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) ***Loans and provision of security for loans to Directors***

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) ***Disclosure of interest in contracts with the Company or with any of its subsidiaries***

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; or

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) ***Remuneration***

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) ***Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgement of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to retirement by rotation provisions in the Articles. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) ***Borrowing powers***

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) ***Register of Directors and officers***

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) ***Proceedings of the Board***

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution - majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share, on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by:

(i) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(ii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarised financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting of the Company must be called by at least 21 days' notice in writing, and a general meeting of the Company, other than an annual general meeting, shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all members of the Company.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend subsequently declared or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

(ii) upon the expiry of the 12 years and 3 months period (being the 3 months' notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and

(iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANIES LAW

The Company was incorporated in the Cayman Islands as an exempted company on 5 February 2015 subject to the Cayman Companies Law. Certain provisions of Cayman Islands Companies Law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Cayman Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

(i) an act which is ultra vires the company or illegal;

(ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

(iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, however the directors have certain duties of care, diligence and skill and also fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 17 February 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands Companies Law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands Companies Law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 2 February 2015 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 26 June 2015. We have established a place of business in Hong Kong at Room 1405, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong. Mr. Leung Wai Hong who resides at Flat 6, 6/F, Yan Chuk House, Yan Ming Court, Tseung Kwan O, New Territories, Hong Kong, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Islands Companies Law and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands Companies Law is set out in Appendix III to this prospectus.

2. Change in share capital

On 2 February 2015, our authorised share capital as at the date of our incorporation was HK$380,000 divided into 3,800,000 Shares of HK$0.10 each. One fully paid Share was allotted and issued at par value to an initial subscriber and such Share was subsequently transferred to Xinling on the same day.

On 28 April 2015, 7,001 Shares, 1,044 Shares, 617 Shares, 582 Shares, 343 Shares, 206 Shares and 206 Shares, which were all fully paid or credited as fully paid, were allotted and issued at par value to Xinling, Yiju Holdings, Sheng Guan Investments, Sonic Trade investments, Corporate Image, Jiesi Global Investments and Metro Hill International, respectively, at a subscription price of HK$86,474,700, HK$12,893,400, HK$7,619,950, HK$7,187,700, HK$4,236,050, HK$2,544,100 and HK$2,544,100, respectively.

Pursuant to the resolutions in writing of the Shareholders of our Company passed on 6 October 2015, the authorised share capital of our Company was increased from HK$380,000 to HK$500,000,000 divided into 5,000,000,000 Shares with a par value of HK$0.10 each by the creation of an additional 4,996,200,000 Shares. We allotted and issued an aggregate of 269,990,000 Shares to our then existing Shareholders pursuant to the Capitalisation Issue.

Immediately following completion of the Global Offering and the Capitalisation Issue and 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, the issued share capital of our Company will be HK$36,000,000 divided into 360,000,000 Shares, all fully paid or credited as fully paid and 4,640,000,000 Shares will remain unissued.

Save for the aforesaid and as mentioned in the paragraph headed "A. Further Information about our Group — 3. Resolutions in writing of our Shareholders passed on 6 October 2015" below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of our Shareholders passed on 6 October 2015

Pursuant to the written resolutions passed by our Shareholders on 6 October 2015:

(a) we approved and conditionally adopted the Articles of Association which will become effective upon the Listing Date;

(b) we approved and adopted the Memorandum of Association with immediate effect;

(c) the authorised share capital of our Company was increased from HK$380,000 to HK$500,000,000 by the creation of an additional 4,996,200,000 Shares;

(d) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue, Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and our Shares to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price among our Company and the Sole Global Coordinator (for themselves and on behalf of the Underwriters) on 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, in each case on or before such dates as may be specified in the Underwriting Agreements:

(i) the Global Offering was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering;

(ii) the Over-allotment Option was approved;

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Other Information — 1. Share Option Scheme" below in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all actions as they consider necessary or desirable to implement 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 Offer Shares by our Company pursuant to the Global Offering, our Directors were authorised to capitalise an amount of HK$26,999,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 269,990,000 Shares, such Shares to be allotted and issued to our Shareholder(s) as at 6 October 2015 on a pro rata basis.

(e) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip 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 or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or 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 until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;

(f) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase, on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% 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 (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or 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 until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first; and

(g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganisation, please refer to the section headed "History, Development and Reorganisation" in this prospectus.

5. Changes in share capital of subsidiaries

Our subsidiaries are referred to in the accountant's report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the accountant's report and in the section headed "History, Development and Reorganisation" in this prospectus, our Company has no other subsidiaries.

Save as for the above changes in the share capital of Jiyi Household as mentioned in the section headed "History, Development and Reorganisation" in this prospectus, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

6. Repurchases of our Shares

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Main Board of Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised 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 an ordinary resolution of its Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our Shareholders on 6 October 2015, a general unconditional mandate (the "**Buyback Mandate**") was granted to our Directors authorising the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchase must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and the Articles, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time. Subject to the foregoing, such repurchases by our Company may only be made out of our Company's funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of Shares made for the purpose of the repurchase.

(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 from its Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) ***Funding of repurchases***

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association, the Articles, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands Companies Law, any repurchase of Shares may be made out of the profits of our Company, the share premium account of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Articles and the Cayman Islands Companies Law, out of capital and, in the case of any premium payable on a purchase over the par value of the Shares to be repurchased must be provided for, out of either or both of the profits of our Company or the share premium account of our Company or, subject to the Articles and the Cayman Islands Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) ***Share capital***

Exercise in full of the Buyback Mandate, on the basis of 360,000,000 Shares in issue immediately after the listing of our Shares (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), could accordingly result in up to 36,000,000 Shares being repurchased by our Company during the period until:

(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 any applicable law or the Articles to be held; or

(iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) ***General***

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to us or our subsidiaries.

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

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

If, as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering and the Capitalisation Issue (but not taking into account of our Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Buyback

Mandate shall be 36,000,000 Shares, being 10% of the issued share capital of our Company based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholders will be increased to approximately 58.35% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

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

(a) a shareholders' capital contribution transfer agreement dated 1 December 2014 entered into between (1) Jiyi Household as transferor and Ms. Du Chaoyan as transferee in respect of the transfer of 60% capital contribution in Jiyi Electronic Commerce by Jiyi Household to Ms. Du Chaoyan at a consideration of RMB300,000; and (2) Mr. Luo Tianyang as transferor and Ms. Wang Lanying as transferee in respect of the transfer of 40% capital contribution in Jiyi Electronic Commerce by Mr. Luo Tianyang to Ms. Wang Lanying at a consideration of RMB200,000;

(b) an equity transfer agreement dated 8 December 2014 entered into between Jiyi Household as transferor and Mr. Wen Jingfeng as transferee in respect of the transfer of 49% equity interest in Meizhou Jiyi Realty by Jiyi Household to Mr. Wen Jingfeng at a consideration of RMB19,600,000;

(c) an equity transfer agreement dated 8 December 2014 entered into between Jiyi Household as transferor and Mr. Liang Chun as transferee in respect of the transfer of 51% equity interest in Meizhou Jiyi Realty by Jiyi Household to Mr. Liang Chun at a consideration of RMB20,400,000;

(d) an equity transfer agreement dated 16 January 2015 entered into between Jiyi Household as transferor and Meizhou Jisheng as transferee in respect of the transfer of the entire equity interest in Xinya Decoration by Jiyi Household to Meizhou Jisheng at a consideration of RMB16,970,895.92;

(e) a capital contribution agreement dated 6 February 2015 entered into between Jiyi Household, Ms. Hou, Mr. Liu Shui, Mr. Li Jianhua, Mr. Lin Songtian, Mr. Hou Bo, Mr. Liu Xinping and Honest Winner, pursuant to which Honest Winner made a capital contribution of RMB6,335,250 in Jiyi Household, RMB1,667,171 of which was contributed to its registered capital and the remaining RMB4,668,079 was accounted as capital reserve of Jiyi Household;

(f) an equity transfer agreement dated 6 April 2015 entered into between Ms. Hou, Mr. Liu Shui, Mr. Li Jianhua, Mr. Lin Songtian, Honest Winner, Mr. Hou Bo and Mr. Liu Xinping, collectively as transferors and Jiyi Investments as transferee in respect of the transfer of the respective equity interests of 70.02%, 10.44%, 6.17%, 5.82%, 3.43%, 2.06% and 2.06% in Jiyi Household by the transferors to Jiyi Investments at a total consideration of RMB97,200,000;

(g) the Deed of Indemnity;

(h) the Deed of Non-Competition; and

(i) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

(a) *Trademarks*

As at the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

Trademark	Registration No.	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	4027754	9	Jiyi Household	PRC	21 June 2006	20 June 2016
	7942657	35	Jiyi Household	PRC	28 February 2011	27 February 2021

Trademark	Registration No.	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	7942710	37	Jiyi Household	PRC	20 March 2011	20 March 2021
	8631105	6	Jiyi Household	PRC	14 September 2011	13 September 2021
	8631227	42	Jiyi Household	PRC	14 September 2011	13 September 2021
	8631193	20	Jiyi Household	PRC	21 September 2011	20 September 2021
	8631250	35	Jiyi Household	PRC	14 October 2011	13 October 2021
	8631151	11	Jiyi Household	PRC	7 December 2011	6 December 2021
	8631240	43	Jiyi Household	PRC	21 December 2011	20 December 2021

Trademark	Registration No.	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
集一 家居建材连锁	303226716	2, 6, 9, 11, 17, 18, 19, 20, 21, 24, 35, 37	Jiyi Household	Hong Kong	8 December 2014	7 December 2024
集一	303226725	2, 6, 9, 11, 17, 18, 19, 20, 21, 24, 35, 37	Jiyi Household	Hong Kong	8 December 2014	7 December 2024
集一	303226734	2, 6, 9, 11, 17, 18, 19, 20, 21, 24, 35, 37	Jiyi Household	Hong Kong	8 December 2014	7 December 2024

(b) ***Domain names***

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names which, in opinion of our Directors, are material to our business:

Domain name	Name of Registered Proprietor	Date of Registration	Expiry Date
gdjiyi.com	Jiyi Household	9 May 2012	9 May 2019
jiyihousehold.com	our Company	16 September 2015	16 September 2016

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) ***Disclosure of Interests — interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations***

Immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised and without taking into account Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

Interests in our Company

Name	Nature of interest	Interests in Shares[1]	Approximate percentage shareholding
Ms. Hou Wei[2]	Interest in a controlled corporation	189,054,000 (L)	52.52%
Mr. Hou Bo[3]	Interest in a controlled corporation	5,562,000 (L)	1.55%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Ms. Hou Wei beneficially owns the entire issued share capital of Xinling. By virtue of the SFO, Ms. Hou Wei is deemed to be interested in 189,054,000 Shares held by Xinling.

(3) Mr. Hou Bo beneficially owns the entire issued share capital of Jiesi Global Investments. By virtue of the SFO, Mr. Hou Bo is deemed to be interested in 5,562,000 Shares held by Jiesi Global Investments.

(b) ***Particulars of service contracts and letters of appointment***

Each of our executive Directors, namely Ms. Hou Wei and Mr. Liu Xianxiu, has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our non-executive Directors, namely Mr. Lam On Tai and Mr. Hou Bo, has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors, namely Mr. Ye Yihui, Mr. Ho Hin Yip and Mr. Hou Lianchang, has entered into a letter of appointment with our Company for a term of three years with effect from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

(c) ***Directors' remuneration***

Each of our executive Directors and non-executive Directors is entitled to a director 's fee and shall be paid a remuneration on the basis of a twelve-month year. The current annual remuneration (including salaries, contributions to pension schemes, housing allowances, other allowances and benefits in kind) of our executive Directors and non-executive Director for the year ended 31 December 2014 (excluding any discretionary bonuses which may be paid to our executive Directors) are as follows:

Name	**Annual remuneration**
	(RMB'000)
Ms. Hou Wei	127
Mr. Liu Xianxiu	79
Mr. Hou Bo	0
Mr. Lam On Tai	0

Each of our independent non-executive Directors, namely Mr. Ye Yihui, Mr. Ho Hin Yip and Mr. Hou Lianchang, has been appointed for a term of three years. We intend to pay a director 's fee of HK$240,000 per annum to Mr. Ho Hin Yip and HK$120,000 per annum to Mr. Ye Yihui and Mr. Hou Lianchang. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (including salaries, contributions to pension scheme, housing allowances and other allowances and benefit in kind) of our Directors for the year ending 31 December 2015 is estimated to be no more than RMB450,000.

All reasonable travelling and travel-related expenses, entertainment expenses and other out of pocket expenses reasonably incurred by the executive Directors in the process of discharging their duties on behalf of our Group will be borne by our Company. Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Further details of the terms of the abovementioned service contracts are set out in the paragraph headed "C. Further Information about our Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service contracts and letters of appointment" above in this Appendix.

2. Substantial Shareholders

So far as is known to our Directors as of the Latest Practicable Date, immediately following the completion of the Global Offering and the Capitalisation Issue assuming that the Over-allotment Option is not exercised and taking no account of any Shares that may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme, the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 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 or any other member of our Group:

Name of Shareholder	Nature of Interest	Number of Shares(1)	Approximate percentage of interest in our Company immediately following the completion of the Global Offering and the Capitalisation Issue
Xinling	Beneficial owner	189,054,000 (L)	52.52%
Mr. Liu Shui	Interest in a controlled corporation	28,188,000 (L)	7.83%
Yiju Holdings(2)	Beneficial owner	28,188,000 (L)	7.83%

Notes:

(1) The letter "L" denotes the person's long position in our Shares

(2) Yiju Holdings is beneficially and wholly-owned by Mr. Liu Shui. By virtue of the SFO, Mr. Liu Shui is deemed to be interested in our Shares held by Yiju Holdings.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

4. Disclaimers

Save as disclosed herein:

(a) none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once our Shares are listed;

(b) none of our Directors or experts referred to under the paragraph headed "D. Other Information — 9. Consents of experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation);

(e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in our 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 SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(f) none of the experts referred to under the paragraph headed "D. Other Information — 9. Consents of experts" in 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; and

(g) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 6 October 2015.

(a) ***Purpose***

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) ***Who may join***

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "**Eligible Participants**") to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK$1.00 to our 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) ***Acceptance of an offer of options***

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favour of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. 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 for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting 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.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance or payment and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in a general meeting approving any necessary increase in the authorised share capital of our Company.

(d) ***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 our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, being 36,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our 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 our Shares in issue as at the date of the approval by our 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 our Company to our Shareholders shall contain a generic description of the 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 the 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 and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our 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 our 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 our Company in accordance with paragraph (r) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) ***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 our 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 our 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 our 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 our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our 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 our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:

(aa) the Eligible Participant's name, address and occupation;

(bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;

(cc) the date upon which an offer for an option must be accepted;

(dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of Shares in respect of which the option is offered;

(ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;

(gg) the date of the notice given by the grantee in respect of the exercise of the option; and

(hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) ***Price of Shares***

Subject to any adjustments made as described in paragraph (r) below, 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 must be at least the higher of:

(i) the official closing price of our 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 our 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.

(g) ***Granting options to a director, chief executive or substantial shareholders of our Company or any of their respective associates***

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our 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 an independent non-executive Director (or any of 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 our 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 our Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our 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 our Company to our 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 our 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.

(h) ***Restrictions on the times of grant of options***

A grant of options may not be made after inside information has come to the knowledge of our Company until it has been published pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. 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 our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

(iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) ***Rights are personal to grantee***

An option and an offer to grant an option shall be personal to the grantee and shall not be transferrable or assignable and 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 (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) ***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 our 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.

(k) ***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.

(l) ***Rights on ceasing employment or death***

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

(i) by any reason other than death or termination of his/her employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or

(ii) by reason of death, his/her 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 our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) ***Rights on dismissal***

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offense involving his/her integrity or honesty, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) ***Rights on takeover***

If a general offer is made to all our 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.

(o) ***Rights on winding-up***

In the event a notice is given by our 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 our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance or payment for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our 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 and register the grantee as holder thereof.

(p) ***Rights on compromise or arrangement between our Company and its members or creditors***

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our 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 may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

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.

(q) ***Ranking of Shares***

Our Shares to be allotted upon the exercise of an option will not carry voting, dividends or other 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 exercising the option.

(r) ***Effect of alterations to capital***

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his/her opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approval independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrations and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) ***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 (l), (m), (n), (o) or (p);

(iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;

(iv) subject to paragraph (o), the date of commencement of the winding-up of our 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 our 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 offense involving his or her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our 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 our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) ***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 the Eligible Participants (as the case may be) in respect of the 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 our 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.

(u) ***Cancellation of options***

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (m).

(v) ***Termination of the Share Option Scheme***

Our 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.

(w) 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.

(x) ***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 our 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 a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;

(iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the Adoption Date:

(i) the Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) ***Disclosure in annual and interim reports***

Our 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.

(z) ***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 our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 36,000,000 Shares in total.

2. Tax and other indemnities

Our Controlling Shareholders entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in the paragraph headed "B. Information about our Business — 1. Summary of material contracts" in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional.

3. Litigation

As at the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all of our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fee is HK$4.5 million and are payable by our Company.

5. Preliminary expenses

The estimated preliminary expenses incurred and paid by our Company were approximately HK$40,000.

6. Promoter

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. Taxation of holders of Shares

(a) ***Hong Kong***

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) ***Cayman Islands***

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares given that the Company has no interest in land in the Cayman Islands.

(c) ***Consultation with professional advisers***

Intending holders of our Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualification of experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this prospectus:

Name	Qualification
Cinda International Capital Limited	Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Jingtian & Gongcheng	PRC legal adviser
Appleby	Cayman Islands legal adviser
PricewaterhouseCoopers	Certified public accountants

9. Consents of experts

Each of the experts named in paragraph 8 of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

10. Interests of experts in our Company

None of the persons named in paragraph 8 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

11. Binding effect

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

12. 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 subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 April 2015 (being the date to which the latest audited consolidated financial statements of our Group were made up);

(d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(e) the principal register of members of our Company will be maintained by our principal registrar, Appleby Trust (Cayman) Ltd. in the Cayman Islands and a branch register of members of our Company will be maintained by Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted to CCASS;

(f) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(g) our Directors have been advised that under the Cayman Islands Companies Law the use of a Chinese name by our Company does not contravene the Cayman Islands Companies Law; and

(h) save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures.

13. Bilingual Prospectus

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

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

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 **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in the paragraph headed "D. Other Information — 9. Consents of experts" in Appendix IV to this prospectus; and

(c) a copy of each of the material contracts referred to in the paragraph headed "B. Information about our Business — 1. Summary of material contracts" in Appendix IV to this prospectus.

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) the amended and restated Memorandum and Articles of Association;

(b) the Cayman Islands Companies Law;

(c) the accountant's report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(d) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(e) the audited consolidated financial statements of our Group for the three years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015;

(f) the PRC legal opinions issued by Jingtian & Gongcheng, our PRC Legal Adviser in respect of our Group's business operations and property interests in the PRC;

(g) the letter of advice from Appleby, our Cayman Islands legal adviser, summarising the constitution of our Company and certain aspects of Cayman Islands Companies Law in Appendix III to this prospectus;

(h) the material contracts referred to in the paragraph headed "B. Information about our Business — 1. Summary of material contracts" in Appendix IV to this prospectus;

(i) service contracts and letters of appointment with each of our Directors referred to in the paragraph headed "C. Further Information about our Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service contracts and letters of appointment" in Appendix IV to this prospectus;

(j) the written consents referred to in the paragraph headed "D. Other Information — 9. Consents of experts" in Appendix IV to this prospectus; and

(k) the rules of the Share Option Scheme.

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JIYI HOUSEHOLD INTERNATIONAL HOLDINGS LIMITED

集一家居國際控股有限公司