China Packaging Holdings Development Limited

中華包裝控股發展有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1439

Placing and Public offer

Sole Sponsor, Sole Bookrunner and Sole Lead Manager

東英 ORIENTAL PATRON

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

China Packaging Holdings Development Limited
中華包裝控股發展有限公司

(incorporated in the Cayman Islands with limited liability)

PLACING AND PUBLIC OFFER

Number of Offer Shares	**:**	**200,000,000 Shares (subject to the Offer Size Adjustment Option)**
Number of Placing Shares	**:**	**180,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)**
Number of Public Offer Shares	**:**	**20,000,000 Shares (subject to reallocation)**
Offer Price	**:**	**Not more than HK$0.60 per Offer Share and expected to be not less than HK$0.40 per Offer Share (payable in full in Hong Kong dollars on application, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**1439**

Sole Sponsor, Sole Bookrunner and Sole Lead Manager

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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, together with the documents specified under the section headed "Documents Delivered to the Registrar of Companies and Available for Inspecting" in Appendix VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is currently expected to be fixed by an agreement between our Company and the Sole Lead Manager (also in the capacities of the Underwriter and the Bookrunner) on the Price Determination Date, which is scheduled on or about Monday, 6 January 2014, or such later date as may be agreed between our Company and the Sole Lead Manager (also in the capacities of the Underwriter and the Sole Bookrunner) but in any event not later than 6:00 p.m. (Hong Kong time) on Wednesday, 8 January 2014. If the Sole Lead Manager (also in the capacities of Underwriter and the Bookrunner) and our Company are unable to reach an agreement on the Offer Price by 6:00 p.m. (Hong Kong time) on Wednesday 8 January 2014 (or such later date as agreed by our Company and the Sole Lead Manager (also in the capacities of the Underwriter and the Sole Bookrunner), the Share Offer will not become unconditional and will lapse immediately. The Offer Price will fall within the Offer Price range stated in this prospectus unless otherwise announced, as explained below. Investors applying for the Offer Shares must pay the maximum Offer Price of HK0.60 per Offer Share together with brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%. The Sole Lead Manager (also in the capacities of the Underwriter and the Sole Bookrunner) may, with the consent of our Company, reduce the number of Offer Share and/or indicative Offer Price range below to that stated in this prospectus at any time prior to the Price Determination Date. If this occurs, notice of reduction of the indicative Offer Price range will be published in The Standard (in English), the Hong Kong Economic Times (in Chinese), the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.hs-pack.com.

Prospective investors of the Offer Shares should note that the Underwriter is entitled to terminate its obligations under the Underwriting Agreements by notice in writing to our Company given by the Sole Lead Manager (also in the capacity of the Underwriter) upon the occurrence of any of the events set out under "Underwriting – Grounds for Termination" of this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Lead Manager (also in the capacity of the Underwriter) terminate its obligations under the Underwriting Agreements in accordance with the terms of the Underwriting Agreements, the Share Offer will not become unconditional and will lapse immediately.

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

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus or the Application Forms may not be used for the purpose of, and does not (and is not intended to) 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 or the Application Forms and the offering and sales of the Offer Shares in other jurisdictions may be restricted by law and therefore persons who possess this prospectus or any of the Application Forms should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities law.

27 December 2013

Our Company will issue an announcement in Hong Kong to be published in *The Standard* (in English) and the *Hong Kong Economic Times* (in Chinese) if there is any change in the following expected timetable of the Share Offer.

	(Note 1)
Application lists of the Public Offer open *(Note2)*	11:45 a.m. on Thursday, 2 January 2014
Latest time to lodge **White** and **Yellow** Application Forms *(Note2)*	12:00 noon on Thursday, 2 January 2014
Application lists of the Public Offer close *(Note2)*	12:00 noon on Thursday, 2 January 2014
Price Determination Date *(Note 3)*	on or about Monday, 6 January 2014
Announcement of:–	
(i) the Offer Price;	
(ii) an indication of the level of interest in the Placing;	
(iii) the level of applications in the Public Offer; and	
(iv) the basis of allocation of the Public Offer Shares and the number of Offer Shares, if any, reallocated between the Placing and the Public Offer to be published in *The Standard* (in English) and the *Hong Kong Economic Times* (in Chinese), the website of our Company at www.hs-pack.com and the website of the Stock Exchange at **www.hkexnews.hk**	Friday, 10 January 2014
Results of allocation in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Public Offer Shares – Publication of results" in this prospectus)	Friday, 10 January 2014
Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID Number/Business Registration Number" function	Friday, 10 January 2014

(Note 1)

Despatch/collection of refund cheques in respect of wholly successful (if applicable) and wholly or partially unsuccessful applications under the Public Offer*(Notes 4 & 6)* .... on or before Friday, 10 January 2014

Despatch/collection of the share certificates of the Offer Shares or deposit of certificates of the Offer Shares into CCASS in respect of wholly or partially successfully applications pursuant to the Public Offer*(Notes 5 & 6)* .... on or before Friday, 10 January 2014

Dealings in our Shares on the Stock Exchange to commence at 9:00 a.m .... Monday, 13 January 2014

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 2 January 2014, the application lists will not open on that day. Further information is set out in the paragraph headed "How to Apply for the Public Offer Shares – Effect of Bad Weather Conditions on the Opening of the Application Lists" in this prospectus. If the application lists do not open and close on Thursday, 2 January 2014, the dates mentioned in this section headed "Expected Timetable" may be affected. A press announcement will be made by the Company in such event.

(3) The Price Determination Date is expected to be on or about Monday, 6 January 2014, and in any event no later than 6:00 p.m. on Wednesday, 8 January 2014. If, for any reason, the Offer Price is not agreed between the Sole Lead Manager (also in the capacities of the Underwriter and the Sole Bookrunner) and our Company on or before 6:00 p.m. on Wednesday, 8 January 2014, the Share Offer will not proceed and will lapse.

(4) Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application. All refunds will be paid by a cheque crossed ''Account Payee Only'' made out to you, or if you are joint applicants, to the first named applicant on your Application Form. Part of your Hong Kong identity card number/passport number or if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

(5) Share certificates for the Public Offer Shares will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated in accordance with their terms before 8:00 a.m. on the Listing Date. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, our Company will make an announcement as soon as possible.

(6) Applicants who have applied on **WHITE** application forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect any refund cheques and/or Share certificates in person from the Hong Kong Share Registrar, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 10 January 2014. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to Tricor Investor Services Limited at the time of collection. Applicants who have applied on **YELLOW** application forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques, if any, in person but may not collect their Share certificates which will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS investor participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** application form applications are the same as those for **WHITE** application form applicants. Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further information is set out in the paragraph headed "How to apply for the Public Offer Shares – Despatch/Collection of share certificates and refund monies" in this prospectus.

You should read carefully the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus for details relating to the structure and conditions of the Share Offer and how to apply for the Public Offer Shares.

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information which is different from that contained in this prospectus. Any information or representation not made in this prospectus must not be relied upon by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Underwriter, any of their respective Directors or any other person or party involved in the Share Offer.

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This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As the following is only a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before making any decision to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary" in this prospectus.

OVERVIEW

We are principally engaged in the design, manufacture, printing and sale of paper-based packaging products, which include flexo-printed cartons and offset-printed cartons of different sizes, shapes and design to our customers in the PRC. Our products are generally used in packaging of a wide variety of products. According to the ASKCI Report, we ranked 7th with a market share of approximately 3.2% in the paper and paperboard-based container manufacturing industry in the Jiangxi Province in the PRC in terms of our turnover in 2012, and we were therefore one of the largest paper-based packaging product manufacturers in the Jiangxi Province. Jiangxi Province accounted for approximately 2.1% of the paper-based packaging product market in the PRC in 2012 in terms of quantity of the paper-based packaging products. Paper-based packaging products have the advantages such as light weight and high recyclability.

Our products

Our products can be divided into flexo-printed cartons and offset-printed cartons by way of printing techniques. The table below sets forth the breakdown of our turnover, the quantity sold and the average selling prices of these two kinds of products during the Track Record Period:–

	Year ended 31 December						Eight months ended 31 August			
	2010		2011		2012		2012		2013	
	RMB'000	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*
							(Unaudited)			
Turnover by products										
Flexo-printed cartons	92,421	69.5%	138,184	71.3%	197,086	70.2%	112,278	70.1%	139,235	63.8%
Offset-printed cartons										
– Traditional paper-based cartons	40,577	30.5%	55,749	28.7%	83,467	29.8%	47,866	29.9%	78,881	36.2%
– Stone-paper based cartons	–	–	–	–	–	–	–	–	45	0.0%
	132,998	100%	193,933	100%	280,553	100%	160,144	100%	218,161	100%

	Year ended 31 December			Eight months ended 31 August	
	2010	2011	2012	2012	2013
Quantity sold by products ('000 sq.m.)					
Flexo-printed cartons	33,498	50,058	73,518	41,713	54,793
Offset-printed cartons					
– Traditional paper-based cartons	10,922	14,579	23,898	13,313	23,231
– Stone-paper based cartons	–	–	–	–	6
Total	44,420	64,637	97,416	55,026	78,030
Average selling price (RMB per sq.m.)					
Flexo-printed cartons	2.76	2.76	2.68	2.69	2.54
Offset-printed cartons					
– Traditional paper-based cartons	3.72	3.82	3.49	3.60	3.40
– Stone-paper based cartons	–	–	–	–	7.50
Overall weighted average	2.99	3.00	2.88	2.91	2.80

Our customers and pricing policy

All our customers are manufacturers from different industries principally located in the Jiangxi Province with a few also in other regions in the PRC. The majority of our customers are manufacturers of consumer products. The following table sets forth an analysis of our turnover by product categories of our customers during the Track Record Period:–

	Year ended 31 December						Eight months ended 31 August			
	2010		2011		2012		2012		2013	
	RMB'000	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000* (Unaudited)	*% of Total*	*RMB'000*	*% of Total*
Turnover by product categories of our customers										
Food and beverages	56,600	42.6%	75,413	38.9%	127,730	45.5%	65,137	40.7%	104,881	48.1%
Glass and ceramics articles	23,168	17.4%	35,660	18.4%	48,197	17.2%	28,470	17.8%	36,746	16.8%
Metal hardware and chemicals products	17,266	13.0%	25,494	13.1%	29,220	10.4%	18,963	11.8%	24,231	11.1%
Bamboo articles	14,697	11.1%	24,378	12.6%	27,262	9.7%	17,067	10.7%	17,152	7.9%
Other products *(note)*	21,267	15.9%	32,988	17.0%	48,144	17.2%	30,507	19.0%	35,151	16.1%
	132,998	100%	193,933	100%	280,553	100%	160,144	100%	218,161	100%

Note: Other products mainly include stationery, energy and electronic products, textile and pharmaceutical products.

During the Track Record Period, we had accumulated over 100 customers, who were mainly food and beverage manufacturers and other consumer product manufacturers in the PRC. Sales to our top five customers for each of the three years ended 31 December 2012 and the eight months ended 31 August 2013 amounted to approximately RMB54.4 million, RMB69.5 million, RMB111.2 million and RMB76.7 million respectively, accounting for approximately 40.9%, 35.8%, 39.7% and 35.2% of our total turnover respectively whereas our sale to the largest customer amounted to approximately RMB18.6 million, RMB21.9 million, RMB35.2 million and RMB21.1 million, accounting for 14.0%, 11.3%, 12.6% and 9.7% of our total turnover respectively during the corresponding period. We entered into legally binding framework agreements with our major customers related to the sale of our paper-based packaging products but these agreements do not contain any provision which would impose a minimum purchase obligation on any of our customers.

We price our products on a cost-plus basis according to, among other things, the then prevailing price of raw materials and economic condition, our expected costs of production, our intended profit margins and the prices offered by our competitor for similar products. We are able to partly pass the increase in the cost of production to our customers as we have managed to keep our inventory in raw materials in a barely sufficient level for use for approximately two weeks to one month during the Track Record Period and we are able to secure raw materials for production within a short period of time which will not be more than seven days. Hence, we can manage to adjust the selling price of our products to reflect the fluctuation in the price of the raw materials.

Our production plant and facilities

Our self-owned production plant is situated at Fengxin County, Jiangxi Province, the PRC with a total site area of approximately 66,140 sq.m. Our production plant consists of eight blocks with a total gross floor area of approximately 17,534 sq.m. We obtained all building ownership certificates for all these blocks. We presently have seven production lines, one of which is used for production of corrugated paperboards for our own use in production of paper-based packaging products, three for production of flexo-printed cartons and three for production of offset-printed cartons.

The estimated maximum production capacity and utilisation rate of our production facilities for flexo-printed cartons, offset-printed cartons and corrugated paperboards during the Track Record Period are as follows:

	Year ended 31 December									Eight months ended 31 August 2013		
	2010			2011			2012					
	Estimated production capacity	Actual production output	Average utilisation rate	Estimated production capacity	Actual production output	Average utilisation rate	Estimated production capacity	Actual production output	Average utilisation rate	Estimated production capacity	Actual production output	Average utilisation rate
	Approximate million sq.m. *(Note 1)*	*Approximate million sq.m.*	*%* *(Note 2)*	*Approximate million sq.m.* *(Note 1)*	*Approximate million sq.m.*	*%* *(Note 2)*	*Approximate million sq.m.* *(Note 1)*	*Approximate million sq.m.*	*%* *(Note 2)*	*Approximate million sq.m.* *(Note 1)*	*Approximate million sq.m.*	*%* *(Note 2)*
Flexo-printed cartons	59.2	33.7	56.9	81.8	50.1	61.2	81.8	73.4	89.7	54.5	54.6	100.2 *(Note 3)*
Offset-printed cartons	20.3	10.9	53.7	28.5	14.7	51.6	28.5	24.0	84.2	19.0	23.2	122.1 *(Note 3)*
Corrugated paperboards *(Note 4)*	37.0	24.7	66.8	37.0	26.8	72.4	37.0	41.5	112.2 *(Note 3)*	24.7	28.0	113.4 *(Note 3)*
Total	116.5	69.3	59.5	147.3	91.6	62.2	147.3	138.9	94.3	98.2	105.8	107.7 *(Note 3)*

Notes:

(1) The estimated production capacity is calculated for illustrative purposes only, on the basis of the total production output per production line per hour at 16 hours per day and 345 working days per annum as the production of packaging products will stop during the statutory holidays in the PRC.

(2) The average utilisation rate is derived by dividing actual production output of a year/period by the estimated production capacity of that year/period.

(3) For the year ended 31 December 2012 and the eight months ended 31 August 2013, the production facilities operated overtime and hence the utilisation rate exceeded 100%.

(4) The corrugated paperboards are solely used by ourselves as raw materials for production of flexo-printed cartons and offset-printed cartons and are not sold to third parties.

Taking into account (i) the fact that the average utilisation rate of our existing production lines had reached the maximum capacity for the eight months ended 31 August 2013; (ii) our plan to develop stone-paper based packaging products whereby our need for stone paperboards will increase correspondingly; and (iii) one of the new production lines can produce both corrugated paperboards and stone paperboards, which allows us to devise our production plan ahead with more flexibility, our Directors take the view that it is necessary for us to set up new production lines to support our future business development. We plan to set up one new production line for production of corrugated paperboards, two for production of offset-printed cartons and one for production of flexo-printed cartons in our new production block in the Fengxin Plant. The following table sets forth our estimated annual production capacity of our four new production lines when they have fully commenced operation:–

	Estimated annual production capacity *Approximate million sq.m.*
Flexo-printed cartons	46.5 *(Note1)*
Offset-printed cartons	28.3 *(Note2)*
Corrugated paperboards	55.5 *(Note3)*
Total	130.3

Notes:

1. The new production line for production of flexo-printed cartons will have an estimated annual production capacity of approximately 46.5 million sq.m. of flexo-printed cartons. As such, our aggregate annual production capacity for flexo-printed cartons will increase from approximately 81.8 million sq.m. to approximately 128.3 million sq.m.

2. The two new production lines for production of offset-printed cartons will have an aggregate estimated annual production capacity of approximately 28.3 million sq.m. of offset-printed cartons. As such, our aggregate annual production capacity for offset-printed cartons will increase from approximately 28.5 million sq.m. to approximately 56.8 million sq.m.

3. The new production line for production of corrugated paperboards will have an estimated annual production capacity of approximately 55.5 million sq.m. of corrugated paperboards. As such, our aggregate annual production capacity for corrugated paperboards will increase from approximately 37.0 million sq.m. to approximately 92.5 million sq.m.

Raw materials and suppliers

The major raw materials for production of paper-based packaging products are raw paper and corrugated paperboards. Corrugated paperboards are either manufactured by ourselves or purchased by us in the market.

The table below sets forth the purchase of raw paper and corrugated paperboards as a percentage of our total purchase during the Track Record Period:–

	Year ended 31 December						Eight months ended 31 August			
	2010		2011		2012		2012		2013	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Raw paper	51,192	51.0	56,583	38.7	81,185	39.0	47,849	41.1	46,616	31.8
Corrugated paperboards	42,801	42.6	80,513	55.0	113,674	54.6	60,581	52.1	89,325	60.8

Our purchases from the top five suppliers for each of the three years ended 31 December 2012 and the eight months ended 31 August 2013 amounted to approximately RMB79.7 million, RMB121.7 million, RMB174.5 million and RMB118.9 million respectively, which accounted for approximately 79.4%, 83.1%, 83.8% and 81.0% of our total purchases respectively. We entered into legally binding framework agreements with our major suppliers for raw materials but these agreements do not contain any provision which would impose a minimum purchase obligation on us.

To avoid piling up of raw materials, we place orders for raw materials on a monthly basis and we keep our inventory of raw materials at a sufficient level which is sufficient for production for around two weeks to one month during the Track Record Period, which we regard as a safe stock level. During the Track Record Period, we did not encounter any major difficulties in sourcing raw materials and did not experience any significant fluctuation in the prices of raw materials. For details of our procurement and inventory control policy, please refer to the paragraphs headed "Business – Procurement of Principal Raw Materials and Inventory Control" in this prospectus.

A sensitivity analysis on the price fluctuation of raw paper during the Track Record Period is set forth below, which illustrates the hypothetical effects on our profit before tax with 5%, 10% and 15% increase or decrease of raw paper price.

	Change in our profit before tax for change in raw paper price		
	+/-5%	**+/-10%**	**+/-15%**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2010	2,560	5,119	7,679
Year ended 31 December 2011	2,829	5,658	8,487
Year ended 31 December 2012	4,059	8,119	12,178
Eight months ended 31 August 2013	2,331	4,662	6,992

A sensitivity analysis on the price fluctuation of corrugated paperboards during the Track Record Period is set forth below, which illustrates the hypothetical effects on our profit before tax with 5%, 10% and 15% increase or decrease of corrugated paperboards price.

	Change in our profit before tax for change in corrugated paperboards price		
	+/-5%	**+/-10%**	**+/-15%**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2010	2,140	4,280	6,420
Year ended 31 December 2011	4,026	8,051	12,077
Year ended 31 December 2012	5,684	11,367	17,051
Eight months ended 31 August 2013	4,466	8,932	13,399

Research and development

As at the Latest Practicable Date, we had acquired Wuhan University's entire interest in two invention patents (發明專利), which were jointly developed by the Wuhan University and us related to the production and production methods of stone paperboards. We have also applied for registration of 11 patents (including two invention patents, two utility model patents and seven design patents) in the PRC, which are mainly applied to the production of stone-paper packaging products.

In 2011, we entered into a master agreement with the Beijing Institute of Graphic Communication (北京印刷學院) ("**BIGC**") in relation to our cooperation in technological research and development in packaging and printing for the purpose of upgrading and modifying our existing production lines. As a result, we had successfully registered 15 utility model patents, details of which are set out in the paragraph headed "Business – Intellectual Property Rights" in this prospectus. In application of the above patents and our own technology know-how, we have developed the intelligent resource-saving corrugated paper carton production system to enhance the efficiency of our production line of corrugated paperboards.

CAPITAL EXPENDITURE AND EXPANSION PLAN

We emphasize on the use of technologically advanced machinery to enhance our production efficiency and product quality, and have made considerable investments in building up our seven production lines during the Track Record Period. The amounts of our capital expenditure consisting of the addition of property, plant and equipment for the new production facilities and the enhancement of equipment and machinery are set out below:

	Year ended 31 December			Eight months ended 31 August
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure	5,093	827	19,960	8,815

We had commenced the construction of a new block with the estimated total gross floor area of approximately 15,490 sq.m. in Fengxin Plant, construction of which is expected to be completed by the first quarter of 2014. The new block will be used to accommodate four new production lines to be set up by the first half of 2014, of which one is for production of corrugated paperboards, one for manufacture of flexo-printed cartons and two for manufacture of offset-printed cartons (all these four new lines can also be used for production of stone-paper based packaging products) in Fengxin Plant.

In connection with our expansion plan, the estimated construction cost of the new block is approximately RMB45.2 million, of which approximately RMB36.0 million has been settled as at the Latest Practicable Date and the remaining balance will be financed by the proceeds from Share Offer and our internal resources, and/or bank borrowings. The estimated budget for setting up of the four new production lines is approximately RMB59.0 million, of which approximately RMB44.8 million will be financed by the proceeds from the Share Offer and/or our internal resources and the remaining balance has been settled at the Latest Practicable Date.

For details of the expansion plan, please refer to the paragraphs headed "Business – Production – Expansion Plan" in this prospectus.

COMPETITIVE STRENGTHS

We consider that our success is primarily attributable to (i) our diversified and solid customer base with most of our customers located in the proximity of our production plant in the Jiangxi Province in the PRC; (ii) our advanced technological know-how, machinery and equipment for production and printing of paper-based packaging materials; (iii) our environmentally responsible practices in the entire production process; (iv) our ability to provide one-stop cost control and/or tailored-made packaging and printing solutions to our customers; (v) our strong management team; and (vi) our good business reputation in the Jiangxi Province in the PRC.

BUSINESS STRATEGIES

We intend to implement the following principal business strategies in order to expand our business and create values for our Shareholders: (i) focusing on printing of paper-based packaging products with precision; (ii) expanding the production capacity of the Fengxin Plant; and (iii) developing stone-paper and stone-paper based packaging products. Stone-paper, which is primarily made of mineral powder (calcium carbonate/limestone) mixed with high density polyethylene bonding agent, has a number of properties that makes it an alternative to traditional paper, including, among others, high resistance to water, grease, insect and crushing, high endurance to tear and heat. In view of these properties, we plan to use stone-paper for production of sophisticated packaging products for packaging of high-end products.

Business Milestones

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

November 2005	Hong Sheng was established.
March 2006	Commencement of production of corrugated paperboards for our own use and launch of our paper-based packaging products in the market.
February 2008	Commencement of operation of our production line for production of 4-colour flexo-printed cartons.
June 2009	Commencement of operation of our production line for offset-printed cartons.
June 2010	Commencement of our research and development on stone-paper and collaboration with Wuhan University to develop stone-paper based packaging products.
March 2011	Collaboration with the BIGC on upgrading of our then existing production line for production of corrugated paperboards.
October 2012	Completing the development of the intelligent resource-saving corrugated paper carton production system（智能化資源節約型紙箱生產系統）which was awarded with provincial subsidies.
December 2012	Trial run of stone-paper printing technology.
May 2013	Trial production of stone-paper based packaging products.
August 2013	Commercial production of stone-paper based packaging products.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth the summary of our financial information for the Track Record Period and should be read in conjunction with our financial information included in the Accountants' Report, including the notes thereto.

Selected information from consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December			Eight months ended 31 August	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Turnover	132,998	193,933	280,553	160,144	218,161
Gross profit	24,178	36,487	59,262	32,221	49,589
Profit before tax	14,665	22,445	39,388	19,401	31,779
Profit for the year/period	12,879	19,593	34,222	16,673	22,808
Profit attributable to owners of our Company	12,879	19,593	34,222	16,673	22,808

Selected information from consolidated statements of financial position

	As at 31 December			As at 31 August
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	39,249	36,526	52,884	72,441
Current assets	49,214	71,842	101,143	132,396
Current liabilities	47,989	48,297	59,729	87,724
Net current assets	1,225	23,545	41,414	44,672
Total assets less current liabilities	40,474	60,071	94,298	117,113
Net assets	23,515	43,694	78,013	117,113

Key Financial Ratios

	As at 31 December			As at 31 August
	2010	**2011**	**2012**	**2013**
Gearing ratio	106.1%	71.8%	40.1%	12.8%
Return on equity	54.8%	44.8%	43.9%	19.5%*
Return on total assets	14.6%	18.1%	22.2%	11.1%*
Current ratio	1.03	1.49	1.69	1.51
Quick ratio	0.86	1.24	1.43	1.43
Gross profit margin	18.2%	18.8%	21.1%	22.7%*

* The financial ratios are calculated with the profit for the eight months ended 31 August 2013.

Our turnover, gross profit and profit for the year attributable to owners of our Company increased continuously during the Track Record Period. This was primarily due to the increase in the sales volume of our products. Our gross profit margin also increased continuously during the Track Record Period. This was primarily due to the continuous decline in our direct labour cost and manufacturing overheads per unit of sales resulting from economics of scale of our Group.

Our current ratio and quick ratio had generally improved due to the increasing fund generated from profit of our operation. The slight decline for current ratio as at 31 August 2013 was partly attributable to the decline in inventory level as a result of the change in safe stock level from the previous range between two weeks and one month to two weeks in 2013. Our gearing ratio has also been decreasing during the Track Record Period mainly attributable to the general increase in our profit generated during the Track Record Period which boosted up the total equity while the short-term bank borrowings remained at RMB15 million as at 31 December 2011 and 2012 and 31 August 2013.

Our return on equity was decreasing during the Track Record Period as we continuously recorded increase in total equity which was principally attributable to the improvement in our profits. The particularly low return on equity as at 31 August 2013 was mainly attributable to the capitalisation of amount due to immediately holding company in August 2013. Our return on asset was increasing as our average utilisation rate of the production facility had continuously increased during the years ended 31 December 2012.

Tax Concession and Tax Reduction

Pursuant to the Implementing Measures for Fengxin Industrial District to Encourage and Support Investment Enterprises (Trial Implementation)（奉新工業園區鼓勵扶持投資企業的實施辦法(試行)）as well as relevant policies implemented by The People's Government of Fengxin County, which encouraged and support enterprises located in the Jiangxi Fengxin Industrial District, tax concession in value-added tax, land use tax and enterprise income tax enjoyed by Hong Sheng for the three years ended 31 December 2012 and the eight months ended 31 August 2013 amounted to approximately RMB1.0 million, RMB2.3 million, RMB3.3 million and RMB5.5 million respectively. Such tax concession, which represents a kind of government subsidies from the local government with respect to the refund of (i) 20% of value-added tax; (ii) all land use tax; and (iii) 40% of enterprise income tax, are valid for ten years with effect from the date on which Hong Sheng commenced production in 2006, which as confirmed by the Directors, will expire in the fourth quarter of 2015 and would not be renewed thereafter.

According to the approval made by the Jiangxi Province Fengxin County State administration of Taxation pursuant to the policies prescribed in the Foreign-Invested Enterprises and Foreign Enterprises Income Tax Law of the PRC（中華人民共和國外商投資企業和外國企業所得稅法）which remained effective after the income tax rate was unified on 1 January 2008, an enterprise was in the process of the transition stage at the point, Hong Sheng enjoyed a 50% tax reduction in the enterprises income tax under the statutory rate of 25% (i.e. preferential enterprise income tax rate of 12.5%) for a period of three years from 1 January 2010 to 31 December 2012 in the sum of approximately RMB2.0 million, RMB3.1 million and RMB5.4 million during the corresponding period. However, as the aforementioned preferential tax treatment had expired on 31 December 2012, our tax liability will therefore increase since 2013, which may have an adverse effect on our cash flow and financial conditions.

RECENT DEVELOPMENTS AND FINANCIAL PERFORMANCE AFTER TRACK RECORD PERIOD

Subsequent to the Track Record Period and up to the Latest Practicable Date, our business remains to be driven by our paper-based packaging products. Based on our unaudited management records, our turnover and gross profit margin for September 2013 were approximately RMB37.9 million and approximately 23.5% respectively. Our Directors confirm that there is no material change in respect of the utilisation rate of our production facilities, raw material costs and selling prices of our products subsequent to the Track Record Period. Though we have started commercial production of stone-paper based packaging products in August 2013, the demand for our stone-paper based packaging products is not enormous as our sale of which is still in the inception stage. Based on our unaudited management records, the turnover generated from and gross profit margin of the sales of our stone-paper based packaging products was approximately RMB1.7 million and approximately 28.3% for September 2013, respectively. Save for aforesaid, our Directors confirm that there is no material operational development after the Track Record Period.

Our financial performances for the year ending 31 December 2013 and 2014 are expected to be affected by, among others, (i) the estimated expenses in relation to the Listing and the Share Offer; (ii) the depreciation charges in respect of our capital expenditure on setting up of four new production lines and construction of our new production block. The nature of the aforesaid listing expenses is non-recurrent. The total expenses in relation to the Listing and the Share Offer to be borne by us is estimated to be approximately RMB20.5 million (assuming an Offer Price of HK$0.50 per Offer Share, being the mid-point or the indicative Offer Price range), of which approximately RMB8.6 million is directly attributable to the issue of new Shares to the public and is to be accounted for as a deduction from equity whereas the remaining estimated expenses of approximately RMB4.1 million and approximately RMB7.8 million will be charged to our profit and loss for the year ending 31 December 2013 and 2014, respectively.

Further, owing to our plan to set up four new production lines and a new production block in the year 2013 and 2014, the capital expenditures in connection with the setting up of new production lines and construction of new production block will be depreciated over an estimated useful life of 10 years and 20 years respectively as soon as such production lines and the production block have been put into operation according to our accounting policy. Based on the expected commencement date of operation of four new production lines and our new production block in 2013 and 2014, additional depreciation charges on the relevant capital expenditures for the year ended 31 December 2013 and 2014 are expected to be approximately RMB325,000 and RMB5.1 million respectively.

Our Directors confirm that, up to the Latest Practicable Date, except for the estimated listing expenses to be borne by us of approximately RMB20.5 million, of which approximately RMB4.1 million and approximately RMB7.8 million will be charged to profit or loss for the year ending 31 December 2013 and 2014, respectively, there had been no material adverse change in our financial or trading position or prospect since 31 August 2013, being the end of the period reported in the Accountants' Report.

RISK FACTORS

There are certain risks involved in our operations and in connection with the Share Offer, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business; (ii) risks relating to the paper-based packaging industry in the PRC; (iii) risks relating to conducting business in the PRC; (iv) risks relating to the Share Offer and the Shares; and (v) risks relating to information contained in this prospectus. Some of the relatively material risks relating to our Group include: (i) increase in the prices of raw materials would have adverse effects on our profit margin if we cannot pass on such increase to our customers; (ii) the expiration of the tax concession treatment we have been enjoying in the fourth quarter of 2015; and (iii) our reliance on short term purchase orders from customers, which makes it difficult for us to forecast future order quantities.

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Reorganisation and the Capitalisation Issue, the Controlling Shareholders of our Company will be Mr. Sun and Novel Blaze. Mr. Sun, through Novel Blaze, holds 58.5% of our Company's entire issued share capital (without taking into account the exercise of the Offer Size Adjustment Option or any option that may be granted under the Share Option Scheme).

OFFERING STATISTICS

	Based on the Offer Price of	
	HK$0.40 per Offer Share	**HK$0.60 per Offer Share**
Market capitalisation *(Note 1)*	HK$320 million	HK$480 million
Unaudited pro forma adjusted consolidated net tangible assets per Share *(Note 2)*	HK$0.26	HK$0.31

Notes:

1. The calculation of market capitalisation of the Shares is based on the indicative Offer Price range of HK$0.40 to HK$0.60 per Offer Share and a total of 800,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or the options granted or to be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.

2. The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after having made the adjustments referred to in "Unaudited Pro Forma Financial Information" included in Appendix II to this prospectus and on the basis of a total of 800,000,000 Shares in issue immediately after completion of the Capitalization Issue and the Share Offer but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or the options granted or to be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.

USE OF PROCEEDS FROM ISSUE OF THE OFFER SHARES

Assuming that the Offer Size Adjustment Option is not exercised and assuming the Offer Price is HK$0.50 per Share (being the mid-point of the estimated range), we estimate that the aggregate net proceeds of the Share Offer after the deduction of underwriting commission and estimated expenses payable by us will be approximately HK$74.1 million (approximately RMB58.5 million). We currently intend to apply such net proceeds as follow:

– up to 76.5%, or approximately HK$56.7 million (approximately RMB44.8 million), will be used for increasing the production capacity and efficiency by, among other things, setting up four new production lines, of which one for production of corrugated paperboards (which can also be used for production of stone paperboards), one for manufacture of flexo-printed cartons and two for manufacture of offset-printed cartons (all three lines can also be used for production of stone-paper based packaging products) in the Fengxin Plant. The estimated budget for setting up four new production lines is approximately RMB 59.0 million, of which approximately RMB44.8 million will be financed by the proceeds from the Share Offer;

– up to 4.8%, or approximately HK$3.5 million (approximately RMB2.8 million), will be used for enhancing the research and development capabilities of the Group;

– up to 12.1%, or approximately HK$9.0 million (approximately RMB7.1 million), will be used for the construction of a new production block in the Fengxin Plant; and

– up to 6.6%, or approximately HK$4.9 million (approximately RMB3.8 million), will be used for our general working capital and other general corporate purposes.

If the Offer Size Adjustment Option is exercised in full, and assuming an Offer Price of HK$0.50 per Offer Share (being the mid-point of the stated Offer Price range between HK$0.40 per Offer Share and HK$0.60 per Offer Share), our Group will receive additional net proceeds of approximately HK$14.1 million. We intend to apply the additional net proceeds to the above uses on a pro-rata basis. If the Offer Price is finally determined at the lower end of the Offer Price range, being HK$0.40 per Offer Share, the net proceeds from the Share Offer will be decreased to approximately HK$57.3 million, as compared with the above computation. In such case, we intend to reduce the intended use of proceeds for the above stated purposes on a pro-rata basis.

DIVIDEND POLICY

Dividends may be paid out by way of cash or by other means we consider appropriate. No dividend was declared during the Track Record Period. After completion of the Share Offer, our Shareholders will be entitled to receive dividends declared by our Company. Dividend payments are discretionary and will be subject to the recommendation of our Board and approval of our Shareholders in general meetings or, in the case of interim dividends, subject to the approval of our Board in accordance with the Articles. The amount of any dividends to be declared by our Company in a given year in the future will depend on, among others, our Group's results of operations, available cashflows and financial conditions, operating and capital requirements, the amount of distributable profits based on the HKFRS, the Articles, applicable laws and regulations and any other factors that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and agreements that our Group may enter into in the future.

Our Group has no intention to distribute the profits generated from our PRC subsidiaries in relation to the period from 1 January 2010 to 31 August 2013 in the foreseeable future.

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

"Accountants' Report"	the accountants' report on the Group for the three years ended 31 December 2012 and the eight months ended 31 August 2013 prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this prospectus
"Application Form(s)"	**WHITE** application form(s) and **YELLOW** application form(s), or, where the context so requires, any of them to be used in connection with the Public Offer
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on 13 December 2013, a summary of which is set out in Appendix IV to this prospectus
"ASKCI"	Shenzhen Zhongshang Zhiye Investment Consulting Co., Ltd. （深圳中商智業投資顧問有限公司）, a market research and consulting company, an Independent Third Party
"ASKCI Report"	a commissioned market research report dated 19 December 2013 issued by ASKCI, details of which are set out in the section headed "Industry Overview" in this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Big Wealth"	Big Wealth Limited （大富有限公司）, a company incorporated in the BVI on 18 November 2005 with limited liability and an indirect wholly-owned subsidiary of our Company
"BIGC"	Beijing Institute of Graphic Communication（北京印刷學院）
"Board"	board of Directors
"Business Day(s)"	any day(s) (excluding Saturday(s), Sunday(s) or public holidays) in Hong Kong on which banks in Hong Kong are generally open for normal banking business
"BVI"	British Virgin Islands

"BVI Business Companies Act 2004"	the BVI Business Companies Act 2004 of the BVI, as amended, supplemented or otherwise modified from time to time
"Capitalisation Issue"	the issue of new Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to under the paragraph headed "Written resolutions of our Existing Shareholders passed on 13 December 2013" in Appendix V to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant(s)"	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
"CCASS Custodian Participant(s)"	person(s) admitted to participate in CCASS as custodian participant(s)
"CCASS Investor Participant(s)"	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individual(s) or corporation(s)
"CCASS Participant(s)"	CCASS Clearing Participant(s) or CCASS Custodian Participant(s) or CCASS Investor Participant(s)
"Celestial Key"	Celestial Key Investment Limited(天基投資有限公司), a company incorporated in the BVI with limited liability on 3 July 2013, an Existing Shareholder wholly-owned by Mr. Xu Maoan
"Companies Law"	Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Registry"	Companies Registry of Hong Kong

"Company"	China Packaging Holdings Development Limited (中華包裝控股發展有限公司), formerly known as China Environmental Packaging New Energy Limited (中國環保包裝新能源有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 12 July 2013 under the Companies Law
"Connected Person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, means Novel Blaze and Mr. Sun or, where the context so requires, any of them
"Director(s)"	director(s) of our Company
"EIT"	enterprise income tax of the PRC
"EIT Law"	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)
"Existing Shareholders"	Celestial Key, Novel Blaze, Profit Rocket and Zhen Xing
"Fengxin Plant"	our factory located in Fengxin County, Jiangxi Province, the PRC
"GAPP"	General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署)
"Good Idea International"	Good Idea International Investment Limited (新意國際投資有限公司), a company incorporated in Hong Kong with limited liability on 11 January 2006
"Group", "we", "our" or "us"	our Company and its subsidiaries, or any of them or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or any of them or the business operated by such subsidiaries or (as the case may be) their predecessors, and the term "**Group Company(ies)**" shall be construed accordingly
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants

"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Legal Advisers"	Stevenson, Wong & Co., legal advisers to our Company as to Hong Kong law
"Hong Kong Share Registrar"	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
"Hong Sheng"	鴻聖(江西)彩印包裝實業有限公司 (HongSheng (Jiangxi) Color Printing Packaging Co., Ltd.)*, a sino-foreign joint venture established in the PRC on 29 November 2005, a WFOE since 23 August 2006 and an indirectly wholly-owned subsidiary of our Company
"ICCA"	International Corrugated Case Association
"Independent Third Party(ies)"	a person(s) or company(ies) and their respective ultimate beneficial owner(s), which is/are independent of and not connected with any member of our Group, any directors, chief executive, Controlling Shareholders and Substantial Shareholders of our Company and our subsidiaries and their respective associates
"Latest Practicable Date"	19 December 2013, being the latest practicable date prior to the publication of this prospectus for ascertaining certain information contained in this prospectus
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date, expected to be on or about 13 January 2014, on which trading of the Shares on the Main Board first commences
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel to the Growth Enterprise Market of the Stock Exchange
"MOFCOM"	Ministry of Commerce of the People Republic of China (中華人民共和國商務部)
"Mr. Sun"	Mr. Sun Shao Hua (孫少華), an executive Director and a Controlling Shareholder
"Non-competition Deed"	the non-competition deed dated 13 December 2013 executed by the Controlling Shareholders in favour of our Company (for itself and for the benefit of each member of our Group), details of which are set out in the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in this prospectus
"Novel Blaze"	Novel Blaze Limited (嶄亮有限公司), a company incorporated in the BVI on 13 May 2013 with limited liability, an Existing Shareholder wholly-owned by Mr. Sun and a Controlling Shareholder
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) of not more than HK$0.60 and not less than HK$0.40 at which the Offer Shares are to be subscribed for and issued pursuant to the Share Offer, such price is to be agreed between our Company and the Sole Lead Manager (also in the capacities of the Underwriter and the Sole Bookrunner) at or before the Price Determination Date
"Offer Shares"	the Public Offer Shares and the Placing Shares
"Offer Size Adjustment Option"	the option to be granted by our Company to the Sole Lead Manager under the Placing Underwriting Agreement pursuant to which the Sole Lead Manager may require our Company to allot and issue up to an aggregate of an additional 30,000,000 new Shares, representing 15% of the initial number of the Offer Shares, at the Offer Price, further details of which are described in the section headed "Structure and Conditions of the Share Offer"

"Placing"	the conditional placing of the Placing Shares by the Placing Underwriter on behalf of our Company for cash at the Offer Price to selected professional, institutional and individual investors, details of which are described in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Placing Shares"	the 180,000,000 new Shares initially offered by our Company for subscription under the Placing and, where relevant, together with any additional Shares that may be issued by our Company pursuant to the exercise of the Offer Size Adjustment Option, subject to reallocation as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Placing Underwriter(s)"	the underwriter(s) of the Placing Shares listed in the paragraph headed "Placing Underwriter" under the section headed "Underwriting" in this prospectus
"Placing Underwriting Agreement"	the conditional placing underwriting agreement relating to the Placing to be entered into, among others, the Sole Lead Manager, the Placing Underwriter, our Company, the Controlling Shareholders and the executive Directors as further described under the paragraph headed "Placing" in the section headed "Underwriting" in this prospectus
"PRC" or "China"	the People's Republic of China which, for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Legal Advisers"	Jingtian & Gongcheng Law Firm, legal advisers to our Company as to PRC law
"Price Determination Agreement"	the agreement to be entered into between our Company, the Sole Sponsor and the Sole Lead Manager (also in the capacities of the Underwriter and the Sole Bookrunner) at or before the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about 6 January 2014 (or such other time and date as may be agreed between our Company and the Sole Lead Manager (also in the capacities of the Underwriter and the Sole Bookrunner)), but in any event no later than on 8 January 2014, on which the Offer Price is fixed for the purpose of the Share Offer

"Profit Rocket"	Profit Rocket Limited, a company incorporated in the BVI with limited liability on 28 May 2013, an Existing Shareholder wholly-owned by Mr. Wong Kin Tak
"Public Offer"	the conditional offer of the Public Offer Shares by our Company for subscription to the public in Hong Kong at the Offer Price, as further described in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Public Offer Shares"	the 20,000,000 new Shares initially offered by our Company for subscription at the Offer Price under the Public Offer, representing 10% of the initial number of Offer Shares (subject to reallocation as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus)
"Public Offer Underwriter"	the underwriter of the Public Offer Shares listed in the paragraph headed "Public Offer Underwriter" under the section headed "Underwriting" in this prospectus
"Public Offer Underwriting Agreement"	the conditional public offer underwriting agreement dated 24 December 2013 relating to the Public Offer and entered into by, among others, the Sole Sponsor, the Sole Lead Manager, the Public Offer Underwriter, our Company, Mr. Sun and other executive Directors, as further described under the paragraph headed "Public Offer" in the section headed "Underwriting" in this prospectus
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing and prior to the issue of this prospectus, details of which are described in the sub-paragraph headed "Corporate reorganisation" under the paragraph headed "Further information about our Company and our subsidiaries" in Appendix V to this prospectus
"Rich Kirin"	Rich Kirin Holdings Limited (富麟控股有限公司), a company incorporated in the BVI with limited liability on 13 June 2013 and a direct wholly-owned subsidiary of our Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the People's Republic of China (中華人民共和國國家外匯管理局)

"SAT"	State Administration of Taxation of the People's Republic of China (中華人民共和國國家稅務總局)
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the capital of our Company
"Share Offer"	the Placing and the Public Offer
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 13 December 2013, the principal terms of which are set forth under the paragraph headed "Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Sino Hi-Tech"	Sino Hi-Tech Printing & Packing Limited (中華高新科技彩印包裝有限公司), a company incorporated in Hong Kong with limited liability on 31 May 2010 which is wholly-owned by Mr. Sun
"Sole Bookrunner" or "Sole Lead Manager"	Oriental Patron Securities Limited, a corporation licenced to carry on type 1 (dealing in securities) and type 4 (advising on securities) of the regulated activities under the SFO, being the sole bookrunner and sole lead manager to the Share Offer
"Sole Sponsor"	Oriental Patron Asia Limited, a corporation licenced to carry on type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities under the SFO, being the sole sponsor to the Share Offer
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meanings ascribed thereto in Section 2 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time

"Track Record Period"	the three financial years ended 31 December 2012 and the eight months ended 31 August 2013
"Underwriter"	Oriental Patron Securities Limited, being the Placing Underwriter and the Public Offer Underwriter
"Underwriting Agreements"	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
"United States" or "US" or "USA"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"WFOE"	wholly foreign-owned enterprise
"Zhen Xing"	Zhen Xing Holdings Limited(鎮興控股有限公司), a company incorporated in the BVI with limited liability on 6 June 2013, an Existing Shareholder wholly-owned by Mr. Cheng Yuen Ching
"sq.m."	square metre(s)
"%"	per cent.

The English names of the PRC entities, the PRC laws or regulations or the PRC government authorities mentioned in this prospectus and marked with "*" are translation or transliteration from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

Unless the context requires otherwise, translation of US$ into HK$ and RMB into HK$ is made in this prospectus, for illustration purpose only, at the rates of US$1.00 = HK$7.80 and RMB0.79 = HK$1.00. No representation is made that any amount in US$, HK$ or RMB could have been or could be converted at the above rate or at any other rate or at all.

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

This glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with us and our business. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"CAGR"	compound annual growth rate
"calendaring (壓光)"	a process of smoothing the surface of the paper by pressing it between cylinders or rollers at the end of the printing process which produces a smoother and more uniform surface
"cardboard"	primarily comprising kraftlinerboard and kraftliner paper
"corrugated carton"	a box made from corrugated paperboards after die-cutting which is mainly used for storing goods. Cartons are usually made from single-wall and double-wall corrugated paperboards
"corrugated paper"	paper used to form the corrugated or fluted component sandwiched between the outer and inner facings of corrugated paperboard for packaging purpose
"corrugated paperboard"	paperboard formed by adhering the corrugated paper to one or more layers of the outer and inner facings of corrugated paperboard. Corrugated paperboards may be classified according to the number of layers of corrugated paper
"corrugation" or " flute"	the wave shapes or ridges that are pressed onto the corrugated paper
"corrugator"	an automated production line comprising machinery which presses corrugation onto corrugated paper to form corrugated paperboards
"DCS"	a kind of computerised control system commonly used to control manufacturing processes that are continuous or batch-oriented, for our production of corrugated paperboards.
"die-cutting process"	a process through which paper sheets are cut into pieces according to users' requirements through hydraulic or mechanical presses

"double-wall corrugated paperboard"	corrugated paperboard which consists of two plies of corrugated paper which are glued together by one ply of unfluted paper or cardboard
"flexo-printing"	the most commonly used printing technique on packaging materials and this technique involves the use of a hard cylinder to dispose of a measured amount of ink upon the surface of the flexible printing plate which will then be transferred on the printing surface
"flexo-printed carton(s)"	the carton(s) which are primarily made of corrugated paperboards and the surface of which are printed with images by flexo-printing
"folding and gluing process"	a process through which a piece of flat material is transformed into a finished product such as a paper box, envelope, or promotional item by folding along pre-creased lines and applying the adhesive that will hold the product together
"GDP"	gross domestic product
"impression(s)"	one impression equals one press sheet passing once through a printing unit
"ISO"	acronym for a series of quality management and quality assurance standards published by the International Organization for Standardization, a non-governmental organization based in Geneva, Switzerland, for assessing the quality systems of business organizations
"ISO9001"	ISO standards for quality management which are primarily concerned with what an organization does to ensure that its products conform to customer and applicable regulatory requirements and which set requirements for what an organization must do to manage processes influencing product quality. ISO 9001 is a member of that family and ISO 9001:2008 provides a set of standardized requirements for a quality management system
"kraftlinerboard"	a high grade linerboard manufactured wholly or partially by kraft pulp

"lamination (覆膜)"	it is a process of applying a film of plastic on the surface of any item, including card paper, to enable it to become tear-proof and waterproof. Sometimes lamination is done in order to enhance the contrast and color of such packaging materials
"offset-printing"	a printing technique where the inked image is transferred (or offset) from a plate first to a rubber blanket, then to the printing surface, which offers consistent high image quality and speedy printing
"offset-printed carton(s)"	the carton(s) and the surface of which are printed with images by offset-printing
"printing plate"	a plate made of metal, rubber or other materials with an image printed on it through a photomechanical or photochemical process and other treatments for the transfer of the image of texts and graphics to paper
"printing process"	a process in which the image on the printing plate is printed on papers
"raw paper (原紙)"	including kraftlinerboard, corrugated paper, white card paper and coated whiteboard paper, which is mostly made of waste paper
"single-wall corrugated paperboard"	corrugated board which consists of one ply of corrugated medium which is glued between two plies of cardboard
"stone-paper"	a type of paper manufactured from mineral powder (calcium carbonate/limestone) mixed with high density polyethylene bonding agent
"stone paperboards"	paperboards made of stone-paper which include but not limited to stone-paper honeycomb paperboards and stone-paper corrugated paperboards
"varnishing (UV上光)"	the varnish is sprayed on to the card paper in the same way as other varnishes. However, after spraying, the card paper passes underneath ultra violet lights which dries the varnish almost instantaneously and it produces an excellent gloss finish to the card paper

This prospectus contains forward-looking statements, including, without limitation, words and expressions such as "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "plan", "seek", "will", "would" or similar words or statements, in particular, in the sections headed "Business" and "Financial information" in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus and the following:

a. our business and operating goals and strategies and our ability to implement them; our operation and business prospects, and our ability to further develop and manage our projects as planned;

b. our capital expenditure plan;

c. our planned use of proceeds;

d. our financial conditions;

e. availability of bank loans and other form of financing;

f. changes in policies, legislation, regulations, or practices in Hong Kong, the PRC or any other countries or territories in which we operate that may affect our projects;

g. future developments and competitive environment for the PRC paper-based packaging industry;

h. the regulatory environment for our industry in general;

i. changes in economic conditions and competition in the areas in which we operate, including a downturn in general economy in the PRC;

j. catastrophic losses from fires, floods, windstorms, earthquakes, diseases or other adverse weather conditions or natural disasters; and

k. other factors beyond our control.

Purchasers of the Offer Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties. The uncertainties in this regard include, but are not limited to, those identified in "Risk Factors" in this prospectus, many of which are not within our control. Other sections of this prospectus also include additional factors that could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by our Group or our Directors that our plans or objectives will be achieved. If any or all of these risks or uncertainties materialise, or the underlying assumptions prove to be incorrect, our financial condition may be materially and adversely affected and actual outcomes may differ materially from those described in this prospectus as anticipated, believed, estimated or expected. Although our Directors believe that our current views as reflected in these forward-looking statements based on currently available information are reasonable, we give no assurance that those views will prove to be correct, and the investors are cautioned not to place undue reliance on such statements.

Subject to the requirements of applicable laws, rules and regulations and the Listing Rules, 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 out in this section. In this prospectus, unless otherwise stated, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, the following risks and special considerations in connection before making any investment decision in relation to the Offer Shares. The occurrence of any of the following risks may have a material adverse effect on our business, results of operations, financial condition and future prospects. Additional risks that we now deem immaterial may also harm us and affect your investment.

RISKS RELATING TO OUR BUSINESS

Increase in the prices of raw paper and corrugated paperboards may affect our financial performance

The principal raw materials used in the production of our cartons are raw paper and corrugated paperboards. The table below sets forth our purchase amount of raw paper and corrugated paperboards and their respective percentage to our total purchase during the Track Record Period.

	Year ended 31 December						Eight months ended 31 August			
	2010		2011		2012		2012		2013	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Raw paper	51,192	51.0	56,583	38.7	81,185	39.0	47,849	41.1	46,616	31.8
Corrugated paperboards	42,801	42.6	80,513	55.0	113,674	54.6	60,581	52.1	89,325	60.8

As the purchases of raw paper and corrugated paperboards comprised a substantial portion of our total purchase, any increase in the cost of raw paper and corrugated paperboards will have a negative impact on our results of operations and prospects. However, the price of raw paper and corrugated paperboards used in the production of paper-based packaging products is affected by a number of factors beyond our control, including but not limited to the global supply and demand of wood pulp, general economic condition, environmental and conservation regulations. As we have not entered into any long term contract with any of our suppliers, we are vulnerable to the risk of rising paper prices. During the three years ended 31 December 2012 and the eight months ended 31 August 2013, the average purchase prices of raw paper purchased by us were approximately RMB3,100 per tonne, RMB3,200 per tonne, RMB3,000 per tonne and RMB2,900 per tonne respectively; and the average purchase price of corrugated paperboards were approximately RMB2.34 per sq.m., RMB2.29 per sq.m., RMB2.19 per sq.m. and RMB2.02 per sq.m. respectively. During the three years ended 31 December 2012 and for the eight months ended 31 August 2013, the average unit selling price of our products was approximately RMB2.99 per sq.m., RMB3.00 per sq.m., RMB2.88 per sq.m. and RMB2.80 per sq.m. respectively. Although we adopt a cost-plus approach in our pricing policy, our ability to pass the cost increase to our customers is, to a large extent, subject to the intensity of market competition, spending power of the end-customers of our customers and the general economic condition in the PRC.

We have not adopted any hedging policy for forward purchase of raw paper and corrugated paperboards. Instead, we will purchase raw paper and corrugated paperboards from our approved suppliers. In negotiating the purchase price of our paper-based packaging products, our customer will take into account, among other things, the market price of the raw paper and corrugated paperboards as reference. As such, we are exposed to the risk of fluctuation in the market price of raw paper and corrugated paperboards, and in particular when the market price of raw paper and corrugated paperboards is below our inventory cost thereof, we may not be able to adequately adjust the selling price of our products accordingly.

Please refer to the sensitivity analyses on the impact of the changes in price of raw paper and corrugated paperboards on our gross profit margin in the subsection headed "Financial Information – Raw material costs" in this prospectus.

We rely on short term purchase orders from customers and it is difficult for us to forecast future order quantities

Apart from entering into master agreements setting out generally the standard of quality of our products and the credit periods etc, we have not entered into any legally-binding long-term sales contract with our customers which impose minimum purchase obligations on our customers. This is due to the fact that our customers are mainly manufacturers of various kinds of products, who purchase products from us to package their end products and thus, they normally place purchase orders with us based on their estimated sales and/or the sales performance of their end products. Our customers are not obliged in any way to continue placing orders with us at all or at the same level or on similar terms which they historically had done so. Accordingly, the volume of purchase orders from our customers may vary significantly from period to period, and it is difficult for us to forecast future order quantities.

There is no assurance that our customers will continue to place orders with us, or their future orders will be at a comparable level or on similar terms as in previous years. Should our customers reduce the size of their purchase orders or stop placing purchase orders with us, our revenue and profit might be reduced notably and in such case, our business, operations and financial performance could be adversely affected.

We may fail to acquire adequate raw materials or fulfill our customers' orders in a timely and cost-effective manner

We rely on independent suppliers to provide raw materials for production of our products. The principal raw materials used in the manufacturing of our products are raw paper and corrugated paperboards. During the Track Record Period, purchases from our five largest raw material suppliers accounted for approximately 79.4%, 83.2%, 83.8%, and 81.0% of our purchases of raw materials respectively, while our largest raw material supplier accounted for approximately 26.8%, 32.2%, 31.3% and 36.0% of our purchases of raw materials for the corresponding periods. Should any of our major suppliers fail to deliver raw materials to us in accordance with our schedule of production and should we fail to source quality raw materials from other suppliers in a timely and cost-effective manner, our production schedule might have to be delayed. On the other hand, we cannot guarantee that the raw materials purchased from any new suppliers are of good and merchantable quality. In such case, our reputation, operations and financial performance could be adversely affected.

We may not be able to enforce our intellectual property rights in the event of infringement of such rights by third parties

We depend, to a large extent, on our intellectual property and other forms of protection available under the PRC law to safeguard the ideas relating to our product designs as well as the production technology and know-how we have developed or possessed. We own invention patents (發明專利), utility model patents (實用新型專利), design patents (外觀設計專利), trademarks and domain names (details as set out in the section headed "Further information about our Company and our subsidiaries – Intellectual property rights" in Appendix V to this prospectus). We cannot guarantee that misappropriation of our intellectual property will not occur in the future, or our competitors will not independently develop other equivalent or superior technologies or know-how based on our intellectual property, misappropriate our proprietary information or infringe our intellectual property rights. Furthermore, the legal regime governing intellectual property in the PRC is still evolving and the level of protection of intellectual property rights in the PRC differs from those in other jurisdictions.

If our intellectual property is being infringed, we may have to protect our intellectual property rights through litigation, which may divert our management's time and attention from our business operations and incur significant expenses. The outcome of such litigation is however uncertain.

In light of the above, if we lose in any litigation, an adverse result may happen, whereby we will be subject to significant liabilities or the owner of the relevant intellectual property rights may require us to obtain licenses therefrom on commercially unfavorable terms, if such licenses were to be available at all, and, consequently, our business operations and profitability could be adversely affected. In addition, infringement of our intellectual property rights may damage our reputation and would therefore adversely affect our business, financial condition and results of operations.

Our development in stone-paper based packaging products may not succeed in the future

The four new production lines to be set up by us in 2013 and 2014 can be utilised for production of stone paperboards and stone-paper based packaging products and we had commenced commercial production of stone-paper based packaging products in August 2013. However, as we have only limited operating history in production of stone-paper based packaging products in the past, and stone-paper is relatively new to the packaging product market in the PRC, we are not able to accurately estimate the cost structure and cashflow in connection with the stone-paper based packaging products for the time being. Hence, we cannot guarantee that the gross profit margin of our stone-paper based packaging products can meet our expectation and our stone-paper based packaging products will be accepted by our customers and succeed in the future.

Our quality control system may not be sufficiently effective to maintain our product quality

The effectiveness of our quality control system, which depends, to a large extent, on a number of factors, including but not limited to a timely update of which to suit the changing business needs of our customers as well as our ability to ensure that our quality control policy and guidelines are strictly adhered to at all times. Our customers place significant emphasis on product quality in their selection of suppliers of paper-based packaging products. Many of them require us to supply products that meet their specifications. There is no assurance that our products can comply with any or all of the specifications of our customers. Should we fail to comply with any or all such specifications, our business, operations and financial performance could be adversely affected. Any failure or deterioration of our quality control system would result in the corresponding deterioration of the quality of our products, which in turn may jeopardize our reputation and we may therefore lose some of our customers.

We may not be able to maintain our profit margin in the future

We achieved gross profit margin of approximately 18.2%, 18.8%, 21.1% and 22.7% respectively for the three years ended 31 December 2013 and for the eight months ended 31 August 2013. For the same period, our net profit margin was approximately 9.7%, 10.1%, 12.2% and 10.5% respectively. As our profitability is dependent upon, among other factors, the market competition and the market demands for our customers' products, there is no assurance that we will be able to maintain such gross profit margins or net profit margins in the future as those in the Track Record Period. Accordingly, our financial condition would be adversely affected.

Our financial results are expected to be adversely affected by the expenses in relation to the Listing and the Share Offer

Our financial results for the year ending 31 December 2013 and 2014 will be adversely affected by the non-recurring expenses in relation to the Listing and the Share Offer. The estimated total expenses in relation to the Listing and the Share Offer to be borne by our Company is approximately RMB20.5 million (assuming an Offer Price of HK$0.50 per Offer Share, being the mid-point of the indicative Offer Price range). The estimated listing expenses of approximately RMB4.1 million and approximately RMB7.8 million will be charged to our profit or loss for the year ending 31 December 2013 and 2014, respectively. Accordingly, our financial results for the year ending 31 December 2013 and 2014 are expected to be materially and adversely affected by the estimated expenses in relation to the Listing and the Share Offer.

The tax concession treatment enjoyed by us will expire in the fourth quarter of 2015

Pursuant to the Implementing Measures for Fengxin Industrial District to Encourage and Support Investment Enterprises (Trial Implementation) (奉新工業園區鼓勵扶持投資企業的實施辦法(試行)) as well as the relevant policies implemented by The People's Government of Fengxin County purported to encourage and support enterprises located in the Jiangxi Fengxin Industrial District, our Group enjoyed the tax concession which represents a kind of government subsidies from the local government with respect to the refund of (i) 20% of the total value-added tax; (ii) 40% of the total enterprise income tax; and (iii) the entire land use tax paid by our Group.

The amount of the total tax concessions enjoyed by us for the three years ended 31 December 2012 and the eight months ended 31 August 2013 amounted to approximately RMB1.02 million, RMB2.30 million, RMB3.29 million and RMB5.49 million respectively. Such tax concession is valid for ten years with effect from the date on which Hong Sheng commenced production, which, as confirmed by our Directors, was 2006 and would not be renewed thereafter. Hence, we will not be entitled to such tax concession after the expiration of the tax concession in the fourth quarter of 2015, which may have an adverse effect on our cash flow and financial conditions.

Our financial results are expected to be adversely affected by the additional depreciation charges of our four new production lines

We have planned to set up four new production lines in our new production block in 2013 and 2014. Our budget for which is approximately RMB59.0 million. According to our accounting policy, the capital expenditures in connection with the setting up of the said new production lines and construction of new production block will be depreciated over an estimated useful life of 10 years and 20 years respectively as soon as such production line and production block have been put into operation. As our four new production lines and new production block are expected to be put into operation in 2013 and 2014, the additional depreciation charges on the relevant capital expenditures for the year ended 31 December 2013 and 2014 are expected to be approximately RMB325,000 and RMB5.1 million respectively. Based on our financial results for the year ended 31 December 2012, assuming all other factors are the same, if our depreciation charges increase by approximately RMB325,000 or RMB5.1 million, our costs of sales will increase by approximately RMB325,000 million and RMB5.1 million correspondingly and our gross profit margin will decrease by approximately 0.1% or 1.8%, as the case may be.

We did not make contribution to housing provident fund in the PRC before June 2013

Pursuant to the laws and regulations of the PRC, a PRC company is required to make contributions to the government administered housing provident fund. Before June 2013, Hong Sheng had not made any housing provident fund contribution for their employees. For the three years ended 31 December 2012 and the eight months ended 31 August 2013, the amount of unpaid housing provident fund contribution for the employees of Hong Sheng was approximately RMB508,000, RMB950,000, RMB1.0 million and RMB570,000 respectively. Up to the Latest Practicable Date, the total outstanding amount of unpaid housing provident fund contribution was estimated to be approximately RMB4.20 million. According to the advice of the Company's PRC Legal Advisers, Hong Sheng may be subject to a penalty if the relevant housing provident fund authority imposes any penalty on it for its failure to make contribution to housing provident fund in the past. For details, including the legal consequences, please refer to the paragraph headed "Non-compliance" under the section headed "Business" in this prospectus.

We may fail to obtain the requisite licences and approvals for the printing of flexo-printed cartons and offset-printed cartons in the PRC

According to the Regulations on the Administration of Printing Industry《印刷業管理條例》, printing enterprises are required to obtain the Printing Business Licence (印刷經營許可證). According to the Interim Provisions on the Establishment of Foreign Invested Printing Enterprise《設立外商投資印刷企業暫行規定》jointly promulgated by GAPP and 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》(now the Ministry of Commerce of the PRC) (the "MOFCOM") on 29 January 2002 and the Supplementary Provisions of <Interim Provisions on the Establishment of Foreign-funded Printing Enterprises> (the "Supplementary Provisions") 《關於<外商投資印刷企業暫行規定>之補充規定》 jointly promulgated by GAPP and MOFCOM, all existing foreign investment enterprises which have expanded their scope of business to printing business have to obtain the Printing Business Licence (印刷經營許可證). Our products during the Track Record Period included flexo-printed cartons and offset-printed cartons. Hence, we are required to obtain the Printing Business Licence for printing of the cartons.

Our current Printing Business Licence of the Fengxin Plant will expire by the end of January 2014. There is no assurance that the Printing Business Licence of the Fengxin Plant can be renewed upon expiry, as such renewal is determined on whether the Fengxin Plant will be able to meet the applicable requirements for printing business under the PRC laws and regulations as of the expiry date. In the event that such licence cannot be renewed upon expiry, our operation in the printing of flexo-printed cartons and offset-printed cartons has to be suspended and our business, financial position and results of operations might be adversely affected.

Further, there is no assurance that the PRC Government will not promulgate any other new laws or regulations and/or administrative requirements to regulate the printing industry in the PRC. In case where any additional legal, regulatory and/or administrative requirements are imposed, we may need to allocate additional manpower and financial resources to comply with such requirements and our profitability may be affected accordingly.

We may experience difficulties in managing our growth

During the Track Record Period, the turnover of our Group grew from approximately RMB133.0 million in 2010 to RMB280.6 million in 2012 while the net profit of our Group grew from approximately RMB12.9 million in 2010 to RMB34.2 million in 2012 and from approximately RMB160.1 million for the eight months ended 31 August 2012 to approximately RMB218.2 million for the eight months ended 31 August 2013.

We have planned to expand our production capacity by upgrading our existing production facilities and establishing four new production lines, of which one for production of corrugated paperboards, one for manufacture of flexo-printed cartons and two for manufacture of offset-printed cartons in the Fengxin Plant. Such expansion may place a significant strain on our managerial, operational and financial resources. Other factors like seasonal demand of customers, economic conditions and decrease in orders from our customers (in particular, the customers who are manufacturers of consumer products) due to the recent global economic downturn, which are beyond our control, may also affect the growth of our Group. There is no assurance that we will be able to achieve or maintain similar level growth in turnover and profit in the future. The difficulties we had experienced may also adversely affect our business operations, financial position and profitability.

Developments adverse to our major customers may have a negative impact on our business and performance

Whether our sales can continue to grow depends, to a large extent, on the business performance of our major customers, which are in turn affected by many factors, including but not limited to consumer preference and market acceptance of their products, as well as the consumer spending power and sentiments in markets where our major customers operate. If there is implementation of any new law and regulation which would lead to a reduction in the sales of our customers' products, the demand for our paper-based packaging products would be adversely affected correspondingly. For instance, a significant recall of a kind of our customer's products may harm the customer's reputation or reduce demands for the products. Even though such product recalls are not caused by any defects of the products manufactured by us, this may in turn reduce the relevant customer's purchases from us.

If demands for our customers' products decrease or if there are any other developments adverse to our major customers such as any significant change in the operations or financial condition of our major customers, we may experience a material adverse effect on our business, operating results and financial condition correspondingly. Any significant change in the operations or financial condition of our major customers, including liquidity problems or restructuring, could compel us to limit or discontinue our business with such customers, or expose us to higher credit risk relating to receivables from such customers. All the above could have a material adverse effect on our business, financial condition and results of operations.

We have only one production plant whereby our production is subject to interruptions at the Fengxin Plant

The success of our business depends on, among other things, the continuing operation of the Fengxin Plant, which is our only production plant during the Track Record Period. The Fengxin Plant is subject to various operating risks, including but not limited to breakdown or failure of major equipment, failures to comply with applicable laws and regulations, disruptions in power supply, industrial accidents, labour shortages and strikes, natural calamities such as fire and flooding, and acts of sabotage. If any unanticipated or prolonged interruption of operations of the Fengxin Plant occurs, our operation has to be suspended and we will not be able to manufacture our products and thus, we may not be able to deliver our products to our customers in a timely manner or at all. Should the operation of the Fengxin Plant experience any prolonged interruptions, suspension or even closure, our reputation and relationship with customers might be damaged and we might be liable to pay compensation to our customers. In such case, our business, operation and financial performance could be adversely affected.

Similarly, the operation of the Fengxin Plant requires a continuous and steady supply of electricity, which is currently provided by local utilities company and bureau. During the Track Record Period, utility charge directly attributable to the production process amounted to approximately RMB1.3 million, RMB1.8 million, RMB2.1 million and RMB1.5 million respectively. Our reliance on the Fengxin Plant on such supply will further increase when we are to expand the production capacity of the Fengxin Plant. Any disruption to the supply of electricity may also adversely affect our production flow, hinder our ability to meet our customer orders and/or increase our production cost. Should this happen, our business and financial performance would be adversely affected.

We cannot give you any assurance on product liability

We have not maintained any insurance on product liability as we are of the view that our exposure to product liability is rather remote and the cost of insurance coverage for product liability is not justifiable compared against such exposure. Owing to the lack of product liability insurance, if we face product liability claims from our customers or the consumers of our customers' end-products on the grounds that the use of our products as packaging materials has resulted in their bodily injuries, property damage or other losses. If we are held liable, we may be subject to significant pecuniary damages. We may also have to spend significant resources and time to defend ourselves if legal proceedings for product liability are instituted against us. In such event, our reputation, business operations or financial position may be adversely affected.

We rely on the continuous services of our executive Directors and senior management

Our ability to effectively implement our business plans and maintain continuous growth is dependent on the persistent and committed services of our executive Directors and members of our senior management. For details of the credentials and experience of our executive Directors and senior management, please refer to the section headed "Directors, Senior Management and Staff" in this prospectus. If any of our executive Directors or members of our senior management ceases to work for us, we may not be able to recruit and retain personnel with equivalent or comparable credentials in a timely manner. This may negatively affect our day-to-day management and the operation of our Fengxin Plant. In addition, if any member of our senior management were to join a competitor or form a competing company, there is a possibility that we may lose some of our customers and know-how. Further, we have not obtained any insurance to cover losses arising from the departure of our key management staff. The departure of one or more of our executive Directors or senior management may thus have a significant impact on the management of our business operations.

We may experience labour shortage or unrest

Our manufacturing processes involve substantial amount of labour force. We recruit workers on our own for our manufacturing processes. While we had not experienced any significant labour shortage in the past, there is no assurance that we will not face such problem in the future. We may be required to increase the wages for our workers as a result of changes in the labour market conditions or industry practices.

We expect that the wage levels of our employees will continue to be determined in accordance with the prevailing market rates in the relevant regions in the PRC as well as the performance of the relevant employees in the foreseeable future. There is no assurance that we will not face labour unrest or we do not have to adjust the wages upward for our employees demanding higher wages from us. Labour unrest will disrupt our production and the higher wages will result in increased labour costs for us. Should we fail to increase our product prices to offset the additional labour costs in a timely manner or fail to manage labour shortage or labour unrest, our business, operation and financial performance could be adversely affected.

We may not be able to successfully implement our future expansion plans in time, or achieve the anticipated results

Details of our objectives, strategies and future plans are set out under the subsection headed "Business – Business strategies" in this prospectus. The successful implementation of our business plans depends on a number of factors including, among others, continued growth of the market for consumer products and paper-based packaging industry in the PRC, the availability of funds, competition and promulgation of new laws and regulations related to our customers businesses and change in government policies in the PRC, which are beyond our control. There is no assurance that we will be able to implement our business plans as scheduled nor that any such plans will be as successful as contemplated by our management. Any failure or delay in achieving any or all of our business plans may have an adverse effect on our profitability and prospects.

There may be uncertainty in obtaining external financing and significant level of our borrowing

We generally fund our operations from, among other things, the sale proceeds of our products, capital injections by our Controlling Shareholders, and short-term (repayable within one year or on demand) borrowings from independent financial institutions.

To finance our ongoing operations, acquisitions and investment plans, we may need to obtain financing from external sources to supplement our operations in the future. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including, among other things, regulatory approvals to raise financing in the domestic markets; our financial conditions, results of operations, cash flows and credit history; the condition of the global and domestic financial markets; and change in the PRC monetary policies with respect to bank interest rates and lending practices and conditions.

We have relied on short-term borrowings to fund a portion of our capital requirements, and we expect to continue to do so in the future. As at 31 December 2010, 2011 and 2012 and 31 August 2013, we had short-term interest bearing bank borrowings of approximately RMB8.0 million, RMB15.0 million, RMB15.0 million and RMB15.0 million, representing approximately 9.0%, 13.8%, 9.7% and 7.3% of our total assets respectively. All our bank borrowings are from banks in the PRC.

During the Track Record Period, the interest rates of our short-term bank loans ranged from 5.3% to 7.544%. If the PRC government's policy is to increase lending rate, it would increase our finance costs, which could adversely affect our business, expansion plan and financial condition and by that time, we may have difficulty in obtaining bank financing as a result of the tightened credit control.

We may face financial and operational risks if there is any change in the interest rate or financial environment, or if our cash flows and capital resources are insufficient to finance our debt obligations. We may be forced to sell our assets, seek additional capital or restructure or refinance of our indebtedness from other sources. Failure to repay our debt may result in the imposition of penalties, additional undertakings or obligations, including increases in interest rates, legal actions to be taken by our creditors and bankruptcy and, therefore, may adversely and materially affect our financial position.

We cannot give you any assurance that we will be able to obtain bank loans or renew existing credit facilities in the future on favourable terms, if at all. Further, any fluctuation in interest rates will affect the amount of debt payments. If adequate funding is not available to us on favourable terms, if at all, we may not be able to fund our existing operations and develop or expand our business and therefore our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO THE PAPER-BASED PACKAGING INDUSTRY

Technological developments in the paper-based packaging industry in the PRC

The paper-based packaging industry in the PRC has been undergoing technological changes. New technologies developed in the paper-based packaging industry would save cost on raw materials, production time and labour of the users and reduce the chance of human errors while enhancing the quality of the products. In the event that our Group does not keep up with the evolving technological development in the paper-based packaging industry in the PRC and/or upgrade our technologies in a timely manner to meet our customers' demands, our business and financial performance would be adversely affected.

Intense competition in paper-based packaging industry may adversely affect our market share and results of operation

Our Directors consider a number of paper-based packaging manufacturers for consumer products in the PRC to be our potential or existing competitors. Should these competitors possess advanced machinery and equipment, advanced technology know-how and expertise and a strong sales and marketing network comparable to or better than ours, we might not be able to maintain our competitive edges and the business operations and our profitability might be adversely affected.

Changes in the existing laws and regulations or adoption of additional or stricter laws and regulations on environmental protection in the PRC may cause us to incur significant capital expenditure and we cannot guarantee that we will be able to comply with any such laws and regulations in time

Our business is subject to, among others, the PRC's environmental protection laws and regulations. These laws and regulations require enterprises engaged in, among others, industry that may produce environmental wastes to adopt effective measures to control and properly dispose of waste gases, waste water, industrial waste, dust and other environmental waste materials, and require manufacturers that discharge waste substances to pay for discharges under permitted levels or pay penalties for discharges above permitted levels. Failure to comply with such laws or regulations may result in the local environmental protection authorities imposing fines on such manufacturer. The PRC government (including its provincial level) also has the discretion to suspend or close any facility that fails to comply with such laws or regulations. We cannot guarantee that the PRC government will not change the existing laws or regulations or impose additional or stricter laws or regulations, compliance with which may force us to incur significant capital expenditure in upgrading our existing production facilities.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Our business and operations are subject to certain laws and regulations of the PRC

Our business and operations are subject to certain laws and regulations of the PRC. Any breach or non-compliance with these laws and regulations of the PRC may result in the imposition of penalties by the relevant authorities, including the suspension, withdrawal or termination of our business licences. In addition, should there be any changes in the licensing requirements, we may have to incur additional cost for the purpose of compliance with these licensing requirements. Any withdrawal, suspension or termination of our licences or permits, or the imposition of any penalties, as a result of any infringement of any regulatory requirements, may have an adverse impact on our business and results of operations.

Our business and operations may be materially and adversely affected by any changes in the political and economic policies of the PRC

Our financial condition and prospects are to a significant degree subject to the political and economic policies and social conditions of the PRC, as most of our assets are located in the PRC and all of our revenue is derived from operations that take place in the PRC. Any changes in the political and economic policies and social conditions of the PRC may adversely affect our business and viability. The PRC government has undergone various reforms of its economic policies and measures, which had resulted in economic growth for the PRC in the last three decades. However, many of the reforms were unprecedented or experimental, and are expected to be refined and modified from time to time. However, such policies and measures, which are or might be taken by the PRC government to regulate the economy, could have a negative impact on our business, such as the introduction of measures to control inflation or reduce growth and, changes in the rate of taxation etc. In the past, in order to control inflation, the PRC government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such stringent policy can lead to a slowdown of economic growth. A slowdown in the PRC economy could also adversely affect our business and prospects. Our results and financial condition may be adversely affected by any changes in the PRC's political and economic policies and measures.

We may be deemed to be a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our global income

Under the EIT Law and related rules which was effective on 1 January 2008, enterprises established outside the PRC whose "de facto management body" is located in the PRC are considered "resident enterprise" and will generally be subject to the uniform 25% EIT rate as to their global income. Under the Implementation Rules of the EIT Law, "de facto management body" is defined as the body that has significant and overall management control over the business, personnel, accounts and properties of the enterprise. As the majority of our management are currently based in the PRC and may remain in the PRC, we may be treated as a PRC resident enterprise for EIT purposes. However, the tax consequences of such treatment are currently unclear, as they will depend on how the local tax authorities will interpret, apply or enforce the EIT Law and related rules and regulations. As such, we cannot assure you that we will not be considered a PRC resident enterprise for PRC enterprise income tax purposes and be subject to the uniform 25% enterprise income tax on our global incomes. In addition, although the EIT Law provides that dividend payments between PRC resident enterprises are exempted from enterprise income tax, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC incorporated subsidiary to us will meet such qualification requirements even if we are considered a PRC resident enterprise for tax purposes. Further, we cannot assure you that there will not be any further changes on the existing tax law applicable to us. If such changes become effective, our effective tax in the PRC may increase and the profits available for distribution to our Shareholders may decrease.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may be subject to withholding taxes under the PRC tax laws

Under the EIT Law and related implementation regulations issued by the State Council which took effect on 1 January 2008, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (which do not have an establishment or place of business in the PRC, or have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent such dividends are sourced within the PRC. Similarly, any gain realised on the transfer of the shares of a PRC enterprise by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. Pursuant to the Arrangement between the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止漏税的安排), 5% withholding tax rate applies to dividends paid by a PRC enterprise to a Hong Kong tax resident, provided that the recipient is a company that directly holds at least 25% of the capital of the PRC enterprise. If we are considered a PRC "resident enterprise", it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realise from the transfer of our Shares, would be treated as income derived from sources within the PRC and be subject to PRC tax. Since we are required under the EIT Law to withhold PRC income tax on our dividends payable to our foreign shareholders, or since you are required to pay PRC income tax on the transfer of our Shares, the value of your investment or return on your investment in our Shares may be materially adversely affected.

Changes in foreign exchange regulations may adversely affect our ability to pay dividends

We receive all our turnover in RMB, which is currently not freely-convertible to other currencies, and conversion and remittance of foreign currencies are subject to the PRC foreign exchange regulations. As a result, any restriction on currency exchange may limit the ability of our subsidiaries to use our turnover generated in RMB to pay dividends to us. Under existing foreign exchange regulations in the PRC, following completion of the Listing, our PRC subsidiary may make payment of dividends to us without prior approval from SAFE by producing the following documents to the designated bank: (i) tax completion certificates and tax form; (ii) audit report in relation to profits or dividends; (iii) board resolution authorising distribution of profits or dividends; (iv) foreign exchange registration certificate; (v) capital contribution verification report; and (vi) any other documents that are required by SAFE. Moreover, uncertainty exists as to whether the PRC government may restrict access to foreign currency for current account transactions if foreign currency becomes scarce in the PRC, in which case our ability to pay dividends or satisfy other foreign exchange requirements may be adversely affected.

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

Most of our Directors and most of our senior management reside within the PRC, and most of our assets and substantially all of the assets of the aforesaid persons are located within the PRC. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside the PRC or to enforce against them in the PRC any judgments obtained from non-PRC courts. The PRC has not entered into treaties or arrangements providing for the reciprocal recognition and enforcement of judgments made by courts of most other jurisdictions. Therefore recognition and enforcement in the PRC of judgments of a court in other jurisdictions may be difficult or impossible unless in the case of judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case, the parties in disputes had agreed to enter into a choice of court agreement in writing in advance, the party may apply for recognition and enforcement of such Hong Kong judgment or vice versa.

Our Company is a holding company and its ability to pay dividends is dependent upon the earnings of, and distributions by, Hong Sheng in the PRC

Our Company is a holding company incorporated in the Cayman Islands with limited liability. All of our business operations are conducted through our subsidiary, Hong Sheng, in the PRC. Our Company's ability to pay dividends to our Shareholders is dependent upon the earnings of Hong Sheng and its distribution of funds to our Company, primarily in the form of dividends. The ability of Hong Sheng to make contributions to our Company depends upon, among other things, its distributable earnings. Under the PRC law, payment of dividends is only permitted out of accumulated profits according to PRC accounting standards and regulations, and subsidiaries in the PRC are also required to set aside part of their after-tax profits to fund certain reserve funds that are not distributable as cash dividends. Other factors such as cash flow conditions, restrictions on distributions contained in Hong Sheng's articles of associations, restrictions contained in any debt instruments, withholding tax and other arrangements will also affect the ability of Hong Sheng to make distributions to our Company. These restrictions could reduce the amount of distribution that our Company receives from Hong Sheng, which in turn would restrict its ability to pay dividends on the Shares.

Uncertainties regarding interpretation and enforcement of the PRC laws and regulations

Our business and operations in the PRC are governed by the legal system of the PRC. Although many laws and regulations have been promulgated and amended in the PRC since 1978, the PRC legal system is still not sufficiently comprehensive when compared to the legal systems of other developed countries. The interpretation of the PRC laws and regulations may be influenced by momentary policy changes reflecting domestic political and social changes. As such, the outcome of dispute resolutions may not be consistent or predictable with certainty.

Many laws and regulations in the PRC are promulgated in broad principles and the Central People's Government has gradually laid down implementation rules and has continued to refine and modify such laws and regulations. Along with the development of the PRC legal system, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. There is no assurance that (i) future changes in legislation in the PRC or the interpretation of the PRC laws and regulations will not have an adverse effect upon our business, operations or profitability; or (ii) the PRC authorities will not issue further directives, regulations, clarifications or implementation rules imposing additional conditions and licensing requirements on us in relation to our business and operation.

The enforcement of the Labor Contract Law and other labour-related regulations in the PRC may adversely affect our business and operation

On 29 June 2007, the National People's Congress of China enacted the Labor Contract Law《勞動合同法》, which became effective on 1 January 2008 and whose amendments made on 28 December 2012 became effective on 1 July 2013, to impose more stringent requirements on employers in relation to entering into labour contracts and dismissing employees. Further, under the Regulations on Paid Annual Leave for Employees《職工帶薪年休假條例》, which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from five to fifteen days, depending on their length of employment. Employees who waive such vacation entitlement at the request of the employer shall be compensated at three times of their normal salaries for each waived vacation day. As a result of these protective labour measures, our labour costs may increase. There is no assurance that any dispute, work stoppage or strike will not arise in the future. Increases in our labour costs or future disputes with our employees could adversely affect our business, financial condition or results of operation.

We face uncertainty of tax liabilities with respect to the indirect transfer of equity of our PRC resident enterprise

The Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer（國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知）([2009] 698) (the "**Circular 698**"), which was issued by the State Administration of Taxation of the PRC on 10 December 2009 and became effective retrospectively on 1 January 2008, provides that except for the purchase and sale of equity through a public securities market, where a foreign investor indirectly transfers the equity of a PRC resident enterprise by disposing the equity of an overseas holding company (the "**Indirect Transfer**") located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5%; or (ii) does not tax its residents on their foreign income, the foreign investor shall report the Indirect Transfer to the competent PRC tax authority within 30 days from the date when the equity transfer agreement was entered into. In this case, the competent PRC tax authority will examine the genuine nature of the Indirect Transfer. Should the foreign investor be considered to have made the Indirect Transfer without reasonable commercial purpose or for the purpose of avoiding the PRC tax, the PRC tax authority may disregard the existence of the overseas holding company which was used for tax planning purpose and re-characterize the Indirect Transfer. For transfers of equity interest in a PRC resident enterprise between related parties, the PRC tax authority has the discretion to make adjustment to the taxable capital gains if the transfer price is deemed to be determined not on an arm's length basis. As a result, gains derived from such Indirect Transfer by the foreign investor may be subject to the PRC enterprise income tax.

The corporate restructuring steps taken by our Group in preparation for the Listing may fall into the type of transactions subject to Circular 698's regulation. As advised by our PRC Legal Advisers, it is the duty for the transferor of the equity of the overseas holding company, which are not included in our Group, to make submission to the competent PRC tax authority to report the equity transfer agreement and to settle the amount of tax payable on such transfer of the equity and the transferee which has the direct obligation to pay the equity transfer price and a Group member would not be expressly required to withhold such tax, and thus our PRC Legal Advisers opine that our Group is in compliance with Circular 698 and relevant rules and regulations in respect of the Reorganisation.

However, it is currently unclear how the PRC tax authorities will implement or enforce the above Circular 698 and whether such enterprise income tax on capital gains will be subject to any further change resulting in any materially adverse impact on our Group. The gains derived from such Indirect Transfer by the foreign investor may be subject to the PRC withholding tax at the rate of 10%. The PRC subsidiary of our Group may be held liable to assist the competent tax authority for collecting such tax from the transferor. In case we are required to pay the withholding tax by the competent PRC tax authority, our tax liability may increase and our business, financial condition and operating results may be materially and adversely affected.

RISKS RELATING TO THE SHARE OFFER AND THE SHARES

There may be limited liquidity in the Shares and volatility in the price of the Shares on the Main Board

Prior to the Share Offer, there has been no public market for any of the Shares. The Offer Price may not be indicative of the price at which the Shares will be traded on the Stock Exchange following completion of the Share Offer. In addition, there is no guarantee that an active trading market for the Shares will develop or, if it does develop, that it can be sustained following completion of the Share Offer or that the market price of the Shares will not fall below the Offer Price.

The trading price of the Shares can also be subject to significant volatility in response to, among other things, the following factors:

(1) investors' perception of us and our future business plan;

(2) variation in our operating results;

(3) changes to our senior management;

(4) the depth and liquidity of the market for the Shares; and

(5) general economic and other factors in our principal markets.

We may require additional funding for future growth

We will constantly seek opportunities to pursue further growth and development of our business. As such, growth and costs incurred in relation thereto cannot be predicted at this juncture, the proceeds raised from the Share Offer may not be sufficient to cover them. As a result, secondary issue(s) of securities after the Share Offer may be necessary in the future as a means to obtain the required capital for capturing such growth opportunities.

The Offer Shares issued to Existing Shareholders and/or new Shareholders after the Share Offer may be priced at a discount to the then prevailing market price of the Shares traded on the Stock Exchange. Under such circumstances, Existing Shareholders' equity interests may be diluted. In the event of our failure to utilise the new equity to generate a commensurate increase in earnings, our earnings per Share will be diluted, which may result in a decline in our Share price.

Apart from equity funding conceived above, we may also need to raise additional capital through debt financing, which may increase interest expense and gearing, or contain conditions restricting distribution of dividends, future fund-raising exercises and other financial and operational matters.

If any of the events stated above occurs, the future growth and profitability of our business may be adversely affected.

Dividend policy

The declaration, payment and amount of any future dividend of our Company will be subject to the discretion of our Directors, and will depend upon, among other things, our result of operations, cash flows and financial condition, operating and capital requirements and other relevant factors prevailing at the time. There is no assurance that dividends will be declared at all in the future, and potential investors should be aware that historical dividends should not be used as a reference or basis upon which future dividends may be determined.

Future sale by the Controlling Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares

Future sales of a substantial number of the Shares by the Controlling Shareholders, or the possibility of such sales, could entail negatively impact on the market price of the Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings, details of which are set out in the section headed "Underwriting" in this prospectus. Although the Controlling Shareholders have no intention to sell the Shares as at the Latest Practicable Date, we are not in a position to give any assurance that the Controlling Shareholder will not dispose of any Shares they may own now or in the future.

RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS

Facts and other statistics with respect to the PRC, the PRC economy and the PRC paper-based packaging industry contained in this prospectus may not be accurate and precise

The facts, information and statistics contained in this prospectus including but not limited to the PRC, the PRC economy and the PRC paper-based packaging industry and market (including those set out in the sections headed "Risk Factors", "Industry Overview" and "Business") have been derived from various government publications or various organizations that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. While our Directors have taken reasonable care in the reproduction of this information, they have not been prepared or independently verified by us, the Sole Sponsor, the Underwriter or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, information and statistics, which may not be consistent with other information compiled within or outside the PRC and/or publicly available or available from other sources. As such, the facts, information and statistics in this prospectus may be inaccurate or may not be comparable to those produced for other economies. Prospective investors should therefore not place undue reliance on them. Further, 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, prospective investors should give careful consideration as to how much weight or importance should be attached or placed on such statistics, projected industry data and other information relating to the economy and the industry.

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

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should” or “will” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although our Company believes the assumptions on which the forward-looking statements based are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this “Risk Factors” section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by our Company that our plans or objectives will be achieved and prospective investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise.

We do not accept responsibility on information contained in press articles or other media

We wish to emphasize to prospective investors that we do not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media coverage, and such information that was not sourced from or authorised by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information contained in any press articles or other media. To the extent that any of the information is inconsistent with, or conflicts with, the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any of the information in any press articles or other media.

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

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Given that our business and operation are primarily located, managed and conducted in the PRC and, none of our executive Directors are ordinarily resident in Hong Kong, our Company does not and will not, in the foreseeable future, have a sufficient management presence in Hong Kong.

Accordingly, our Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. The Stock Exchange has granted the requested waiver to our Company from strict compliance with the requirements under Rule 8.12 of the Listing Rules on the condition that our Company would adopt the following arrangements to maintain regular communication with the Stock Exchange:

(a) our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, namely, Mr. Sun, our executive Director and Mr. Hu Chung Ming, our company secretary, who will act as our Company's principal channel of communication with the Stock Exchange. Mr. Hu Chung Ming is ordinarily resident in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or email. Each of the two authorised representatives is authorised by our Board to communicate on behalf of our Company with the Stock Exchange;

(b) both authorised representatives have means to contact all members of our Board (including our independent non-executive Directors) and of our senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, our Company will implement a number of policies whereby (i) each Director shall provide his/ her mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if any) and email addresses (if any) to the authorised representatives; (ii) in the event that such Director expects to travel and be out of office, he/she will provide the phone number of the place of his/her accommodation to the authorised representatives; and (iii) all our Directors and authorised representatives will provide their respective mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if any) and email addresses (if any) to the Stock Exchange;

(c) if the circumstances require, meetings of the Board can be convened and held in such manner as permitted under our Articles of Association at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;

(d) a compliance adviser has been appointed by our Company to provide our Company with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to the two authorised representatives of our Company, as our Company's additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company publishes its annual report in respect of its first full financial year commencing after the Listing Date pursuant to Rule 3A.19 of the Listing Rules;

(e) meetings between the Stock Exchange and our Directors can be arranged through the authorised representatives or the compliance adviser of our Company, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly of any change in the authorised representatives or the compliance adviser of our Company; and

(f) all our Directors have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange in Hong Kong upon reasonable notice.

As at the Latest Practicable Date, our Company has put in place the above-mentioned measures.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

1. the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; and

2. there are no other matters the omission of which would make any statement herein or in this prospectus misleading.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer which comprises the Placing and the Public Offer. Details of the structure and conditions of the Share Offer are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

The Share Offer is sponsored by the Sole Sponsor, the Public Offer is fully underwritten by the Public Offer Underwriter pursuant to the Public Offer Underwriting Agreement, and the Placing is expected to be fully underwritten by the Placing Underwriter pursuant to the Placing Underwriting Agreement. The terms and conditions of the Underwriting Agreements provide, among other things, for the Offer Price to be fixed by agreement between our Company and the Sole Lead Manager (also in the capacity of the Underwriter) at or before the Price Determination Date. Further information relating to the Underwriter and the underwriting arrangements, is set out in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Lead Manager (also in the capacity of Underwriter) and our Company on or before Monday, 6 January 2014, or such other time and date as may be agreed between the Sole Lead Manager (also in the capacities of the Underwriter and the Sole Bookrunner) and the Company, but in any event no later than 6:00 p.m. (Hong Kong time) on 8 January 2014.

If, for any reason, the Offer Price is not agreed between the Sole Lead Manager (also in the capacities of the Underwriter and the Sole Bookrunner) and our Company by 6:00 p.m. on Wednesday, 8 January 2014, the Share Offer will not proceed and will lapse. For full information relating to the determination of the Offer Price, please refer to the section headed "Structure and Conditions of the Share Offer" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms 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, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such 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.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. So far as the Share Offer is concerned, no person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Lead Manager, the Sole Sponsor, the Underwriter, any of their respective directors or any other parties involved in the Share Offer.

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

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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Further details of the structure and conditions of the Share Offer are set out in the section headed "Structure and Conditions of the Share Offer" of this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue and upon the exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme. No part of the Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application under this prospectus will be void 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 for permission by or on behalf of the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to, the Offer Shares, they should consult their professional advisers. It is emphasised that none of our Company, the Directors, the Sole Sponsor, the Underwriter, any of their respective directors, agents or advisers or any other persons involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Offer Shares.

STAMP DUTY

All the Shares will be registered on the register of members of our Company in Hong Kong in order to enable them to be traded on the Stock Exchange. Dealings in the Offer Shares registered on the register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

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

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

SHARE WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and our Company complies 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 Listing Date or under contingent situation such other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional advisers for details of CCASS settlement arrangements as such arrangements will affect their rights, interest and liabilities.

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

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LANGUAGE

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

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Chen Wei Wei（陳衛偉）	Room 401, Unit 2, Building 22, Xin Xiu Road, Chengxi Street, Gutian County, Fujian Province, The PRC	Chinese
Hu Li Yu（胡麗玉）	Room 2903, No. 106 Chang Qing Bei Li, Siming District, Xiamen City, Fujian Province, The PRC	Chinese
Sun Shao Hua（孫少華）	Room 201, No 15 Ganjia Lane Feng Chuan Zhen, Fengxin County Jiangxi Province, The PRC	Filipino
Independent non-executive Directors		
Liu Da Jin（劉大進）	Room 404, Building 11, No. 1 Ji Cen Lu, Jimei District, Xiamen City, Fujian Province, The PRC	Chinese
Ma Yiu Ho, Peter（馬遙豪）	Flat C, 8th Floor, Tower 3, 1 Yuk Tai Street, Sausalito, Ma On Shan, New Territories, Hong Kong	Chinese
Wu Ping（吳平）	Room 301, Building 3, No. 80 Yingbing Road, Feng Chuan Zhen, Fengxin County, Yichun City, Jiangxi Province, The PRC	Chinese

PARTIES INVOLVED

Sole Sponsor	**Oriental Patron Asia Limited** 27th Floor, Two Exchange Square Central Hong Kong
Sole Bookrunner and Sole Lead Manager	**Oriental Patron Securities Limited** 27th Floor, Two Exchange Square Central Hong Kong
Legal advisers to our Company	*As to Hong Kong law:* **Stevenson, Wong & Co.** 4th and 5th Floors and 1602, Central Tower No. 28 Queen's Road Central Central Hong Kong *As to PRC law:* **Jingtian & Gongcheng Law Firm** 34th Floor Tower 3, China Central Plaza 77 Jianguo Road, Chaoyang District Beijing, 100025 The PRC *As to Cayman Islands law:* **Conyers Dill & Pearman (Cayman) Limited** Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

Legal advisers to the Sole Sponsor and the Underwriter	*As to Hong Kong law:* **TC & Co.** 2201-2203 22nd Floor, Tai Tung Building Fleming Road, Wanchai Hong Kong *As to PRC law:* **Trend Law Firm** 13 ABC, World Plaza No. 855 Pudong South Road Lujiazui, Shanghai The PRC
Auditors and reporting accountants	**HLB Hodgson Impey Cheng Limited** Certified Public Accountants 31st Floor, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Property valuer	**Grant Sherman Appraisal Limited** Unit 1005, 10th Floor, AXA Centre 151 Gloucester Road Wanchai Hong Kong
Receiving bank	**Bank of Communications Co., Ltd. (Hong Kong Branch)** 20 Pedder Street Central Hong Kong

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in the PRC	Hong Sheng Industrial Park Fengxin Industrial Zone Yichun City, Jiangxi Province The PRC
Principal place of business in Hong Kong	Office 2, 7th Floor Wah Hing Commercial Building 283 Lockhart Road Wanchai Hong Kong
Company's website	**www.hs-pack.com** (information on the website does not form part of this prospectus)
Company secretary	Hu Chung Ming, *FCPA*
Authorised representatives	Hu Chung Ming No. 44, Section D, Street 1 Fairview Park, Yuen Long New Territories Hong Kong Sun Shao Hua Room 201, No 15 Ganjia Lane Feng Chuan Zhen, Fengxin County Jiangxi Province, The PRC
Audit committee	Ma Yiu Ho, Peter *(Chairman)* Liu Da Jin Wu Ping
Remuneration committee	Liu Da Jin *(Chairman)* Hu Li Yu Wu Ping
Nomination committee	Chen Wei Wei *(Chairman)* Liu Da Jin Wu Ping
Compliance adviser	Oriental Patron Asia Limited

Principal bankers	China Construction Bank (Fengxin Sub-branch, the PRC) No. 87, Yingbin Road Fengxin County, Yichun City Jiangxi Province, The PRC
Principal share registrar and transfer office	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

Certain facts, statistics and data presented in this section and elsewhere in this prospectus are derived from, national bureau of statistics of the PRC, ASKCI and ICCA. While our Group and the Directors have taken reasonable care in the extraction, compilation and reproduction of the information derived from independent sources, our Group and the Directors cannot assure as to the accuracy or completeness of such information. Our Group and the Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading.

In view of the nature of our business and to grant investors a better understanding in the industry at which our principal activities situated, our Directors believe that it is useful to provide investors with information on the packaging and paper packaging industry in the PRC.

SOURCE OF INFORMATION

ASKCI Report

We have commissioned ASKCI, an independent market research consulting firm, to conduct a detailed analysis on the packaging and paper-based packaging industry in the PRC. According to the information provided by ASKCI, its database was established in 2003 with headquarter located in Shenzhen, the PRC. The service scope of ASKCI covers market research, corporate analysis, industry research and business consulting in the PRC. ASKCI regularly produces annual research report on various industries in the PRC and has also produced research report on the packaging and paper-based packaging industries. Publications and information provided by ASKCI have been constantly reprinted by various institutes including government departments, research institutes and enterprises. The total fee we paid for the ASKCI Report is RMB100,000. We confirm the payment of such fee is not contingent upon successful listing.

As confirmed by ASKCI, the information contained in the ASKCI Report was derived from data and intelligence collected from various sources which include:

(i) its in-house database;

(ii) government and regulatory statistics, industry and business organizations, and other independent industry research publishments and reports; and

(iii) interviews with market players, suppliers and consumers.

Analyses and forecasts in the ASKCI Report are based on the assumption that the global and the PRC economies will maintain a steady growth across the forecast period from 2013 to 2017 at a pace slightly lower than that recorded for the years from 2008 to 2012. Forecast models in the ASKCI Report have taken into account parameters such as the global and the PRC's macroeconomic data and historical data of the packaging and paper-based packaging industry.

ASKCI has advised us that it has independently analysed the information collected, which it assumes is accurate and complete.

ICCA

ICCA is an association formed in 1961 which collects and disseminates information about corrugated products, services and resources throughout the world and gathers, compiles and disseminates statistical information and forecasts with respect to the worldwide corrugated carton industry. The information disclosed in this prospectus sourced from ICCA is freely accessible by the public.

INTRODUCTION

The fundamental role of packaging is to provide protection to goods and products. Without it, many of the goods manufactured would be damaged or spoiled before they reach consumers.

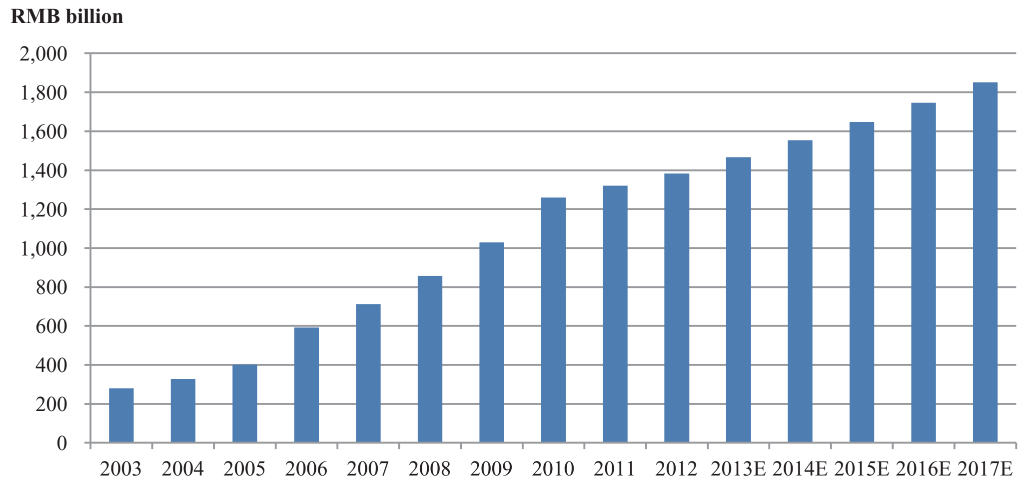
Generally, packaging involves a multi-stage process for getting goods from production to consumption. It includes three main stages, namely (i) primary or sales packaging, which refers to the packaging of final consumer products; (ii) secondary packaging, which refers to the use of boxes, trays and film wrap that group the items together; and (iii) transport packaging, which refers to the use of cartons, large containers and pallets that allows the grouped items to be loaded onto lorries. The packaging for all three stages can take place in combination to provide the right level of protection to keep damage and wastage to a minimum.

Nowadays, packaging not only serves the purpose of protecting products, but also becomes crucial for marketing the product. Packaging is widely used by marketers to attract or affect potential buyers in their buying decisions and it is also one of the value-added factors for price dispersion between products. Marketing communications and graphic design are applied to the surface of the package and (in many cases) the point of sale display.

THE PACKAGING INDUSTRY IN THE PRC

Coupled with the rapid economic growth in the PRC, the packaging industry in the PRC has also recorded a significant growth over the past decade. According to the ASKCI Report, the industrial production value of the packaging industry in the PRC has surpassed that of Japan in 2009 and has become the second largest in the world following the US. According to the ASKCI Report, the production value of the packaging industry has grown from approximately RMB280.6 billion in 2003 to approximately RMB1,382.9 billion in 2012, representing a CAGR of approximately 19.4% over the respective period. It is expected the production value of the packaging industry in the PRC will continue to grow in the coming years, reaching approximately RMB1,850.6 billion in 2017. The following chart sets forth the production value of the packaging industry in the PRC from 2003 to 2017.

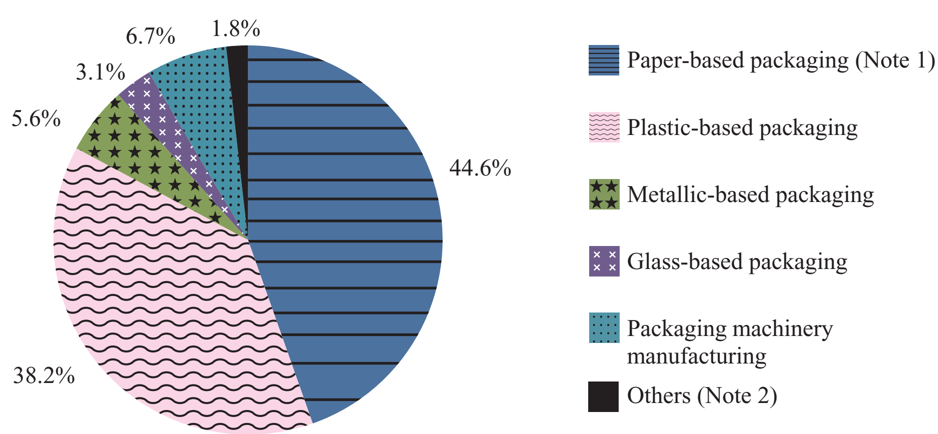
Production value of the packaging industry in the PRC



Source: The ASKCI Report

According to the ASKCI Report, the packaging industry in the PRC can be divided into six segments, namely (1) paper-based packaging; (2) plastic-based packaging; (3) metallic-based packaging; (4) glass-based packaging; (5) packaging machinery manufacturing and (6) others. Among all the abovementioned segments, the paper-based packaging segment, at which our Group's principal business is positioning, contributed approximately 44.6% of the aggregate production value of the packaging industry in the PRC in 2012. The production value contributed by each segment of the packaging industry in the PRC in 2012 is illustrated in the pie-chart below:–

Segment of the packaging industry in the PRC in 2012



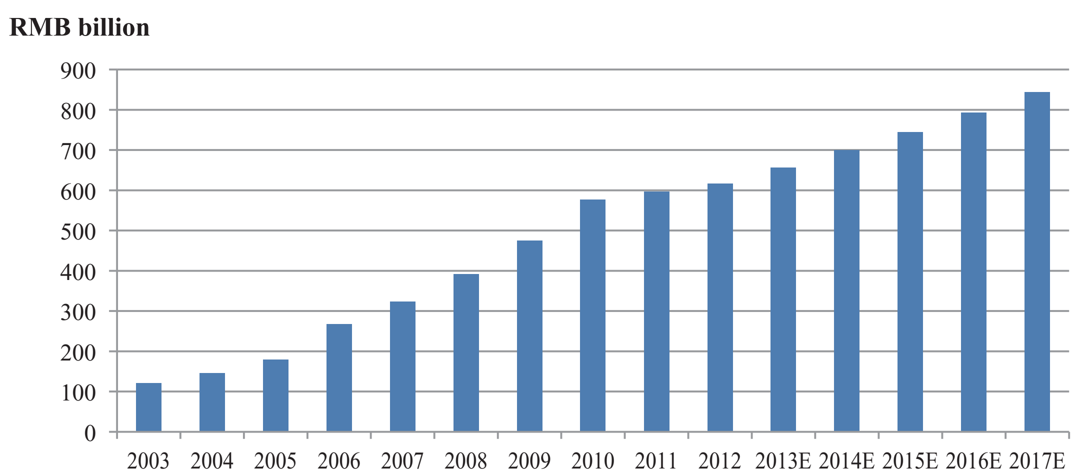
Source: The ASKCI Report

Note 1: Stone-paper based packaging is included in the category of "Paper-based packaging", and portion of which to the entire category of "Paper-based packaging" is minimal.

Note 2: "Others" primarily represent pottery-based packaging and wood-based packaging.

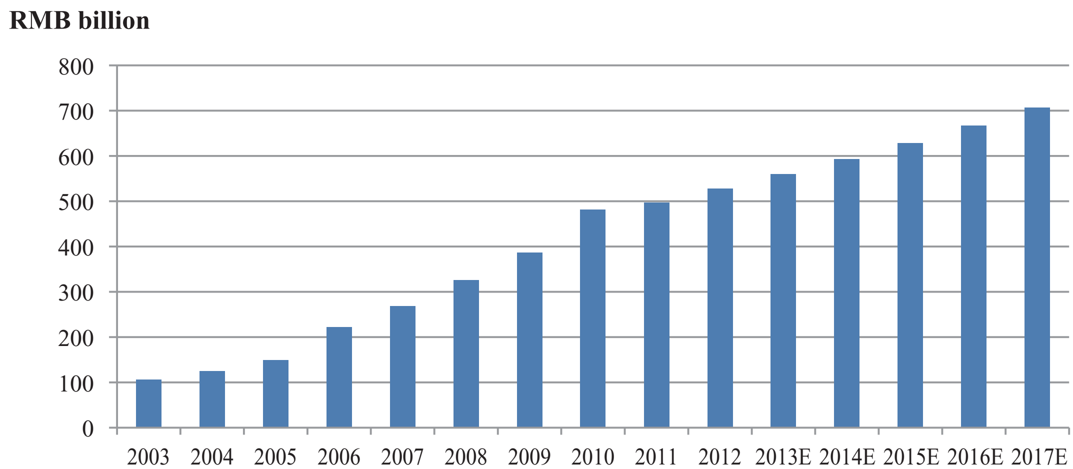
According to the ASKCI Report, the production value growth of each segment of the packaging industry in the PRC was generally in line with the overall industry growth trend. Across the period from 2003 to 2012, each segment, namely paper-based packaging, plastic-based packaging, metallic-based packaging, glass-based packaging, packaging machinery manufacturing and others, have grown from approximately RMB121.8 billion, RMB106.1 billion, RMB17.4 billion, RMB8.4 billion, RMB20.2 billion and RMB6.7 billion in 2003 to approximately RMB616.8 billion, RMB528.3 billion, RMB77.4 billion, RMB42.9 billion, RMB92.6 billion and RMB24.9 billion in 2012, respectively. According to the ASKCI Report, it is forecasted that growth of each segment will continue over the period from 2013 to 2017, with production value of paper-based packaging outpacing other segments by growing at a CAGR of approximately 6.5%, followed by the CAGR of approximately 6.0%, 5.5%, 6.0%, 4.3% and 1.4% for plastic-based packaging, metallic-based packaging, glass-based packaging, packaging machinery manufacturing and others in the corresponding period, respectively. The following charts set forth the production value of each segment in the packaging industry in the PRC from 2003 to 2017:

Total production value of paper-based packaging industry in the PRC



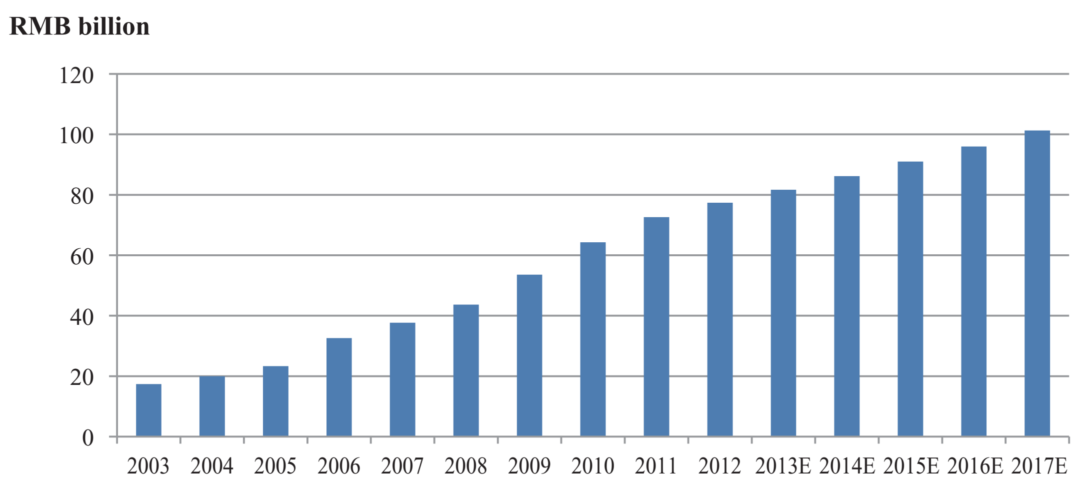
Source: The ASKCI Report

Total production value of plastic-based packaging industry in the PRC



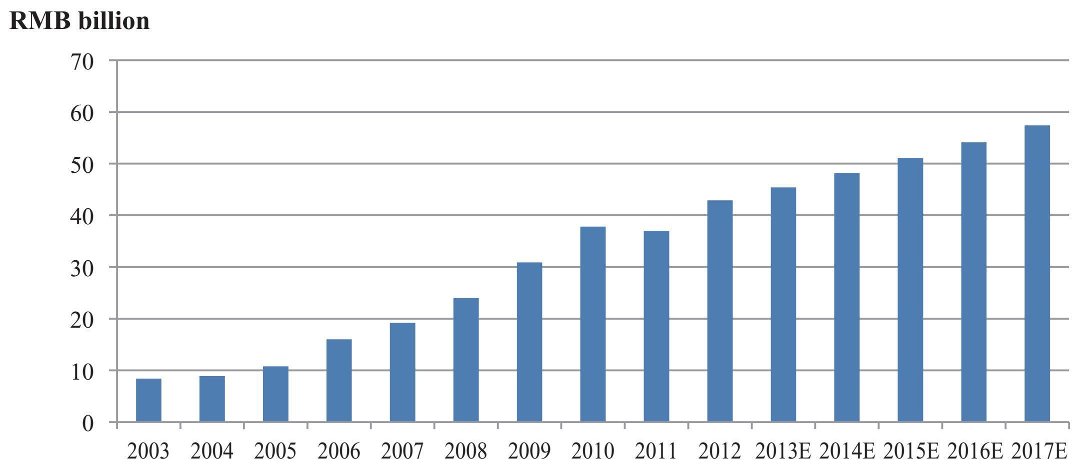
Source: The ASKCI Report

Total production value of metallic-based packaging industry in the PRC



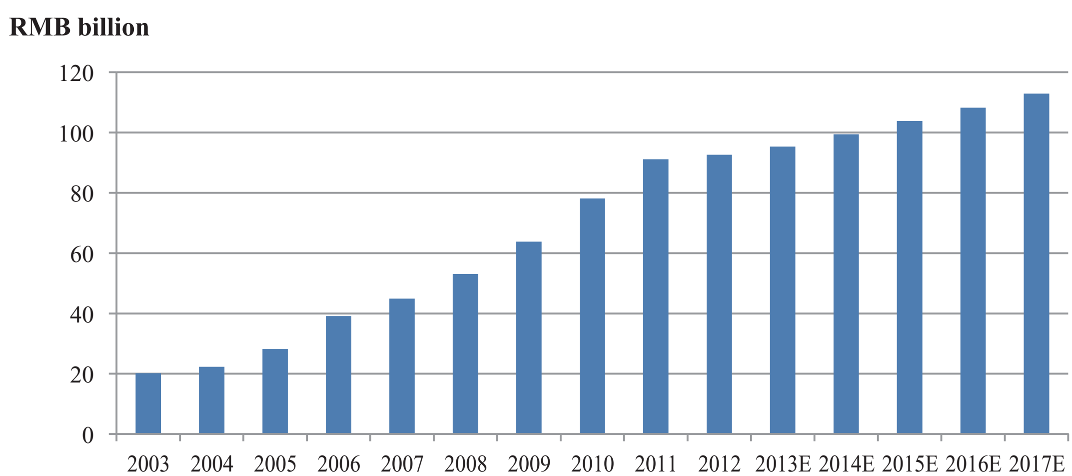
Source: The ASKCI Report

Total production value of glass-based packaging industry in the PRC



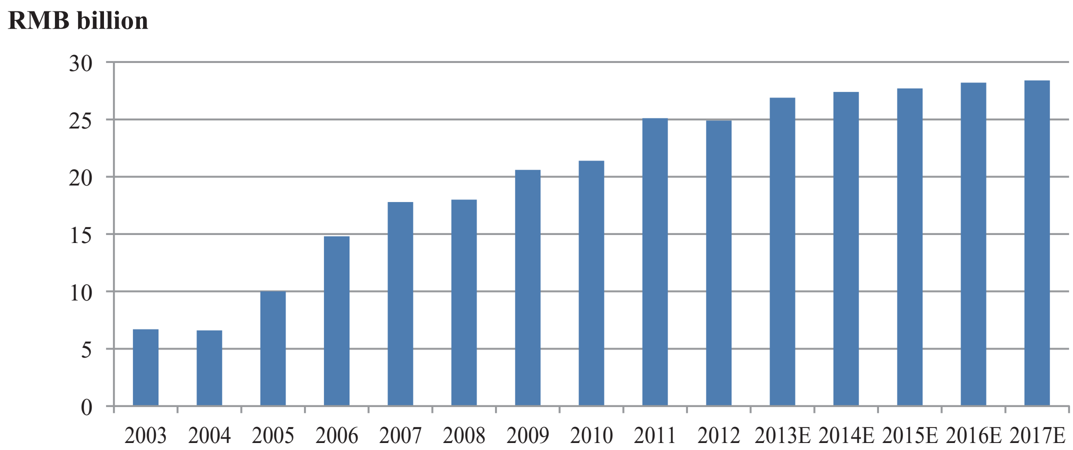
Source: The ASKCI Report

Total production value of packaging machinery manufacturing industry in the PRC



Source: The ASKCI Report

Total production value of others in the packaging industry in the PRC



Source: The ASKCI Report

THE PAPER-BASED PACKAGING INDUSTRY IN THE PRC

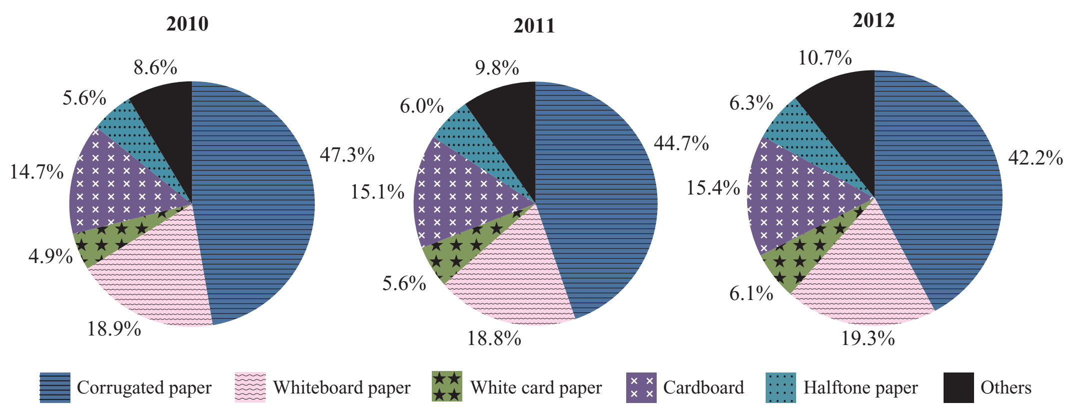
As mentioned above, paper-based packaging was the largest sector in the packaging industry in the PRC in 2012. Raw paper including corrugated paper, halftone paper, whiteboard paper, white card paper and cardboard (including kraftlinerboard and kraftliner paper) are the major types of paper applied in paper-based packaging in the PRC. Among all, corrugated paper was most widely used, accounting for approximately 42.2% of paper used in paper-based packaging industry in the PRC in 2012.

The paper-based packaging industry in the PRC, by means of printing method, can be further classified into flexo-printing and offset-printing. Generally speaking, in the course of flexo-printing, water based ink is applied and the printed patterns generated will be relatively dull and usually in fewer or mono-colour. While for offset-printing, oil based ink is usually applied and the printed patterns generated are usually of higher definition and in multi-colours. The printing cost incurred in flexo-printing in general is over 10% less than that for offset-printing.

In the paper-based packaging industry nowadays, corrugated cartons with surface made of corrugated paperboards are commonly processed by way of flexo-printing with printing patterns generally in mono-colour, while packaging materials with surface made of whiteboard paper and white card paper are commonly processed by way of offset-printing with printing patterns of higher definition as compared with those of corrugated paperboards. Also, with the features of smoother, higher strength and brighter outlook, offset printed whiteboard paper and white card paper are generally applied in the manufacturing of high-value packaging materials such as multi-colour cartons.

In fact, driven by the rising living standard in the PRC in recent years, demand for high-end packaging products has been growing, resulting in the increase of prevalence in the use of other types of paper other than corrugated paper in packaging despite the relatively higher cost. The following pie charts set out different types of paper used in paper packaging in the PRC in 2010, 2011 and 2012: –

Types of paper used in paper packaging in the PRC



Source: The ASKCI report

Our Group's products are primarily made of corrugated paperboards (in general primarily made of corrugated paper and partly of kraftlinerboard) and raw paper (including corrugated paper, kraftlinerboard, whiteboard paper and white card paper). In view of that, our Directors consider that it is useful to provide investors with information and analysis on corrugated paper packaging, whiteboard paper packaging and white card paper packaging in the PRC.

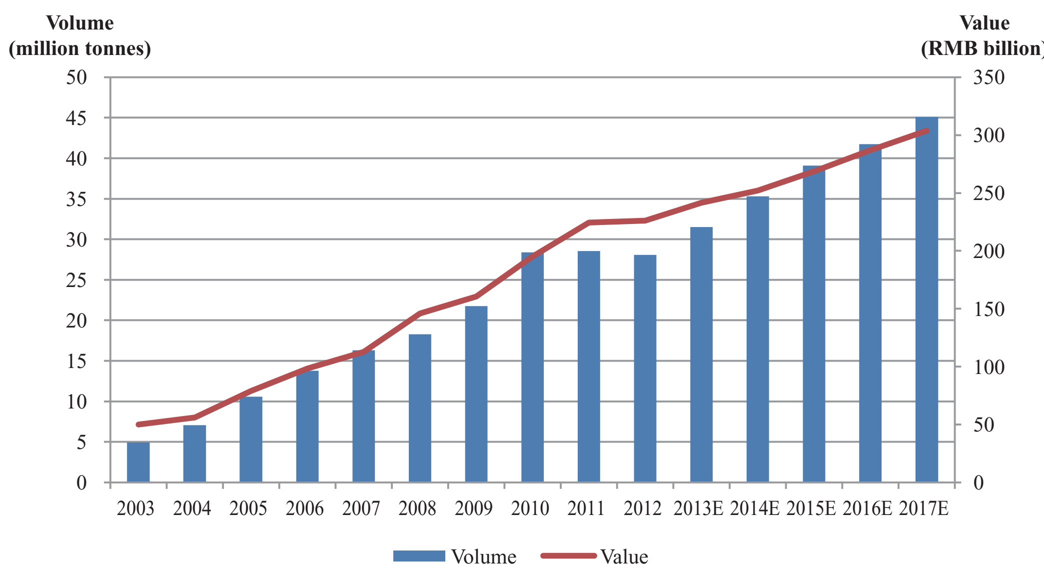
Corrugated paper packaging in the PRC

Corrugated paperboards, being the primary material used in the production of corrugated cartons, are generally made of corrugated paper and kraftlinerboard. In the production process of corrugated paperboards, an arched paper design, known as fluting, which fits between two sheets of paper called liners, is applied. Substantial quantity of the goods manufactured worldwide are packed, transported or merchandised in the form of corrugated carton packaging. Corrugated carton has been one of the most commonly used packaging materials because of its features and benefits.

The structural design of corrugated cartons provides a superior protection for products packed. Corrugated cartons are environmental friendly as compared with other packaging materials such as plastic and foam, as the used cartons could be fully recycled to produce new ones. This along with the low cost of labor and tools needed to manufacture corrugated cartons provide a lower production cost as compared with other types of paper such as whiteboard paper and halftone paper. In addition, corrugated cartons have a flexible usage as it can be cut and folded into different shapes and sizes to accommodate a wide variety of specific packaging requirements. The versatile form of storage offers a significant saving on space and the material's lightweight quality helps to keep shipping costs low.

According to the ASKCI Report, the production volume of the corrugated paper packaging segment in the PRC has grown from approximately 4.9 million tonnes in 2003 to approximately 28.1 million tonnes in 2012, representing a CAGR of approximately 21.4% over the respective period. In line with abovementioned growth trend, the production value of corrugated packaging has also grown from approximately RMB50.1 billion in 2003 to approximately RMB226.2 billion in 2012, representing a CAGR of approximately 18.2% over the period. It is expected that both production volume and value of the corrugated packaging industry in the PRC will continue to grow in the years ahead, reaching approximately 45.1 million tonnes and RMB303.9 billion in 2017, respectively. The following chart sets forth the production volume and value of corrugated packaging segment in the PRC from 2003 to 2017:

Production volume and value of corrugated packaging segment in the PRC

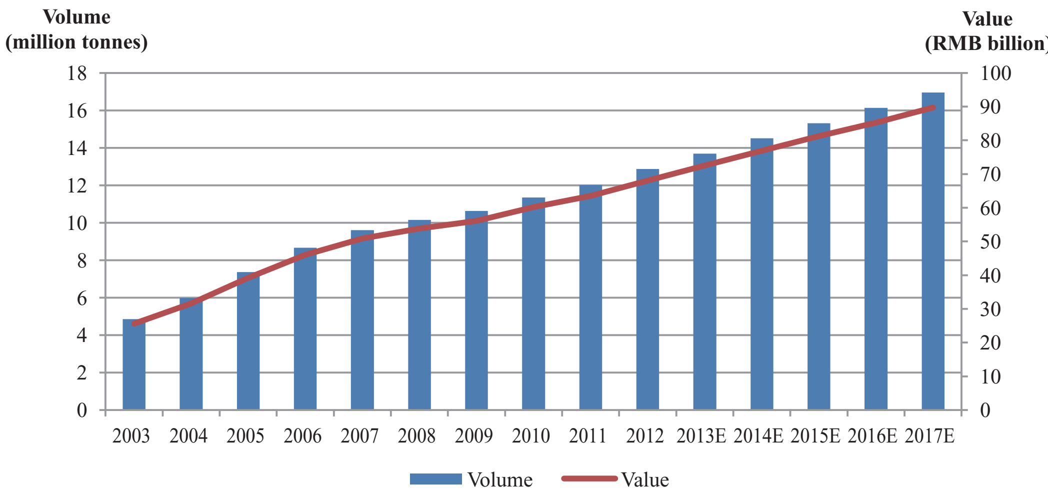


Source: The ASKCI Report

Whiteboard paper packaging in the PRC

In line with the growth trend of the overall paper packaging industry in the PRC, the whiteboard paper packaging segment has also experienced a persistent growth in terms of production volume and production value. In the past decade, the production volume and production value of the whiteboard paper packaging segment in the PRC has recorded a CAGR of approximately 11.5% and 11.5% from 2003 to 2012, respectively. The following chart sets forth the production volume and value of the whiteboard paper packaging segment in the PRC. It is expected that both production volume and value of whiteboard paper in the PRC will continue to grow in the years ahead, reaching approximately 17.0 million tonnes and RMB89.7 billion in 2017, respectively.

Production volume and value of the whiteboard paper packaging segment in the PRC

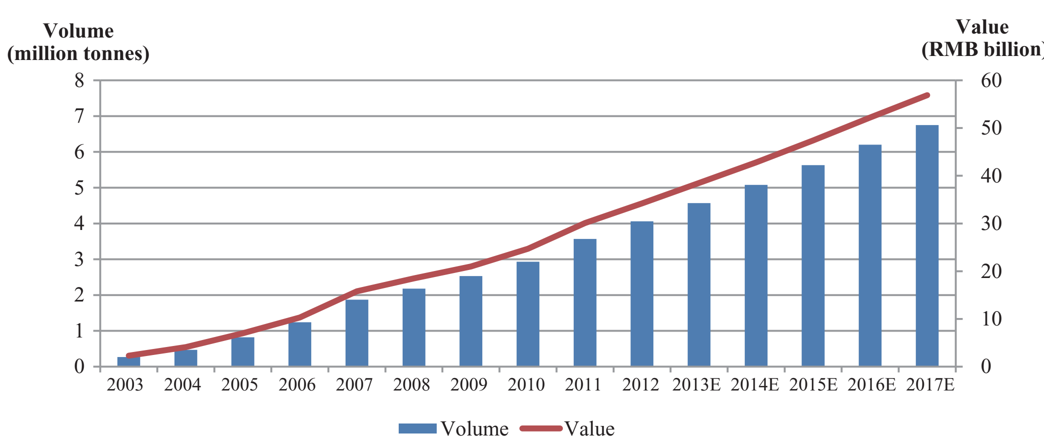


Source: The ASKCI Report

White card paper packaging

Similar to the trend of whiteboard paper packaging segment, the white card paper packaging segment in the PRC has also been expanding over the past decade, with the production volume and value registering an even higher CAGR of approximately 35.1% and 35.0% respectively. The following chart sets forth the production volume and value of the white card paper packaging segment in the PRC. As forecasted by the ASKCI Report, both production volume and value of white card paper in the PRC will continue growing in the years ahead, reaching approximately 6.8 million tonnes and RMB56.9 billion in 2017, respectively.

Production volume and value of white card paper packaging segment in the PRC



Source: The ASKCI Report.

Prospect

The annual consumption of corrugated carton per capita in the PRC in 2012 was approximately 55kg, which only amounted to approximately one-sixth, one-fifth, one-fourth and half of that in the US, Japan, Europe and India, respectively. This leaves much market potential for the PRC corrugated packaging market in the foreseeable future as driven by the anticipated persistent economic growth in the PRC in the years ahead. The persevering and biodegradable features of corrugated material also make it a good substitute for wood and plastic material in packaging. Corrugated materials, being more environmental friendly than wood and plastic, will be benefitted under the trend of green packaging, as promoted and encouraged by the PRC government. As forecasted by the ASKCI report, the production value of corrugated packaging industry will continue to grow but at a more moderate pace, registering a CAGR of approximately 5.9% from 2013 to 2017.

The rising living standard in the PRC also emphasises the marketing and promoting functions of packaging materials. Demand for more sophisticated printed packaging materials and design is expected to grow as consumer will be more demanding on the outlook of packaging materials. Such trend leads to a higher anticipated growth for the white paperboard packaging and white card packaging segments in terms of production value and volume as compared with that of corrugated packaging market, as forecasted by the ASKCI report.

Green packaging

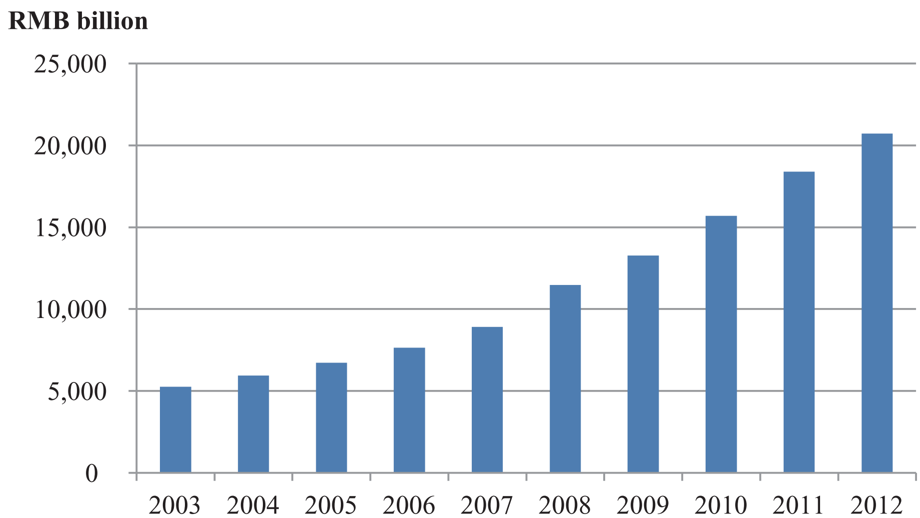
The PRC government has been promoting green-packaging in recent years, which is in line with the general policy of striking a balance between environmental protection and economic development under the 12th Five Year Plan. According to the 12th Five Year Plan, green packaging is highly encouraged by the PRC government whereby the concept of green packaging is to be promoted and encouraged throughout the packaging supply chain. Also, growing environmental awareness in the community is also expected to drive the demand for "green" packaging higher, as consumers are increasingly seeking "greener" alternatives to traditional packaging material. It is anticipated that green packaging will be the main theme in the paper-based packaging industry in the years ahead.

PAPER-BASED PACKAGING INDUSTRY FOR CONSUMER GOODS IN THE PRC

Retail sales of consumer goods in the PRC

The growth in personal wealth in the PRC has stimulated consumption. According to the National Bureau of Statistics of the PRC, the total retail sales of consumer goods grew from approximately RMB5,252 billion in 2003 to approximately RMB20,717 billion in 2012, representing a CAGR of approximately 16.5% in the past decade. The growth of retail revenue of consumer goods in the PRC from 2003 to 2012 is shown in the chart below:

Total retail sales of consumer goods in the PRC



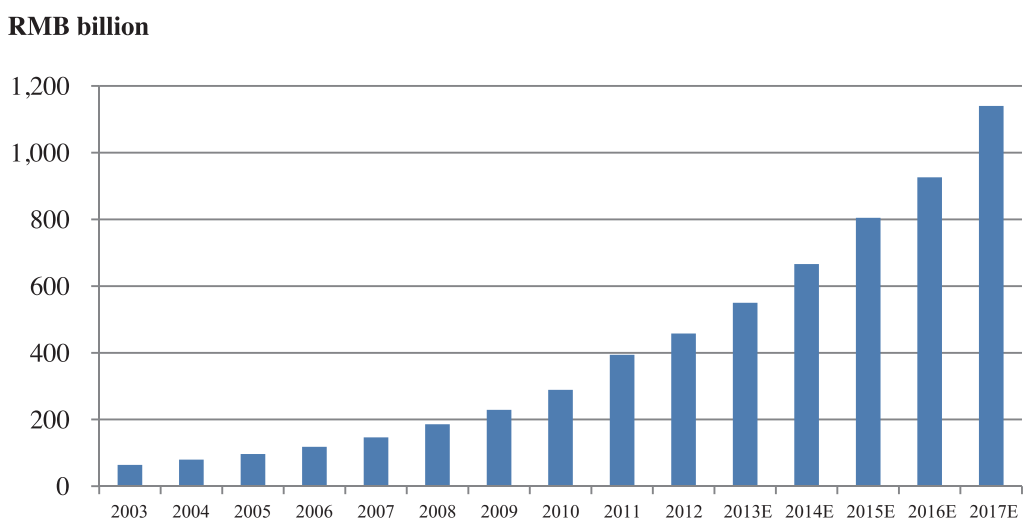
Source: National Bureau of Statistics, the PRC

According to the 12th Five Year Plan for Domestic Trade released by the State Council in September 2012, it is forecasted that total retail sales of consumer goods will grow at an average annual growth rate of 15% from 2011 to 2015, reaching around RMB32,000 billion by 2015.

Production value of paper-based packaging industry for consumer goods

Paper-based packaging has been indispensable throughout the sales cycle of consumer goods and is widely used in different stages ranging from the flexo-printed corrugated cartons used in transportation to the fancy paperboard containers for the final products. Driven by the growth of total retail sales of consumer goods in the PRC over the past decade, the paper-based packaging industry for consumer goods has also exhibited an overall growth with production value increased from approximately RMB64.0 billion in 2003 to approximately RMB457.6 billion in 2012, representing a CAGR of approximately 24.4% over the past decade. As forecasted by the ASKCI Report, production value of the paper-based packaging industry for consumer goods in the PRC will continue growing in the years ahead, reaching approximately RMB1,140 billion in 2017. The production value of the paper-based packaging industry for consumer goods from 2003 to 2017 is set forth in the chart below:

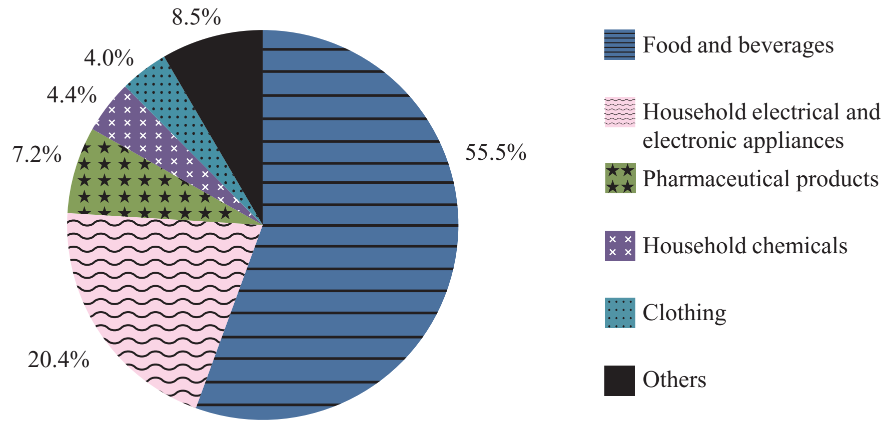
The production value of the paper-based packaging industry for consumer goods in the PRC



Source: The ASKCI Report

Among different categories of consumer goods in the PRC, food and beverages contributed the largest portion of the entire paper-based packaging industry for consumer goods, accounted for approximately 55.5% in 2012, which was followed by household electrical and electronic appliances. The pie chart below sets forth the production value of the paper-based packaging industry contributed by each category of consumer goods in the PRC in 2012:

The production value for the paper-based packaging industry for consumer goods by category in 2012



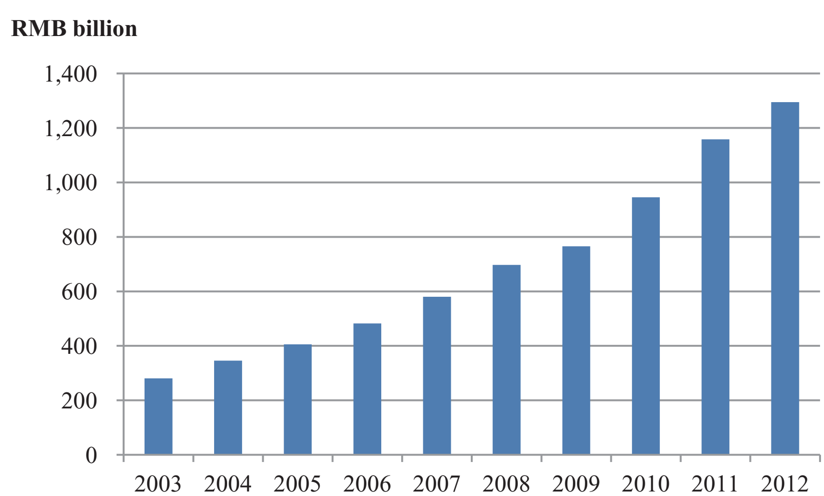
Source: The ASKCI Report

PAPER-BASED PACKAGING INDUSTRY IN JIANGXI PROVINCE, THE PRC

Overview of the economy of Jiangxi Province

Jiangxi Province, one of the 23 provinces in the PRC, is located in the south-eastern part of the PRC and is one of the fastest growing provinces in recent years in terms of GDP in the PRC. In the past decade, GDP of Jiangxi Province grew from approximately RMB280.7 billion in 2003 to approximately RMB1,294.9 billion in 2012, representing a CAGR of approximately 18.5% which surpassed that of approximately 16.1% of the PRC as a whole over the corresponding period. The following chart sets forth the GDP growth of Jiangxi Province from 2003 to 2012:

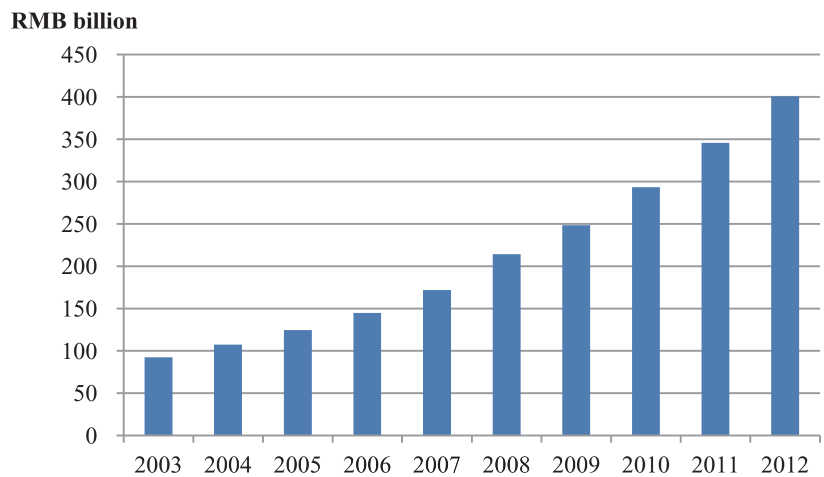
GDP of Jiangxi Province



Source: National Bureau of Statistics, the PRC, the ASKCI Report

In line with the GDP growth of Jiangxi Province, retail sales of consumer goods in Jiangxi Province also witnessed a similar growth trend from approximately RMB92.3 billion in 2003 to approximately RMB400.6 billion in 2012, representing a CAGR approximated at 17.7%. The following chart sets for the total retail sales of consumer goods in Jiangxi Province from 2003 to 2012:

Total retails sales of consumer goods in Jiangxi Province



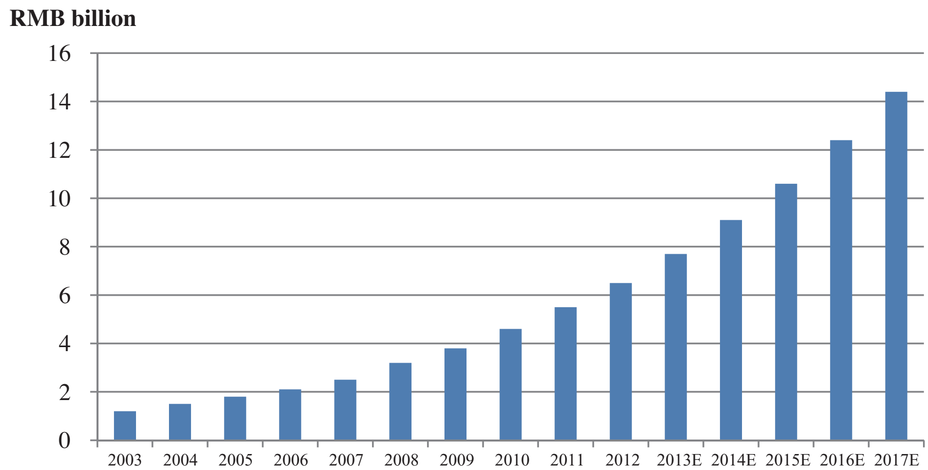
Source: National Bureau of Statistics, the PRC, the ASKCI Report

It is expected that economy of the PRC, in particular the Jiangxi Province, will continue to experience growth in the coming years. According to the 12th Five Year Plan, the GDP of the PRC is forecasted to grow by 7% per annum from 2011 to 2015. In addition, according to the Outline of the 12th Five-Year Plan (2011-2015) for the Economic and Social Development of the Jiangxi Province published by the Jiangxi Province Government, Jiangxi Province's GDP growth and retail sales of consumer goods are projected to grow by 11% and 16% per annum from 2011 to 2015.

Demand in paper-based packaging industry in Jiangxi Province

Among the 23 provinces in the PRC, Jiangxi Province, with an annual demand of approximately 1.4 million tonnes of paper-packaging products in 2012, ranked 14th in terms of demand for paper-based packaging products (by tonnes). Coupled with the economic growth of Jiangxi Province, the market of paper-based packaging products in Jiangxi Province has also been expanding rapidly in the past decades, with the demand for paper-based packaging products grew from approximately RMB1.2 billion in 2003 to approximately RMB6.5 billion in 2012, representing a CAGR of approximately 20.6%. As forecasted by the ASKCI Report, demand in paper-based packaging industry in Jiangxi Province will continue growing in the years ahead, reaching approximately RMB14.4 billion in 2017. The following chart sets forth the demand for paper-based packaging products in Jiangxi Province from 2003 to 2017:

Demand in paper-based packaging industry in Jiangxi Province



Source: the ASKCI Report

OVERVIEW OF STONE PAPER AND THE USE OF STONE-PAPER AS PACKAGING MATERIAL

Overview of stone-paper

Compared with traditional paper, stone-paper is a relatively new type of paper which is manufactured from calcium carbonate mixed with high density polyethylene bonding agent. While there is not much difference in appearance, as no timbering is required during the production process of stone-paper, stone-paper is therefore considered to be more environmental friendly. In addition, compared with traditional paper made from wood pulp, stone-paper possesses the nature of both paper and plastic and therefore is more durable and resistant to water and oil, making it an alternative to wood and timber as the primary raw material for manufacturing paper. In fact, various national policies promulgated by the PRC government encourage the use of replacement material for wood and timber in paper manufacturing. For example, in《關於加快推進木材節約和代用工作的意見》(國辦發[2005] 58號) (Opinion on Speeding up the Implementation on the Timber Conversation and the Utilisation of Timber Substitutes (No. 58 [2005] of the General Office of the State Council)), the production and use of substitutions for wood and timber was encouraged by the PRC government. There is no national policy under which stone-paper is specifically encouraged in the PRC, but stone-paper industry has been specifically encouraged at the municipal and provincial level in certain regions, such as Jilin province in the PRC. In light of the properties of stone-paper, our Directors consider that it is an alternative for wood and timber as a material used in paper manufacturing.

The use of stone-paper as a packaging material

Currently, stone-paper has been applied in several sectors such as book, stationary, construction and decoration. To the best knowledge of our Directors, stone-paper can be adopted in the manufacture of various packaging materials such as corrugated paper, corrugated paperboard and paperboard. The property of stone-paper in particular makes it a suitable material for quality packaging products. Along with the increasing demands for quality packaging products and authorities' growing concern over environmental protection in the PRC, our Directors expected that stone-paper can be a type of prevalent green-packaging material in the near future.

COMPETITIVE LANDSCAPE

Barriers to entry

The entry barriers for the paper-based packaging product market in PRC include:

Technology and capital requirement

Meanwhile, the general technology level of the paper-based packaging industry in the PRC is relatively low, with most enterprises in the industry focusing on manufacture of low-end products leading to keen competition in such aspect. As customers nowadays are more concerned on packaging design, in particular to the value-added components such as a better brand image and the price dispersion among products which sophisticated packaging brought about, customers have been switching to products with higher-end packaging design. To this end, it is crucial for paper-based packaging product manufacturer to possess higher technology level in connection with printing technology and product features, together with the respective research and development capabilities, e.g. technical professionals with profound knowledges and skills in packaging products design and development, in order to enhance the layout design and quality of its products. This trend turns the paper-based packaging industry to be increasingly technology-intensive. Since acquisition of such technical know-how, to certain extent, requires significant capital and economic resources and generally cannot be accomplished within a short time span, this constitutes barrier not only to new entrants to the industry, but also to manufacturers of low-end paper-based packaging products who wish to produce mid to high-end packaging products.

Customer base

Lack of an established sales network presents another barrier to entry for potential players. Manufacturers of consumer goods, being the major purchasers of paper-based packaging products, generally favors suppliers either with high recognition in the industry or with whom long term business relationship have already been established. In addition, as advised by our Directors, it is an industry norm that (i) most of the purchasers of paper-based packaging materials, being manufacturers of various products, will not enter into long-term procurement contracts with their packaging materials suppliers; and (ii) most of these purchasers will normally place a small amount of purchase orders with new paper-based packaging material suppliers before they are satisfied with their performance. To this end, recognition and relationship with customers are of paramount importance for establishing sales network in the industry. However, the built-up of recognition and reputation to certain extent requires management personnel with profound industry knowledge and experience as well as persistent technological and resource input and is generally not easy to be established shortly. All these pose barrier to entry for potential user players.

Competition in the paper-based packaging industry in the PRC

The market of paper-based packaging is fragmented with many mid to small-scale paper-based packaging product manufacturers in place. According to the ASKCI Report, there were only around 3% of the paper-based packaging product manufacturers in the PRC with annual income over RMB100 million in 2012. As estimated by the ASKCI Report, our Group contributed to approximately 0.1% to the paper-based packaging industry in the PRC.

Competition has been particularly keen in south-eastern coastal provinces in the PRC where many sizable manufacturers are based in. Coupled with the economic development in inland China in recent years, competition has tended to extend towards provinces in mid and western China.

Competition in the paper-based packaging industry in Jiangxi, the PRC

Paper-based packaging industry has also grown along with the industrial and economic development in Jiangxi Province, constituting a market with demand for paper-based packaging materials amounting to approximately RMB6.5 billion in 2012. However, similar to the overall paper-based packaging industry in the PRC, paper-based packaging industry in Jiangxi Province is also highly fragmented with paper-based packaging product manufacturers scattering primarily in Ganzhou, Yichun and Nanchang. Among these manufacturers, majority achieve an annual income of less than RMB100 million.

Under the industry classification guideline of the National Bureau of Statistics of the PRC, the paper-based packaging industry, in which our Group is situated, falls within the category of paper and paperboard-based container manufacturing (National Bureau of Statistics of China's reference code number: 2231). In order to grant investors a clearer picture on our Group's position in the said industry in Jiangxi Province, we hereby also set forth the market share of the top ten players in the paper and paperboard-based container manufacturing industry in terms of turnover in Jiangxi Province in 2012.

Market share of the top ten players in the paper and paperboard-based container manufacturing industry in terms of turnover in Jiangxi Province in 2012

Ranking	Company	Market share
1	Company A	7.9%
2	Company B	6.5%
3	Company C	6.4%
4	Company D	4.5%
5	Company E	3.9%
6	Company F	3.5%

Ranking	Company	Market share
7	**Our Group**	**3.2%**
8	Company G	3.2%
9	Company H	3.0%
10	Company I	2.6%

Source: The ASKCI Report, National Bureau of Statistics of China

As illustrated in the table above, we ranked 7th in the paper and paperboard-based container manufacturing in Jiangxi Province in 2012 in terms of turnover.

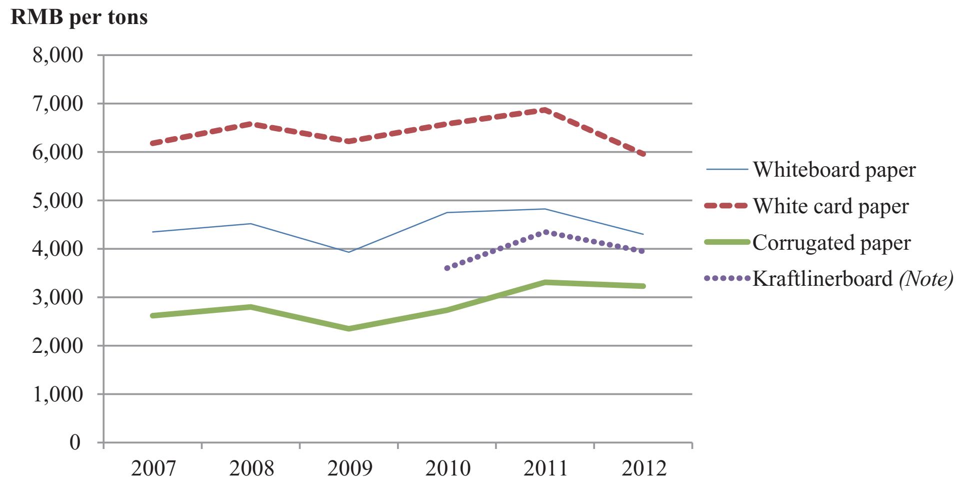
According to the ASKCI Report, having achieved a turnover of approximately RMB280.6 million in 2012, we were one of the largest paper-based packaging product manufacturers in Jiangxi Province, the PRC.

PRICES OF RAW PAPER

The principal raw material required to produce our Group's products are corrugated paperboards and raw paper including corrugated paper, whiteboard paper, white card paper, and kraftlinerboard. Historical price of corrugated paper, whiteboard paper and white card paper in the PRC have experienced a similar trend from 2007 to 2012, witnessing a climb across 2007 to 2008 which was then followed by a drop in 2009 primarily due to the financial tsunami in that year. Raw paper price then experienced a rally in 2010 and 2011 and declined again in 2012, mainly attributable to (i) the decline in export of raw paper and corrugated paperboards as a result of the persistent weak demand in the overseas market; and (ii) the oversupply situation in the paper manufacturing industry in the PRC. Price of kraftlinerboard from 2010 to 2012 also witnessed a trend similar to other types of raw paper as aforesaid.

As corrugated paperboards are primarily made of corrugated paper, the fluctuation in the price of corrugated paper shall reflect the market price of corrugated paperboards in general. Set out below are the historical price trends of corrugated paper, white card paper, whiteboard paper and kraftlinerboard in the PRC:

Historical price trends of corrugated paper, whiteboard paper, white card paper and kraftlinerboard



Note: As advised by ASKCI, due to pre-mature and relatively smaller scale of the market of kraftlinerboard in the PRC, data on the price of kraftlinerboard from 2007 to 2009 is not available.

Source: The ASKCI Report

As forecasted by the ASKCI Report, oversupply situation in the paper manufacturing industry in the PRC will persist in the next few years, posing difficulty to the prices of corrugated paper, white card paper, whiteboard paper and kraftlinerboard to rebound. It is anticipated that while price of corrugated paper will manage to stay stable, price of white card paper, whiteboard paper and kraftlinerboard will continue their downward trend in the coming few years.

DIRECTOR'S CONFIRMATION

Our Directors confirm that after taking reasonable care, there is no material adverse change in the market information since the date of the ASKCI Report which may qualify, contradict or have adverse impact on the information in this section.

This section summarizes the principal PRC laws and regulations that are relevant to our business and operations. As this is a summary, it does not contain a detailed analysis of the PRC laws that are relevant to our business and operations.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court verdicts do not constitute binding precedents, but are used for purposes of judicial reference and guidance. The National People's Congress of the PRC (the "**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil and criminal matters. The Standing Committee of the NPC has the power to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council and the provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution holds the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies that promulgate such laws.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, local courts, military courts and other special courts. The local courts are comprised of the basic courts, the intermediate courts and the higher courts.

The basic courts are organized into civil, criminal, economic, administrative and other divisions. The intermediate courts are organized into divisions similar to those of the basic courts, and are further organized into other special divisions, such as the intellectual property division. The higher level court supervises the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next highest level. Second judgments or orders given at the next highest level are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment that has been given in any court at a lower level, or the presiding judge of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC, which was adopted on April 9, 1991 and amended on October 28, 2007 and August 31, 2012, respectively, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence or the place of execution or implementation of the contract or the object of the action. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request enforcement of the judgment, order or award. The time limit imposed on the right to apply for such enforcement is two years. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by the opposing party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by the court according to PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country that provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination based on the principals of reciprocity. However, a foreign judgment or ruling may not be recognized and enforced if the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or would be contrary to social and public interests.

LAW AND REGULATIONS RELATING TO ESTABLISHMENT, OPERATION AND MANAGEMENT OF A WHOLLY FOREIGN-OWNED ENTERPRISE

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC（中華人民共和國公司法）(the "**Company Law**"), which was adopted by the Standing Committee of the NPC on 29 December 1993 and became effective on 1 July 1994. It was latest amended on 27 October 2005 and became effective from 1 January 2006. Under the Company Law, the companies are generally classified into two categories-limited liability companies and limited companies by shares. The Company Law shall also apply to foreign-invested limited liability companies. According to the Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

According to the Circular on the Issue of the Implementing Opinion on Several Issues Concerning the Application of Law in the Administration of the Examination, Approval and Registration of Foreign-invested Companies（關於外商投資的公司審批登記管理適用法律若干問題的執行意見）(the "**No. 81 Circular**") promulgated jointly by the State Administration for Industry and Commerce, the Ministry of Commerce, the General Administration of Customs and the State Administration of Foreign Exchange on April 24, 2006 and became effective on the same day, the organization structure of limited liability companies in the form of a foreign equity joint venture, wholly foreign-owned limited liability company or foreign-invested stock-holding limited company shall comply with the provisions of the Company Law and the articles of associations.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC（中華人民共和國外資企業法）(the "**Wholly Foreign-owned Enterprise Law**"), which was promulgated on 12 April 1986 and amended on 31 October 2000, and the Implementation Rules to the Wholly Foreign-owned Enterprise Law（中華人民共和國外資企業法實施細則）, which was promulgated on 12 December 1990 and amended on 12 April 2001.

LAW AND REGULATIONS RELATING TO THE INDUSTRY

FOREIGN INVESTMENT IN PRINTING INDUSTRY

In order to regulate foreign investment in certain industries in the PRC, the PRC government promulgates Catalogue of Industry For Guiding Foreign Investment（外商投資產業指導目錄）(the "**Catalogue**") from time to time. Over the past years, there have been several changes in the policies and regulations on foreign investment in the paper making and printing industry in the PRC.

On June 28, 1995, the former State Planning Commission, the former State Economic and Trade Commission and the former Ministry of Foreign Trade and Economic Cooperation (the "**Three Authorities**") promulgated the Catalog of Industry Guidelines for Foreign Investment, under which foreign investment in printing was restricted.

On December 31, 1997, the Three Authorities promulgated a revised Catalog of Industry Guidelines for Foreign Investment, which took effect and superseded the previous Catalog for the Guidance of Foreign Investment Industries on January 1, 1998. Pursuant to the revised Catalog of Industry Guidelines, foreign investment in printing was restricted (limited to company with the Chinese party taking the holding or leading position.

On March 11, 2002, the Three Authorities promulgated a revised Catalog of Industry Guidelines for Foreign Investment, which took effect and superseded the previous Catalog of Industry Guidelines on April 1, 2002. Under this revised Catalog of Industry Guidelines, foreign investment in printing of publications rather than decoration and packaging printing was restricted (limited to company with the Chinese party taking the holding position).

On November 30, 2004, MOFCOM and NDRC promulgated a revised Catalog of Industry Guidelines for Foreign Investment, which took effect and superseded the previous Catalog of Industry Guidelines on January 1, 2005. Pursuant to this revised Catalog of Industry Guidelines, foreign investment in printing of publications rather than decoration and packaging printing was restricted (limited to company with the Chinese party taking the holding position).

On October 31, 2007, MOFCOM and the NDRC promulgated a revised Catalog of Industry Guidelines for Foreign Investment, which took effect and superseded the previous Catalog of Industry Guidelines on December 1, 2007. Pursuant to this revised Catalog of Industry Guidelines, foreign investment in printing of publications rather than decoration and packaging printing was restricted (limited to company with the Chinese party taking the holding position).

On December 24, 2011, MOFCOM and the NDRC promulgated a revised Catalog of Industry Guidelines for Foreign Investment, which took effect and superseded the previous Catalog of Industry Guidelines on January 30, 2012. Pursuant to this revised Catalog of Industry Guidelines, foreign investment in printing of publications rather than decoration and packaging printing was restricted (limited to company with the Chinese party taking the holding position).

REGULATIONS FOR PRINTING INDUSTRY

The Regulations on the Administration of the Printing Industry (印刷業管理條例) promulgated by the State Council on August 2, 2001 and with effect on the same day, applies to the operations of printing publications, decoration and packaging printing, and other printing operational matters. These Regulations provides that the State adopts license system for printing operations. No enterprise or individual may undertake printing operations without obtaining the license for printing operations according to these Regulations. Printing operator shall establish systems of printing undertaking verification, printing undertaking registration, printed goods custody, printed goods delivery and printed defective goods destroying. Company that violates this regulation may subject to penalties including but not limited to fines, ordering to rectify, ordering to close the business, etc.

The Interim Provisions on the Establishment of Foreign Investment Printing Enterprise (設立外商投資印刷企業暫行規定), which was jointly promulgated by General Administration of Press and Publication (including National Copyright Administration) and Ministry of Foreign Trade and Economic Cooperation (the predecessor of MOFCOM) on January 29, 2002 and with effect on the same day, applies to the printing enterprises with foreign investment established in the PRC. Foreign investment in decoration and packaging printing can be established as a wholly foreign owned enterprise, while foreign investment in other printing is not allowed to establish a wholly foreign owned enterprise but only in the form of equity joint venture or contractual joint venture. The establishment of a foreign invested enterprise shall apply for the approval from the General Administration of Press and Publication and the approval from former Ministry of Foreign Trade and Economic Cooperation or its local counterpart. The registered capital shall be no less than RMB10 million for foreign invested enterprise engaging in decoration and packaging printing and the term of operation of the enterprise shall be no more than 30 years. An foreign-invested printing enterprise shall not establish any branch organization.

On November 12, 2008 the General Administration of Press and Publication and the Ministry of Commerce of the PRC (the "**MOFCOM**") promulgated Supplement to the Interim Provisions on the Establishment of Foreign Investment Printing (關於設立外商投資印刷企業暫行規定的補充規定), which took effect on January 1, 2009. Under this supplement, the registered capital threshold for foreign invested enterprise engaging in decoration and packaging printing as stipulated in the Interim Provisions on the Establishment of Foreign Investment Printing Enterprise is no longer applicable to Hong Kong or Macao investors. Hong Kong or Macao investors shall have the same registered capital shareholder as domestic investors.

Pursuant to The Interim Measures on the Qualifications of Printing Operators (印刷業經營者資格條件暫行規定), which was promulgated by General Administration of Press and Publication (including National Copyright Administration) on November 9, 2001 and with effect on the same day, enterprises undertaking decoration and packaging printing shall have fixed production and operation place(s) suitable for operation of printing business, which shall not be less than 600 square meters; shall have a minimum registered capital of no less than RMB1,500,000; shall have necessary equipment for decoration and packaging printing; shall have corresponding organizations and personnel necessary for the operation; shall have completed systems of printing undertaking verification, printing undertaking registration, printed goods custody, printed goods delivery, printed defective goods destroying, financial and quality control and its legal representative and major persons in charge of production or operation shall be trained and shall obtain the certificate of completion of training of printing regulations.

Pursuant to the Measures for the Administration of Commodity Barcodes (商品條碼管理辦法), which was promulgated by General Administration of Quality Supervision, Inspection and Quarantine on May 30, 2005 and took effect on October 1, 2005, an enterprise engaged in the commodity barcodes printing may apply to the barcode working organ for printing qualification. The printing enterprise that has obtained the printing qualification may be given priority when undertaking the printing business of commodity barcodes. A printing enterprise shall print commodity barcodes pursuant to the relevant state standards, and guarantee the printing quality of commodity barcodes. When a printing enterprise accepts the printing business of commodity barcodes, it shall check the Certificate of System Member of the client or the overseas certificate with the same effect, and conduct the archival filing.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

COPYRIGHT

Pursuant to the Copyright Law of the PRC (中華人民共和國著作權法) (the "**Copyright Law**"), which was amended on February 26, 2010 and with effect from April 1,2010, Copyrights include personal rights such as the right of publication and that of attribution as well as property rights such as the right of production and that of distribution. Works which can be protected under Copyright Law include: written works; oral works; musical works, theatrical works, quyi (folk art), choreographic works and acrobatic works; works of fine arts and architectural works; photographic works; cinematographic works and works created by a process analogous to cinematography; graphics works such as drawings of engineering designs, drawings of product designs, maps, schematic drawings, and three-dimensional model works; computer software; etc. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc.

TRADEMARK

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法) (the "**Trademark Law**"), which was promulgated on August 23, 1982 and with effect from March 1, 1983 and whose last amendment made on August 30, 2013 will take effect from May 1, 2014. The right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved. According to the Trademark Law, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

PATENT

Pursuant to the Patent Law of the PRC（中華人民共和國專利法）(the "**Patent Law**"), which was revised on December 27, 2008 and with effect from October 1, 2009, after the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorization of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. Andafter a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

DOMAIN NAME

Pursuant to the Measures for the Administration of Internet Domain Names of China (中國互聯網域名管理辦法), which was 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 applicant becomes 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.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY AND CONSUMER PROTECTION

PRODUCT QUALITY

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC（中華人民共和國產品質量法）(the "**Product Quality Law**"), which was promulgated on February 22, 1993 and with effect from September 1, 1993, and amended on July 8, 2000 and with effect from the same day. The Product Quality Law is applicable to all activities of production and sale of any product within the territory of the PRC, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law. According to the Product Quality Law, consumers or other victims who suffer personal injury or property losses due to product defects may demand compensation from the producer as well as the seller. Where the responsibility for product defects lies with the producer, the seller shall, after settling compensation, have the right to recover such compensation from the producer, and vice versa. Violations of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer may be ordered to suspend operation and its business license may be revoked. Criminal liability may be incurred in serious cases.

CONSUMER PROTECTION

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law of the PRC (中華人民共和國消費者權益保護法) (the "**Consumer Protection Law**"), which was promulgated on October 31, 1993 and with effect from January 1, 1994. The Consumer Protection Law has been amended on October 25, 2013 and will take effect from March 15, 2014. According to the Consumer Protection Law, the rights and interests of the consumers who buy or use commodities for the purposes of daily consumption or those who receive services are protected and all manufacturers and distributors involved must ensure that the products and services will not cause damage to persons and properties. Violations of the Consumer Protection Law may result in the imposition of fines. In addition, the operator will be ordered to suspend operations and its business license will be revoked. Criminal liability may be incurred in serious cases.

LAWS AND REGULATIONS RELATING TO LABOR

EMPLOYMENT CONTRACTS

The Labor Contract Law of the PRC 《中華人民共和國勞動合同法》 (the "**Labor Contract Law**"), which was promulgated on June 29, 2007 and with effect from January 1, 2008 by the Standing Committee of the NPC and whose amendment made on 28 December 2012 took effect on July 1, 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employment contract. The Labor Contract Law stipulates that employment contracts must be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

SOCIAL SECURITY FUNDS

Under applicable PRC laws and regulations, including the Social Insurance Law of The PRC (中華人民共和國社會保險法), which was promulgated on October 28, 2010 and with effect from July 1, 2011 by the Standing Committee of the NPC, and the Regulations on the Administration of Housing Accumulation Fund (住房公積金管理條例), which was amended by the State Council on March 24, 2002, employers and/or employees (as the case may be) are required to contribute to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and employers who fail to contribute may be fined and ordered to rectify within a stipulated time limit.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the "**Environmental Protection Law**"), which was promulgated and became effective on December 26, 1989 by the Standing Committee of the NPC, establishes the legal framework for environmental protection in the PRC. The environmental protection department of the State Council supervises and administers the environmental protection work in the PRC, and establishes national standards for the environmental quality and discharge of pollutants. Local environmental protection bureaus are in turn responsible for the environmental protection work within their respective jurisdictions.

PREVENTION AND CONTROL OF POLLUTIONS

The Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法), which was amended by the Standing Committee of the NPC on February 28, 2008, the Law of the PRC on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), which was amended by the Standing Committee of the NPC on April 29, 2000, and the Law of the PRC on Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法), which was promulgated on October 29, 1996 and with effect from March 1, 1997 by the Standing Committee of the NPC, as well as the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法), which was amended by the Standing Committee of the NPC December 29, 2004, prescribe the details for the prevention and control of water pollution, atmospheric pollution, noise pollution and solid waste pollution.

CONSTRUCTION PROJECT ENVIRONMENTAL PROTECTION

The Environmental Impact Appraisal Law (中華人民共和國環境影響評價法) which was promulgated on October 28, 2002 and with effect from September 1, 2003 by the Standing Committee of the NPC, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例) which was promulgated by the State Council and became effective on November 29, 1998, require enterprises planning construction projects to engage qualified professional institution to provide assessment reports on the environmental impact of such projects. The assessment report must be approved by the competent environmental protection authorities prior to commencement of any construction work. Enterprises shall file an application for examination and acceptance of the environmental protection facilities upon the completion of the construction project. A construction project may be formally put into production or use only if the corresponding environmental protection facilities have passed the acceptance examination.

LAWS AND REGULATIONS RELATING TO THE TAXATION

ENTERPRISE INCOME TAX

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "**EIT Law**"), which was promulgated on March 16, 2007 and with effect from January 1, 2008, and the Implementation Rules to the EIT Law (中華人民共和國企業所得稅法實施條例) (the "**Implementation Rules**"), which was promulgated on December 6, 2007 and with effect from January 1, 2008 by the State Council, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside China at the rate of enterprise income tax of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay enterprise income tax on its income deriving from inside China and obtained by such establishment or place of business, and on its income which derives from outside China but has actual relationship with such establishment or place of business, at the rate of enterprise income tax of 25%. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10%.

VALUE-ADDED TAX

Pursuant to the Provisional Regulations on Value-added Tax of the PRC（中華人民共和國增值稅暫行條例）(the "**VAT Regulations**"), which was amended by the State Council on November 5, 2008 and became effective on January 1, 2009, and its implementation rules（中華人民共和國增值稅暫行條例實施細則）, which was amended by the Ministry of Finance of the PRC（中華人民共和國財政部）on October 28, 2011 and became effective on November 1, 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay value-added tax. Unless provided otherwise, the rate of value-added tax is 17%.

Furthermore, pursuant to the Pilot Scheme for the Conversion of Business Tax to VAT (《營業稅改徵增值稅試點方案》)promulgated by the Ministry of Finance and the SAT, the State started to introduce taxation reforms in a gradual manner with effect from 1 January 2012, whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing strong cases as examples of reform, beginning with production service industries such as transportation and certain modern service industries.

BUSINESS TAX

Pursuant to Provisional Regulations of the People's Republic of China on Business Tax（中華人民共和國營業稅暫行條例）which was amended by the standing Committee of the NPC on November 5, 2008 and with effect from January 1, 2009, all units and individuals engaged in the provision of services, the transfer of intangible assets or the sale of immovable properties within the territory of the People's Republic of China shall pay Business Tax. The applicable tax rates range from 3% to 20%.

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION AND FOREIGN CURRENCY EXCHANGE

DIVIDEND DISTRIBUTION

Under the Law of the PRC on Wholly Foreign-Owned Enterprises（中華人民共和國外資企業法）which was amended by the Standing Committee of the NPC on October 31, 2001, and the Law of the PRC on Sino-foreign Equity Joint Ventures（中華人民共和國中外合資經營企業法）which was amended by the Standing Committee of the NPC on March 15, 2001, foreign-invested enterprises may not distribute after-tax profits unless they have contributed to the funds as required by PRC laws and regulations and have set off financial losses of previous accounting years.

The PRC and the government of Hong Kong entered into the 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（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）(the "**Arrangement**") on August 21, 2006. According to the Arrangement, the withholding tax rate 5% applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in the PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements（國家稅務總局關於執行稅收協定股息條款有關問題的通知）promulgated by the SAT became effective on February 20, 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

Pursuant to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (非居民享受稅收協定待遇管理辦法(試行)) (the "**Administrative Measures**"), which came into force on October 1, 2009, where a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under the tax arrangements, it shall submit an application for approval to the competent tax authority. Without being approved, the non-resident enterprise may not enjoy the favorable tax treatments provided in the tax agreements.

FOREIGN CURRENCY EXCHANGE

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC (中華人民共和國外匯管理條例) (the "**Foreign Exchange Administration Rules**", which was promulgated on January 29, 1996 and with effect from April 1, 1996 and whose last amendment made on August 1, 2008 took effect on August 5, 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of PRC State Administration of Foreign Exchange (the "**SAFE**") for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant governmental authorities (if necessary). Furthermore, the state shall administer foreign debts in a proportionate manner. Foreign currency borrowing shall be handled in accordance with relevant provisions of the state and registered as foreign debts at the relevant foreign exchange administrative authority.

BUSINESS HISTORY

In 2005, the local government of the Jiangxi Province of the PRC encouraged investment by providing land for rental with low land use tax and introducing policies favorable to investment.

In such circumstances, with the assistance from 汪樹林 (Mr. Wang Shu Lin*) who had been working in the packaging industry since 1998, Mr. Sun established Hong Sheng in November 2005. Through the process, Mr. Sun had accumulated substantial expertise in the packaging industry. In March 2006, we started producing corrugated paperboards for our own use and launched our paper-based packaging products in the market. Over the years, we have strived to continue to expand and develop, improve and upgrade our paper-based packaging products and maintain our competitiveness in the industry.

BUSINESS MILESTONES

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

November 2005	Hong Sheng was established.
March 2006	Commencement of production of corrugated paperboards for our own use and launch of our paper-based packaging products in the market.
February 2008	Commencement of operation of our production line for production of 4-colour flexo-printed cartons.
June 2009	Commencement of operation of our production line for offset-printed cartons.
June 2010	Commencement of our research and development on stone-paper and collaboration with Wuhan University to develop stone-paper based packaging products.
March 2011	Collaboration with the BIGC on upgrading of our then existing production line for production of corrugated paperboards.
October 2012	Completing the development of the intelligent resource-saving corrugated paper carton production system（智能化資源節約型紙箱生產系統）which was awarded with provincial subsidies.
December 2012	Trial run of stone-paper printing technology.
May 2013	Trial production of stone-paper based packaging products.
August 2013	Commercial production of stone-paper based packaging products.

CORPORATE HISTORY

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 12 July 2013 and is the holding company of our Group. Our Company was formerly known as China Environmental Packaging New Energy Limited（中國環保包裝新能源有限公司）and changed our name to China Packaging Holdings Development Limited（中華包裝控股發展有限公司）with the Registrar of Companies in the Cayman Islands on 4 December 2013 and with the Registrar of Companies in Hong Kong on 17 December 2013.

As at the Latest Practicable Date, our Group comprised our Company, Rich Kirin, Big Wealth and Hong Sheng.

Hong Sheng

The Group's operating subsidiary, Hong Sheng, was established by Mr. Sun in the PRC as a sino-foreign joint venture on 29 November 2005 and was owned as to 75% by Fujian Hongsheng Bags & Suitcases Co., Ltd. ("**Fujian Hongsheng**") and 25% by Monkking International Enterprises Limited ("**Monkking**") with a registered capital of HK$20,000,000, of which HK$10,624,000 (equivalent to approximately RMB11,063,800 at that time) was paid up by Fujian Hongsheng (i) by way of cash of RMB5,000,000 and (ii) by way of equipment, land and factory building of RMB6,063,800 by 9 March 2006, and of which HK$5,000,000 was paid up by Monkking by cash by 8 May 2007. Hong Sheng was principally engaged in the design, printing and processing of packaging products in the PRC. By 21 April 2008, the entire registered capital of HK$20,000,000 of Hong Sheng was fully paid up.

Fujian Hongsheng was established in the PRC as a foreign-owned enterprise on 1 December 2000 by Mr. Sun and, by certain trust arrangements, was legally owned as to 18.2% by 日本漢羅株式會社 (Japan Hanluo Corporation*) ("**Japan Hanluo**") and 81.8% by 黎偉齡先生 (Mr. Lai Wai Ling*) ("**Mr. Lai**"). By two separate trust agreements between Japan Hanluo and Mr. Sun and between Mr. Lai and Mr. Sun, both dated 10 November 2000 respectively, each of Japan Hanluo and Mr. Lai confirmed and agreed with Mr. Sun that the equity interests of Fujian Hongsheng registered under its/his name were all held by it/him in trust for Mr. Sun. The principal business of Fujian Hongsheng was the manufacture and sale of various types of bags, luggage and accessories. As the majority of the products of Fujian Hongsheng manufactured in the PRC were expected to be sold overseas, Fujian Hongsheng was established as a foreign-owned enterprise to enhance the confidence of the overseas buyers. Mr. 間久強一, the representative of Japan Hanluo, and Mr. Lai were not related to each other and were introduced to Mr. Sun by their mutual friends and are Independent Third Parties. Our PRC Legal Advisers are of the view that the above trust arrangements were valid and enforceable under the relevant PRC laws. Mr. Sun transferred all his beneficial interest in Fujian Hongsheng through his trustees Japan Hanluo and Mr. Lai to Good Idea International on 16 January 2008 for the preparation of future possible listing of Fujian Hongsheng contemplated at that time. Good Idea International acquired Fujian

Hongsheng by its own internal financial resources which were not relevant to the Loan as mentioned in the section "Legal Proceedings" in "Relationship with Controlling Shareholders" of this Prospectus.

Monkking was incorporated in Hong Kong on 17 December 2004 by Mr. Sun and, was legally owned as to 50% by Mr. Sun and 50% by Ms. Hu Li Yu ("**Ms. Hu**"), who held on trust for Mr. Sun. Ms. Hu has been in business relationship with Mr. Sun since 2004 and has been travelling to Hong Kong regularly for her own business. Ms. Hu is not related to Mr. 間久強一 or Mr. Lai. Mr. Sun nominated Ms. Hu as a director of Monkking and shareholder holding 50% of Monkking in trust for him so that Ms. Hu could attend to the corporate matters and filing requirements for and on behalf of Mr. Sun in Hong Kong. In this respect, in preparation for future possible listing of Hong Sheng, the Group's operating subsidiary, Ms. Hu acknowledged and confirmed the trust arrangement in June 2011. Our Hong Kong Legal Advisers are of the view that the above trust arrangement was valid and enforceable under the relevant Hong Kong laws.

On 7 August 2006, Fujian Hongsheng, Monkking and Big Wealth entered into a share transfer agreement, pursuant to which Fujian Hongsheng agreed to transfer its 75% equity interest in Hong Sheng to Big Wealth at a consideration of HK$9,000,000 and Monkking agreed to transfer its 25% equity interest in Hong Sheng to Big Wealth at a consideration of HK$3,000,000 which was determined with reference to the then net asset value of Hong Sheng appeared on the book value of Hong Sheng in July 2006. Pursuant to a declaration dated 29 August 2013 made by Mr. Sun, being the sole beneficiary owner of both Fujian Hongsheng and Monkking as at 1 September 2006, it was confirmed that the consideration paid to Fujian Hongsheng was adjusted to HK$10,624,000 while the consideration paid to Monkking International was adjusted to HK$502,312.2. Upon completion of Big Wealth's acquisition of Hong Sheng, Hong Sheng was then converted to a WFOE on 23 August 2006. By 21 April 2008, the registered capital of HK$20,000,000 of Hong Sheng was fully paid up.

After the Reorganisation, Hong Sheng is indirectly wholly-owned by Rich Kirin through Big Wealth and Rich Kirin is directly wholly-owned by our Company.

The head office and production facilities of Hong Sheng are located at the Jiangxi Province of the PRC.

Big Wealth

Big Wealth is an investment holding company and an indirect wholly-owned subsidiary of our Company. It was incorporated in the BVI with limited liability on 18 November 2005 under the BVI Business Companies Act 2004, with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, of which one share has been allotted and issued as fully paid to Mr. Sun.

Pursuant to an investment agreement dated 17 December 2007 (as supplemented by an agreement dated 15 August 2013) between Mr. Wong Kin Tak ("**Mr. Wong**"), who had been a friend of Mr. Sun since around 2002, and Mr. Sun, Mr. Wong agreed to invest a sum of HK$2,400,000 in Big Wealth and Hong Sheng through Mr. Sun, who should hold 12% of the entire issued share capital of Big Wealth in trust for him. The investment amount of HK$2,400,000 was determined with reference to the shareholdings of Big Wealth to be beneficially owned by Mr. Wong upon completion of his investment therein and his effective interest of the then registered capital of Hong Sheng. The said investment amount was fully settled by Mr. Wong in December 2007.

Pursuant to an investment agreement dated 28 December 2007 (as supplemented by an agreement dated 15 August 2013) between Mr. Cheng Yuen Ching ("**Mr. Cheng**"), who had been a friend of Mr. Sun since around 1995, and Mr. Sun, Mr. Cheng agreed to invest a sum of HK$1,000,000 in Big Wealth and Hong Sheng through Mr. Sun, who should hold 5% of the entire issued share capital of Big Wealth in trust for him. The investment amount of HK$1,000,000 was determined with reference to the shareholdings of Big Wealth to be beneficially owned by Mr. Cheng upon completion of his investment therein and his effective interest of the then registered capital of Hong Sheng. The said investment amount was fully settled by Mr. Cheng in January 2008.

Pursuant to an investment agreement dated 10 January 2008 (as supplemented by an agreement dated 15 August 2013) between Mr. Xu Maoan ("**Mr. Xu**"), who had been a friend of Mr. Sun since around 2005, and Mr. Sun, Mr. Xu agreed to invest a sum of HK$1,000,000 in Big Wealth and Hong Sheng through Mr. Sun, who should hold 5% of the entire issued share capital of Big Wealth in trust for him. The investment amount of HK$1,000,000 was determined with reference to the shareholdings of Big Wealth to be beneficially owned by Mr. Xu upon completion of his investment therein and his effective interest of the then registered capital of Hong Sheng. The said investment amount was fully settled by Mr. Xu in January 2008.

From 20 April 2006 and up to 31 August 2010, the entire issued share capital of Big Wealth, which was legally owned by Mr. Sun and was beneficially owned as to 78% by Mr. Sun, 12% by Mr. Wong, 5% by Mr. Cheng and 5% by Mr. Xu. Mr. Wong and Mr. Cheng are Hong Kong residents while Mr. Xu is a Taiwan citizen, all of them were passive investors and had not participated in the management and operation of Hong Sheng. For such reasons, they entered into trust arrangements with Mr. Sun so that it would be more convenient, in respect of both administration and costs, for Mr. Sun, who ordinarily resided in the PRC, to manage and operate Hong Sheng. Our PRC Legal Advisers are of the view that the above trust arrangements were valid and enforceable under the relevant PRC laws. On 1 September 2010, Mr. Sun transferred the entire share capital of Big Wealth to Sino Hi-Tech at a consideration of HK$29,990,000.

On 26 August 2013, 99 shares were allotted and issued, credited as fully paid at a premium to Sino Hi-Tech to capitalise a loan due from Big Wealth to Sino Hi-Tech. On 26 August 2013, as part of the Reorganisation, our Company, through Rich Kirin acquired the entire issued share capital of Big Wealth from Sino Hi-Tech, at a consideration of which a total of 99 Shares were allotted and issued to our Existing Shareholders in proportion to their respective beneficial interests in Big Wealth.

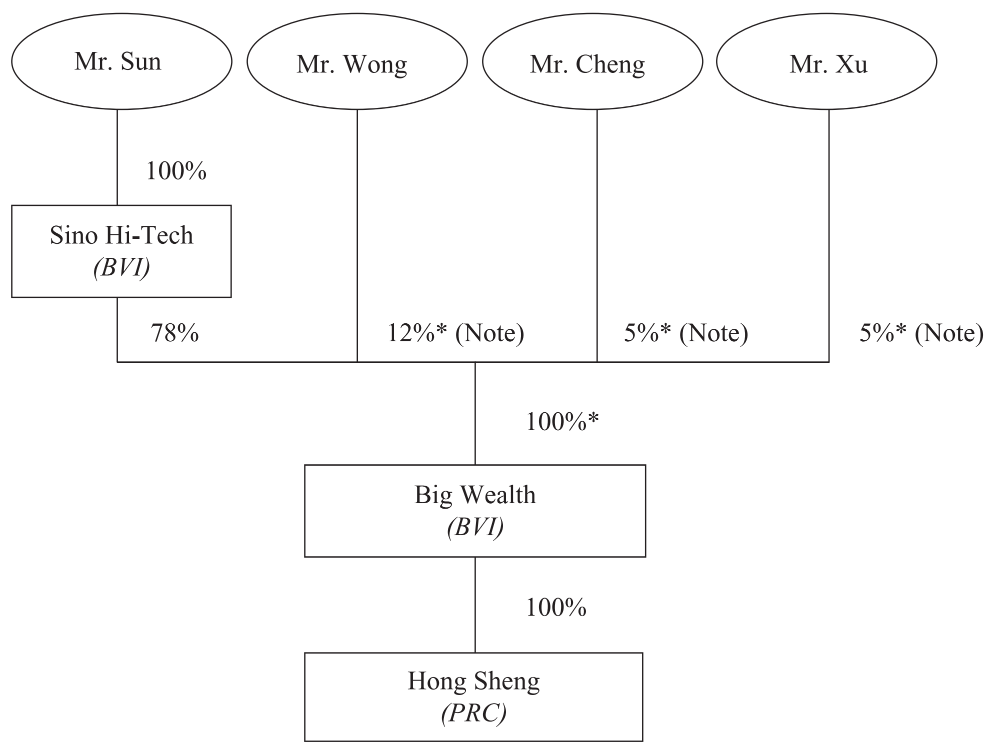
After the Reorganisation, Big Wealth becomes an indirect wholly-owned subsidiary of our Company.

Rich Kirin

Rich Kirin is a direct wholly-owned subsidiary of our Company. It was incorporated in the BVI with limited liability on 13 June 2013 under the BVI Business Companies Act 2004 with an authorised share capital of US$50,000 divided into 50,000 shares of a single class each with a par value of US$1.00, of which one share has been allotted and issued as fully paid to our Company.

CORPORATE REORGANISATION

The following chart sets out the structure of our Group immediately before the completion of the Reorganisation.



Note: These shares were registered in the name of Sino Hi-Tech.

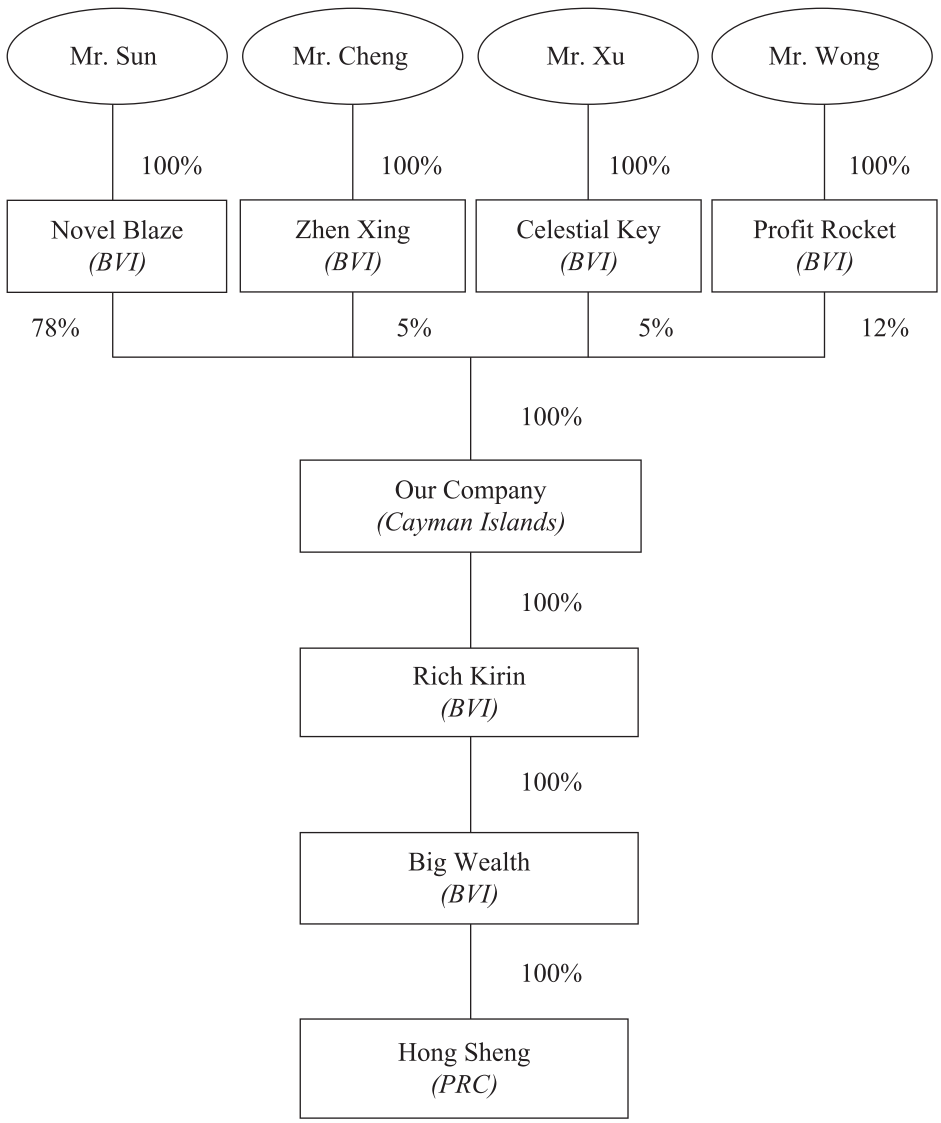
Our Group underwent the Reorganisation in preparation for the Listing, which involved the incorporation of our Company and Rich Kirin and our Company's acquisition of Big Wealth.

On 26 August 2013, our Company, through Rich Kirin, acquired the entire issued share capital of Big Wealth from Sino Hi-Tech and in consideration of which, our Company allotted and issued new Shares to Novel Blaze, Zhen Xing, Celestial Key and Profit Rocket, which was beneficially and legally owned by Mr. Sun, Mr. Cheng, Mr. Xu and Mr. Wong respectively. Upon completion of the above transfer and allotments, our Company was owned as to 78% by Novel Blaze, 5% by Zhen Xing, 5% by Celestial Key and 12% by Profit Rocket.

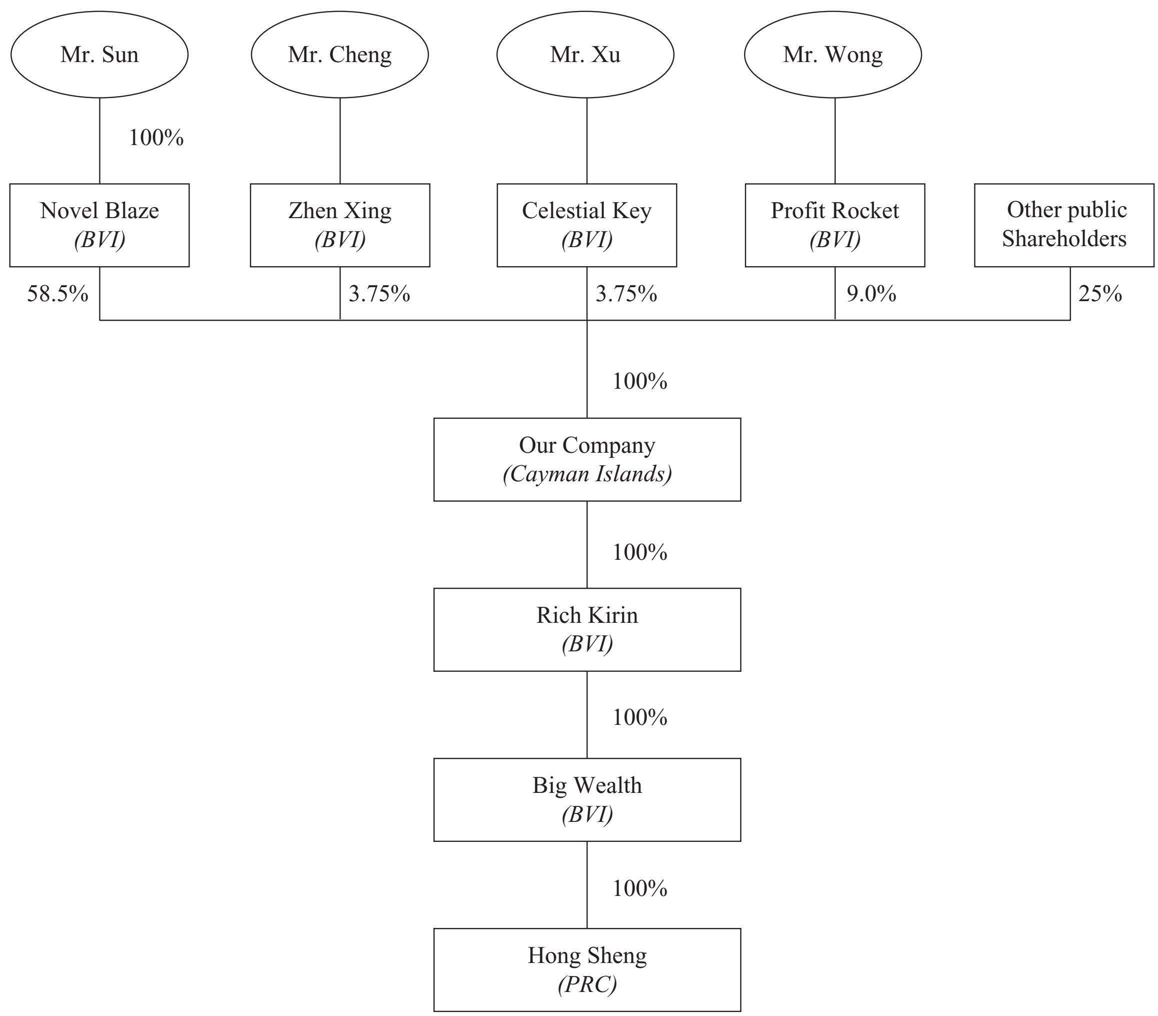
Upon completion of the Reorganisation, our Company became the holding company of our Group. Please refer to the paragraph headed "Corporate reorganisation" in Appendix V to this prospectus for details of the Reorganisation.

Corporate structures

The following chart sets out the corporate structure of our Group immediately after the Reorganisation but before the Share Offer.



The following chart sets forth the corporate structure of our Group after completion of the Reorganisation and immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any option that may be granted under the Share Option Scheme):



PRC REGULATORY ISSUES RELATING TO THE CORPORATE REORGANISATION

M&A Rules

On 8 August 2006, MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the State Administration of Industry and Commerce, the China Securities Regulatory Commission (the "**CSRC**"), and SAFE jointly promulgated the Rules on Mergers and 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 Rules**"), a new 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. The M&A Rules, among other things, purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisers have advised us that the M&A Rules do not apply to our Reorganisation and we are not required to apply to MOFCOM for approval of our Reorganisation or submit to CSRC for approval of the Listing and trading of our Shares given that:

(i) Hong Sheng, the enterprise involved in our Reorganisation, is a foreign investment company incorporated before the promulgation of the M&A Rules in 2006; and

(ii) Big Wealth has completed the required legal filing procedures for its acquisition in Hong Sheng and had not been required to apply for approval in accordance with the M&A Rules by the competent authorities in the PRC.

Therefore, as advised by our PRC Legal Advisers, unless new laws and regulations are enacted in the PRC, or MOFCOM or CSRC has new provisions or interpretations on the M&A Rules in the future that provide the contrary, the Listing does not require the approval from MOFCOM or CSRC pursuant to the M&A Rules.

Circular No. 75

According to the Circular regarding Foreign Exchange Control for Fund Raising and Offshore-Domestic Investments by Domestic Residents through Special Purpose Vehicles（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）("**Circular No. 75**") issued by the SAFE on 21 October 2005, a PRC resident who wants to use an overseas special purpose vehicle (i.e. the overseas enterprise directly established or indirectly controlled by the PRC resident for the purpose of overseas stock financing with the assets or interests held by him in the PRC enterprise) to conduct return investment in the PRC, i.e. direct investment in the PRC, the PRC resident shall submit the prescriptive documents to the local branch of the SAFE for foreign exchange registration in respect of his overseas investments. Mr. Sun, Mr. Wong, Mr. Cheng and Mr. Xu, our ultimate Shareholders before the Capitalisation Issue and the Listing, are not residents of the PRC and are not subject to the requirements under the Circular No. 75. Our PRC Legal Advisers confirm that Mr. Sun, Mr. Wong, Mr. Cheng and Mr. Xu are not required to register with any local foreign exchange authority pursuant to the Circular No. 75.

Our PRC Legal Advisers further confirmed that no necessary approvals, permits and licences are required under the PRC laws and regulations in connection with the Reorganisation, and the Reorganisation has complied with all applicable laws and regulations of the PRC.

OVERVIEW

We are principally engaged in the design, manufacture, printing and sale of paper-based packaging products, including flexo-printed cartons and offset-printed cartons. Since August 2013 we have started commercial production of stone-paper based packaging products in small scale. Our products are generally used in packaging of a wide variety of products mainly including food and beverages, glass and ceramics articles, metal hardware and chemicals products, bamboo articles and other products. Our customers are primarily manufacturers of these products with production bases in the Jiangxi Province of the PRC, while a few customers have production bases in other provinces in the PRC, such as Fujian and Hubei. According to ASKCI Report, we ranked 7th with a market share of approximately 3.2% in the paper and paperboard-based container manufacturing industry in the Jiangxi Province in the PRC in terms of our turnover in 2012. By having achieved a turnover of approximately RMB280.6 million in 2012, we were therefore one of the largest paper-based packaging products manufacturer in Jiangxi Province. Jiangxi Province accounted for approximately 2.1% of the paper-based packaging product market in the PRC in 2012 in terms of the quantity of the paper-based packaging products. As at the Latest Practicable Date, we had acquired Wuhan University's entire interest in two invention patents（發明專利）related to the production and production method of stone paperboards which were jointly developed by Wuhan University and us. We are the registered owner of 15 utility model patents（實用新型專利）in the PRC, and we have applied these utility model patents to develop the intelligent resource-saving corrugated paper carton production system for upgrading our production line of corrugated paperboards. Moreover, we have also submitted applications for registration of 11 patents (including two invention patents, two utility model patents and seven design patents which are mainly applied to the production of stone-paper based packaging products) in the PRC. We believe that these intellectual properties and our technical know-how have strengthened our market position in the paper-based packaging industry in the Jiangxi Province of the PRC.

The principal raw materials for production of our products are raw paper and corrugated paperboards. Apart from purchasing corrugated paperboards from external suppliers, we are also engaged in the manufacture of corrugated paperboards for our production of paper-based packaging products.

Our production plant is located in Fengxin County, Yichun City of Jiangxi Province, the PRC with seven production lines including one production line for corrugated paperboards, three production lines for flexo-printed cartons and three production lines for offset-printed cartons with an estimated annual production capacity of approximately 37.0 million sq.m., approximately 81.8 million sq.m. and approximately 28.5 million sq.m. for corrugated paperboards, flexo-printed cartons and offset-printed cartons respectively for the year ended 31 December 2012. We have planned to set up four new production lines, one of which is for production of both corrugated paperboards and stone paperboards, one for manufacture of flexo-printed cartons and two for manufacture of offset-printed cartons. All these four new production lines can be utilised for production of traditional paper-based and stone-paper based packaging products. These four new production lines will be installed in our new production block, which was still under construction as at the Latest Practicable Date.

As at 31 August 2013, we had a workforce of 329 employees.

Our products can be divided into i) flexo-printed cartons, and ii) offset-printed cartons including stone-paper based packaging products produced by different printing techniques. The following table sets forth a breakdown of our Group's turnover generated from these two kinds of products during the Track Record Period:

	Year ended 31 December						Eight months ended 31 August			
	2010		2011		2012		2012		2013	
	RMB'000	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000* (Unaudited)	*% of Total*	*RMB'000*	*% of Total*
Turnover by products										
Flexo-printed cartons	92,421	69.5%	138,184	71.3%	197,086	70.2%	112,278	70.1%	139,235	63.8%
Offset-printed cartons										
– Traditional paper-based cartons	40,577	30.5%	55,749	28.7%	83,467	29.8%	47,866	29.9%	78,881	36.2%
– Stone-paper based cartons	–	–	–	–	–	–	–	–	45	0.0%
	132,998	100%	193,933	100%	280,553	100%	160,144	100%	218,161	100%

We maintained a gross profit margin of about 16.9%, 17.3%, 19.4% and 20.5% respectively for our flexo-printed cartons and a gross profit margin of about 21.1%, 22.5%, 25.1% and 26.6% respectively for our offset-printed cartons during the Track Record Period. We consider that the growth in gross profit margin achieved by us during the Track Record Period was attributable to our continued success in maintaining our product quality at reasonable costs so as to satisfy our customers' changing needs and requirements from time to time. By leveraging on our strengths and effectively implementing our business strategies, we believe that we can continue to expand our business in terms of both turnover and gross profit margin.

Up to the Latest Practicable Date, we had supplied paper-based packaging products to more than 100 customers engaged in the manufacture and sale of a wide range of products.

The following table sets forth an analysis of our turnover by product categories of our customers during the Track Record Period:

	Year ended 31 December						Eight months ended 31 August			
	2010		2011		2012		2012		2013	
	RMB'000	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000* (Unaudited)	*% of Total*	*RMB'000*	*% of Total*
Turnover by product categories of our customers										
Food and beverages	56,600	42.6%	75,413	38.9%	127,730	45.5%	65,137	40.7%	104,881	48.1%
Glass and ceramics articles	23,168	17.4%	35,660	18.4%	48,197	17.2%	28,470	17.8%	36,746	16.8%
Metal hardware and chemical products	17,266	13.0%	25,494	13.1%	29,220	10.4%	18,963	11.8%	24,231	11.1%
Bamboo articles	14,697	11.1%	24,378	12.6%	27,262	9.7%	17,067	10.7%	17,152	7.9%
Other products *(note)*	21,267	15.9%	32,988	17.0%	48,144	17.2%	30,507	19.0%	35,151	16.1%
	132,998	100%	193,933	100%	280,553	100%	160,144	100%	218,161	100%

Note: Other products mainly include stationery, energy and electronic products, textile and pharmaceutical products.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have enabled us to compete effectively in the market of manufacturing and printing of paper-based packaging products, which is characterised by intense competition among local manufacturers of paper-based packaging products in the PRC.

We have a diversified and solid customer base, and are located in proximity with most of our major customers

To avoid over-reliance on any particular customer or industry, we had successfully built up a solid customer base and accumulated more than 100 customers in the PRC across various industries up to the Latest Practicable Date. Our customers are mainly manufacturers of various kinds of products including food and beverages and other consumer products such as, ceramics and glass, metal hardware and chemicals, bamboo articles, stationery and other products etc with production based in the Jiangxi Province in the PRC while a few customers have production bases in other provinces in the PRC such as Fujian and Hubei. With a diversified customer base, we can generate relatively stable revenue stream during peak and low seasons of different industries.

We believe that it is vital for us to continuously expand our customer base and maintain long standing business relationship with our customers from different industries by, among other things, understanding the changing needs and specifications of customers from different industries on the paper-based packaging of their end-products from time to time. Therefore, our sales personnel regularly visit our customers in order to facilitate effective communication with the customers and collect feedbacks or receive complaints, if any, from them so as to enable us to respond to such feedbacks and complaints in a timely manner. We are therefore able to maintain stable business relationship with most of our customers. In particular, we have maintained business relationship with our top five customers for a period of three to six years as at the Latest Practicable Date. As at the Latest Practicable Date, approximately 62.2% of our customers had a business relationship with us for about three to six years. We also supply paper-based packaging products to a number of our key customers, who are the owners of renowned brands in the PRC such as Wahaha（娃哈哈）, Yingyangkuaixian（營養快線）and Tiantianyangguang（天天陽光）on an order-by-order and yet consistent basis. These renowned brands are owned by some of our top five customers. We believe that our business relationship with these customers has indicated their recognition of the quality of our products and we consider this recognition and goodwill is a key factor leading to our success in the paper-based packaging industry.

Our existing production plant is situated at the Fengxin County, Yichun City of Jiangxi Province, the south-eastern part of the PRC, which is within 300 kilometers distance to Zhejiang, Fujian, Guangdong, Hubei and Hunan provinces. A number of food and beverage manufacturing enterprises, including some of our major customers (such as "Nanchang Wahaha Food Co., Ltd and Jiangxi Sunshine Dairy Limited Company"), have established their production bases within an approximately 150-km radius of our production plant in Jiangxi Province in the PRC. Therefore, we enjoy an advantage of proximity by setting up our production plant near their production bases and, in effect, minimize the production lead-time for our products to reach our customers. It also helps saving our transportation cost. In addition, the close proximity of our production base with our customers enables us to provide quality after-sales service as it is convenient for our sales personnel to visit our customers' production bases on a regular basis.

We possess advanced technological know-how, machinery and equipment

The production technology in the paper-based packaging industry has been evolving continuously. We believe that our technical know-how in production and printing of packaging products together with our machinery and equipment would enable us to manufacture quality flexo-printed cartons and offset-printed cartons with different structural and layout design efficiently and effectively.

Taking into account the continuous technological development of our Group, we consider that our Group possesses competitive production techniques for production and printing of paper-based packaging products. Our Group acquired from Wuhan University its entire interest in two invention patents (發明專利) which were jointly developed by Wuhan University and us. We have also successfully obtained registration of 15 utility model patents (實用新型專利), which have been applied for our development of our intelligent resource-saving corrugated paper carton production system for upgrading our production line of corrugated paperboards. Further, we have submitted applications for registration of 11 patents including two invention patents (發明專利), two utility model patents (實用新型專利) and seven design patents (外觀設計專利) in relation to the production of stone-paper based packaging products. For further details, please refer to the paragraphs headed "Business – Intellectual Property Rights" of this section of this prospectus. For the implementation of the above production techniques and technological know-how, we have purchased a wide range of machineries and equipment from leading manufacturers in the PRC and Germany to enhance our production efficiency and provide us with better flexibility in meeting changing needs and requirements of our customers from different industries.

We adopt environmentally responsible practices

We emphasise on environmental protection as our business develops. Our commitment to environmental protection can be witnessed in two respects: (i) all our paper-based packaging products and corrugated paperboards produced by us can be recycled for use; and (ii) our production line for corrugated paperboards and production flow have been upgraded and modified by our 15 registered utility model patents and our self-developed know-how which becomes more energy-saving. We are committed to develop packaging products with stone-paper and we successfully produced stone-paper based packaging products in trial in May 2013. In addition, we have invested in waste water treatment system and dust removal system, and implemented other environmental protection measures at our Fengxin Plant.

During the Track Record Period, we had not received any claim for breach or non-compliance with any applicable environmental law in the PRC, or incurred any environmental liabilities. In anticipation of more stringent rules and regulations over and the growing call for environmental protection in the PRC, our current practices related to environmental protection would put us in an advantageous position over our competitors.

We provide one-stop cost-control and/or tailored-made packaging and printing solutions to our customers

We provide one-stop packaging and printing solutions to meet our customers' demands and requirements. Our services range from the provision of structural and layout design of cartons to the manufacture and printing of the cartons for packaging of the end-products of our customers. This differentiates us from many traditional carton manufacturers which basically produce cartons in accordance with the designs provided by customers.

Upon customers' requests, our research and development department will communicate with our customers in relation to their needs, requirements and budget for packaging of their products. Then our research and development department and production department will work together with our customers to explore the feasibility of producing packaging products within the customer's budget. If we find that the customers' budget cannot be met, we will provide alternative solutions including suggestions on the use of other types of raw paper or color scheme as a substitute. Such practice allows us to understand more about the needs and preferences of our customers, which is fundamental to the development of long term business relationship with our customers on a strategic level.

We have a strong management team with in-depth knowledge in the paper-based packaging industry

Our success is attributable, to a large extent, to our strong and experienced management team consisting of our Directors and senior management. The senior management has in-depth knowledge of the paper-based packaging and maintains good business relationship with our customers and suppliers. In particular, Mr. Chen, our Chairman and an executive Director, has more than 11 years' experience in management, business development and operation of manufacturing industry and Mr. Sun, the founder and an executive Director, has almost eight years of experience and knowledge in the paper-based packaging industry. Other members of our senior management not only possess extensive experience and profound knowledge in the paper-based packaging industry in the PRC, but also understand the needs of our customers from various industries, which have enabled us to maintain our competitive edges over our competitors.

We have built up a good business reputation in the Jiangxi Province

We have been operating in the paper-based packaging industry for eight years in the PRC with a majority of our customers with production bases in the Jiangxi Province. We believe, based upon our customers' feedbacks and our experience, that we enjoy good reputation in the industry, in particular, in the Jiangxi Province. In 2011, we were awarded as "Credit Enterprise in the Printing Industry of Jiangxi Province"(江西省印刷行業誠信企業) jointly by Press Publication Bureau of Jiangxi Province and Association of Printing and Copying Industry in Jiangxi Province(江西省新聞出版局和江西省印刷複製業協會). In 2012, we were recognized as a "Leading Model Enterprise in the Printing Industry of Yichun City"(宜春市印刷行業龍頭示範企業) jointly by the Culture and Press Publication Bureau of Yi Chun City(宜春市文化和新聞出版局) and the Printing Association of the Yichun City(宜春市印刷協會). We were awarded as "Excellent Packaging Enterprise of Jiangxi Province"(江西省優秀包裝企業) by the Commission of Industry and Information Technology of Jiangxi Province(

江西省工業和信息化委員會) in April 2013. We obtained other awards from various organizations in the PRC in recognition of our reputation. For details in this respect, please refer to the paragraphs headed "Business – Awards and Recognitions" of this prospectus.

Our Directors believe that our good reputation in the industry puts us in a better position than our competitors to attract quality customers and capture business opportunities in the paper-based packaging market.

BUSINESS STRATEGIES

With our proven track record, we believe that we are well-positioned to further develop our business and create values for our Shareholders. We will keep focusing on the design, manufacture and printing of paper-based packaging products with precision for packaging of a variety of products and at the same time, develop our new packaging product with the use of stone-paper. Our Directors believe that the key business drivers for our growth during the Track Record Period and going forward included, among others, (i) our technologically advanced machinery and production facilities, in particular, the use of the intelligent resources-saving corrugated paper carton production system developed by us with the application of 15 utility model patents, which helped enhance our production efficiency, product quality and production techniques; (ii) our ability to produce corrugated paperboards, which are the major raw materials for production of paper-based packaging products; (iii) our ability to maintain long-standing business relationship with our existing customers and expand new clientele in the consumer market; and (iv) our ability to develop different kinds of products to meet the changing demands of different customers, for instance, our plan to develop stone-paper based packaging products would enable us to provide high-end packaging products for customers who manufacture and distribute high-end products. To achieve this, we plan to continue to leverage our competitive strengths and implement our business strategies as follows:

Focus on printing of paper-based packaging products for packaging of different kinds of products with precision

We have built up a strong presence in design, manufacturing and printing of paper-based packaging products for packaging of various kinds of products in the Jiangxi Province, the PRC. We believe that it is important for us to strengthen our position in this area so as to generate a steady growth in our turnover. To this end, we plan to maintain the following business strategies:

(i) strengthening our communications with customers and obtaining their feedbacks on our products and services from time to time for better understanding of their changing needs and requirements;

(ii) producing custom-made products as requested by our customers from time to time or, upon customers' requests, designing both the structure and layout of our paper-based packaging products for customers; and

(iii) upgrading our production facilities with more advanced machinery and equipment to enhance our product quality, production capacity and efficiency.

We believe that the above strategies together with our strong presence in the paper-based packaging industry in Jiangxi Province in the PRC would enable us to capture business opportunities that may arise from time to time.

As a result of the recent development trends in the high-end packaging market in the PRC, our customers who manufacture and sell high-end consumer products would require us to produce cartons with high-resolution prints or graphics for packaging purposes. These production methods, with precise specifications and lamination requirements, will inevitably involve offset-printing method that would enhance the appeal of the underlying products. We believe that focusing on the printing of quality precision cartons by offset-printing for packaging purposes can help us maintain a stable customer base.

Expand the production capacity of the Fengxin Plant

We focus on the design, manufacturing and printing of paper-based packaging products for a variety of products, particularly the food and beverage products. All our products are manufactured at our Fengxin Plant with a gross floor area of approximately 17,534 sq.m.. During the Track Record Period, the average utilisation rates of the production capacity of the Fengxin Plant were approximately 59.5%, 62.2%, 94.3% and 107.7% respectively. In order to cope with our anticipated growth, we plan to increase our production lines from seven to eleven by the first half of 2014. Out of the four new production lines, one is for production of corrugated paperboards, one for manufacture of flexo-printed cartons and two for manufacture of offset-printed cartons. We believe that in order to capture larger market share in the paper-based packaging industry, we need to further expand the production capacity of Fengxin Plant as well as continue to upgrade our existing production lines.

Develop stone-paper based packaging products and stone paperboards

Traditional paper-based packaging products are manufactured with raw paper made from wood pulp. Our Directors believe that the use of stone-paper, which is a kind of replacement material for wood and timber as the primary raw material for manufacturing paper, should be encouraged under various national policies promulgated by the PRC government. For example, in 《關於加快推進木材節約和代用工作的意見》(國辦簽2005 58號) (Opinion on Speeding up the Implementation on the Timber Conversation and the Utilisation of Timber Substitutes (No. 58 2005 of the General Office of the State Council*)), the production and use of substitutions for wood and timber was encouraged by the PRC government. As stone-paper is primarily made from calcium carbonate mixed with a high density polyethylene bonding agent and therefore can serve as a substitute for traditional paper made from wood and timber, we believe that the growing concern over environmental protection would advocate the potential growth in demand for stone-paper based packaging products in the near future. Stone-paper is a novel type of paper possessing a number of advantages over traditional paper, including, among others, a higher degree of resistance to water, grease, insect and crushing and tear endurance. It is of high-strength with great elasticity, shock proof and heated-insulation. Owing to such merits of stone-paper, we believe that packaging products made of stone-paper have great potential especially for the packaging of high-end consumer products, such as moon cakes, quality wines, tea leaves and festive food.

Our technologies and techniques for development of stone-paper based packaging products

We are confident that we have mastered the requisite technologies and techniques to manufacture the stone-paper based packaging products due to the following:–

(i) we have jointly developed two invention patents related to the production and production methods of stone paperboards with Wuhan University and the entire proprietary interests in these two patents were assigned to us in July 2013. We can apply these two patented production methods for production of stone paperboards for our own use once our new production lines are in use whereby we will not need to rely heavily on third party supplier for the supply of stone paperboards, a major material for production of stone-paper based packaging products. Further, as the production methods are patented, our intellectual property rights thereunder would be protected to the effect that we can take legal action to stop others from copying, using, selling our patented production methods without our permission;

(ii) we have submitted applications for registration of two invention patents, two utility model patents and seven design patents, which are mainly applied to the production of stone-paper based packaging products; and

(iii) the trial run on stone-paper printing technology and the trial run on stone-paper based packaging products were successfully completed in December 2012 and May 2013 respectively.

The technologies related to the production methods of stone paperboards developed by us in collaboration with Wuhan University had been successfully patented in 2012 though stone-paper is yet to be widely used in the paper-based packaging product market in the PRC and we believe that they are relatively new to the paper-based packaging product market in the PRC. Once stone-paper has become popular in the paper-based packaging market, we would enjoy the advantage in this respect.

The four new production lines will be set up by 2014 and one of which can be used for production of both corrugated paperboards and stone paperboards and the other three for printing of both traditional paper-based packaging products and stone-paper based packaging products.

Trial production and commercial production of stone-paper based packaging products

We started producing samples of stone-paper based packaging products for our potential customers who are manufacturers or distributors making high-end consumer products such as moon cakes, tea leaves, incense and festive food since our stone-paper printing technology was proven successful in December 2012. We started commercial production of stone-paper based packaging products with the stone paperboards purchased from third party suppliers in a small scale in August 2013. This took place after we had successfully produced stone-paper based packaging products in trial in May 2013. Up to the Latest Practicable Date, we have not yet produced stone paperboards by ourselves. Instead, we purchase stone-paper from third party suppliers for production of stone-paper based packaging products for the time being. Up to 30 September 2013, we have procured four customers who had specifically requested for our stone-paper based packaging products. Based on our unaudited management records, the turnover generated from the sales of our stone-paper based packaging products since its commercial production commenced in August 2013 amounted to approximately RMB1.7 million for the two months ended 30 September 2013.

However, when our new corrugated paperboards production line fully commences its commercial production in 2014, we can produce stone paperboards ourselves for further production of stone-paper based packaging products. Our Directors believe that stone-paper based packaging products will enhance our competitive edge in the packaging industry given its meritorious features set out above.

Production procedure of stone-paper cartons

The production procedure of stone-paper cartons is basically similar to that of the traditional cartons. Our Directors take the view that the main differences lie in four aspects: (i) *Temperature*: the production temperature for stone-paper cartons are at 60ºC-80ºC while 150ºC-170ºC for the traditional cartons, (ii) *Pressure*: the production pressure for traditional cartons are around 30% greater than that for stone-paper cartons, (iii) *Gluing*: stone-paper cartons need to use the specially made glue while the starch adhesives for the traditional cartons, and (iv) *Drying temperature*: the drying temperature for stone-paper cartons is higher than that for traditional cartons. We believe that stone-paper based packaging products will gain popularity in the PRC in the future as it can satisfy both the increasing demands for quality packaging products among manufacturers in the PRC and PRC authorities' growing concern over environmental protection.

Differences between our stone-paper based packaging products and traditional paper-based packaging products

Stone-paper has a number of characteristics and properties that make it an alternative to traditional paper. We set out herein below the differences between our stone-paper based packaging products and our traditional paper-based packaging products in terms of pricing, quality, applications, raw materials, unit production cost, gross profit margin, customers, suppliers, environmental impact, recyclability, biodegradability and transportation costs:–

	Traditional paper-based packaging products	**Stone-paper based packaging products**
Pricing	– We price our traditional paper-based packaging products on a cost-plus basis	– We plan to price our stone-paper based packaging products on a cost-plus basis
Average selling price *(Note 1, Note 2)*	– The average selling price of our traditional paper-based packaging products is approximately RMB2.79 per sq.m. for the nine months ended 30 September 2013	– Our preliminary average selling price for our stone-paper based packaging products is approximately RMB8.84 per sq.m. for the two months ended 30 September 2013
Quality	– Light-weight – Poor resistance to water, grease, insect, crushing and low tear endurance – Surface not as smooth as stone paper products and thus, coating or gloss is needed for final paper-based packaging products	– Generally heavier than traditional paper based packaging product given the same thickness and surface area, depending on, among others, the type of raw material used. Our Directors confirm that our stone-paper based packaging products are generally 10%-75% heavier than traditional paper-based packaging products. – Higher degree of resistance to water, moisture, grease, insect, crushing and high tear endurance – High-strength with great elasticity, shock proof, heated-insulation – Possess a smoother surface than traditional paper thereby obviating the need for a coating or gloss for stone-paper based packaging products

	Traditional paper-based packaging products	Stone-paper based packaging products
Applications	– Widely applied as packaging materials in variety of sectors	– Insofar as packaging materials are concerned, it can be used for various kinds of packaging materials, especially for packaging products which require higher degree of resistance to water, moisture and crushing – We plan to use stone-paper for production of high-end packaging products
Raw materials	– Raw paper and corrugated paperboards, which are mostly made of waste paper	– Mineral powder (calcium carbonate/limestone) mixed with high density polyethylene bonding agent
Unit production cost *(Note 3, Note 4)*	– Average unit production cost for our traditional paper-based packaging products is approximately RMB2.16 per sq.m. for the nine months ended 30 September 2013	– Average unit production cost for production of our stone-paper based packaging products is approximately RMB6.33 per sq.m. for the two months ended 30 September 2013
Gross profit margin *(Note 5, Note 6)*	– Average gross profit margin of our traditional paper-based packaging products is approximately 22.6% for the nine months ended 30 September 2013	– Average gross profit margin of our stone-paper based packaging products is approximately 28.4% for the two months ended 30 September 2013
Customers	– Our customers are mainly manufacturers of a wide range of products, including food and beverages, glass and ceramic articles, metal hardware and chemical products, bamboo articles and others	– Our target customers for stone-paper based packaging products are manufacturers or distributors which sell or distribute high-end products, such as moon cakes, quality wines, tea leaves and festive food
Suppliers	– We purchase raw paper and corrugated paperboards from over 20 suppliers in the PRC	– We purchase stone-paper from two third party suppliers for the two months ended 30 September 2013
Environmental Impact	– Traditional paper – based packaging products are generally considered to be less environmental friendly as (i) its production requires waste paper of which ultimate source is wood and timber, and (ii) waste water is discharged during the production process	– The production of stone-paper based packaging products does not require wood pulp and water. Further, no waste water is discharged during the production process of stone-paper

	Traditional paper-based packaging products	Stone-paper based packaging products
Recyclability	– Traditional paper is generally recyclable in the form of waste paper pulp during the paper manufacturing	– Stone-paper is generally recyclable by grinding waste paper into its original form, namely calcium carbonate pellets, where additional recycling cost is incurred. The calcium carbonate pellets can then be reused for stone paper production
Biodegradability	– Traditional paper is generally biodegradable as the main components of which are plant materials and most of the plant materials are biodegradable	– Stone-paper is not readily biodegradable in landfills
Transportation costs	– Lower transportation costs due to the comparatively lighter weight of traditional paper	– Stone-paper based packaging products may incur higher transportation costs than traditional paper-based packaging products due to their heavier weight

Notes:

1. The average selling price is calculated based on the financial figures for the nine months ended 30 September 2013.

2. Our commercial production and sales of stone-paper based packaging products have been commenced in August 2013.

3. The unit production cost is calculated based on the financial figures for the nine months ended 30 September 2013.

4. Our commercial production and sales of stone-paper based packaging products have been commenced in August 2013.

5. The gross profit margin is calculated based on the financial figures for the nine months ended 30 September 2013.

6. Our commercial production and sales of stone-paper based packaging products have been commenced in August 2013.

In view of the properties of stone-paper as compared to those of traditional paper, our Directors believe that it would be a trend in the industry to use stone-paper for production of stone-paper based packaging products. To capture such trend, we have started commercial production of stone-paper based packaging products in August 2013. Given that (i) paper-based packaging products have been well developed and widely accepted in the market and (ii) the demand for our stone-paper based packaging products is not enormous for the time being as our sale of which is still in the inception stage, we will not shift our focus from traditional paper-based packaging products to stone-paper based packaging products. As we have limited operating history in production of stone-paper based packaging products in the past, the cost structure and cashflow in connection with the stone-paper based packaging products are not able to be accurately estimated for the time being.

However, our Directors expect that the commencement of production of stone-paper based packaging products will not materially affect our business operation and financial performance in the near future including our business model, cost structure, risk profile and cash flow position, given that the four new production lines can be used for both stone-paper based packaging products and our traditional paper-based packaging products.

Improve our research and development capabilities

We will continue to strengthen our product development and production capability.

We plan to further explore our collaboration with both Wuhan University and BIGC regarding the upgrading and enhancement of our production lines and the innovation in stone-paper based packaging production. Thanks to our collaboration with BIGC, we have successfully developed and registered 15 utility model patents, details of which are set out in the paragraph headed "Intellectual Property Rights" in this section of the prospectus. These 15 utility model patents are applied in our system for upgrading of our production line in the production of corrugated paperboards. On the other hand, Wuhan University and our Group had entered into a co-operation agreement in June 2010 in relation to the research and development of stone-paper based packaging products and we had acquired Wuhan University's interests in two patents concerning the production and production methods of stone paperboards in July 2013.

Currently, we are undergoing three research and development projects. Upon the successful research of these projects, we can further upgrade our existing production lines and innovate stone-paper based packaging products, which would provide an impetus for our future growth. By forming strategic alliance with tertiary institutions so as to strengthen our research and development capability, we believe that this will provide us with readily available technical expertise and the required technology advancement to innovate and produce quality and diversified paper-based packaging products.

BUSINESS MODEL

We set out below the key phases of our business operation:–

	Product design	– Our design team is engaged in the design of the structure and layout of our paper-based packaging products – Upon our customers' requests, our design team and the production department will together discuss with customers regarding the structural, layout and/or graphic design of our packaging products and the matter on cost control in production
	⇩	
	Sales and marketing	– Our sales personnel introduce and promote our products to customers – To encourage our sales personnel to expand our sales network, we will pay commission to the sales person based on the revenue generated from the customer introduced to us by such sales person as incentives
	⇩	
1-7 days	Procurement of raw materials	– We devise our procurement plan of raw materials including mainly corrugated paperboards and raw paper at the end of each month and to keep stocks of the major raw materials sufficient for approximately two weeks' to one month's production during the Track Record Period
	AND/OR	
	Production of corrugated paperboards	– We provide corrugated paperboards for our own production of flexo-printed cartons and offset-printed cartons
	⇩	
1-3 days	Printing	– By flexo-printing or offset-printing
	⇩	
0-3 days	Production of cartons	– Our production department will work with sales personnel to communicate with customers regarding, among others, the production schedule, the raw materials used for production and delivery schedule – Our production department will start production of the cartons according to the specification of our customers – Our quality control department will carry out tests and checkings throughout the manufacturing processes to ensure the quality of our packaging products before delivery to our customers. Apart from physical tests conducted on the raw materials, semi-finished goods and the finished products, we also carry out tests on the equipment, apparatus and systems before production of our products is to commence.
	⇩	
0-7 days	Entering warehouse	– Finished products being stored in the warehouse in the Fengxin Plant
	⇩	
	Delivery	– Products are delivered to our customers by external transportation companies or our logistics team

PRODUCTS

Our paper-based packaging products consist of flexo-printed cartons and offset-printed cartons of different sizes, which are manufactured according to our customers' needs and/or specific requirements. For example, the smallest size of cartons we have made is 45 x 45 x 110 (mm) whilst the largest size of cartons is 1,130 x 500 x 790 (mm). Our products are used for packaging of various kinds of products, mainly including food and beverages, ceramics and glass, metal hardware and chemicals, bamboo articles and other products. Further, our paper-based packaging products can serve as a marketing tool as packaging itself will convey product information and help promoting brand image to consumers. Layouts of our paper-based packaging products are designed either by our customers (who are the manufacturers of the relevant products and such layout usually includes brand name, logo, graphic, the name of the manufacturer and other information prescribed by the relevant laws and regulations and in accordance with the specifications of individual customer) or by our design team under our research and development department to enhance the appearance of the products for marketing and advertising purposes. As for high-end products, we are usually engaged to design the structure, shape and/or layout of the cartons.

Both of our flexo-printed cartons and offset-printed cartons are of different sizes and shapes to satisfy our customers' needs and requirements from time to time. Carton shapes, thickness, dimensions and structural design can all be tailor-made to fit different contents for packaging and bulk handling. Depending on the customers' requirements, we will die-cut paperboards into various shapes which can then be folded and glued to form a carton of different shapes such as tetrahedron or hexagon. Our products can be classified into (i) flexo-printed cartons and (ii) offset-printed cartons in terms of their printing methods.

The following table sets forth a breakdown of our Group's turnover by products during the Track Record Period:

	Year ended 31 December						Eight months ended 31 August			
	2010		2011		2012		2012		2013	
	RMB'000	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*
							(Unaudited)			
Turnover by products										
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Offset-printed cartons										
– Traditional paper-based cartons	40,577	30.5%	55,749	28.7%	83,467	29.8%	47,866	29.9%	78,881	36.2%
– Stone-paper based cartons	–	–	–	–	–	–	–	–	45	0.0%
	132,998	100%	193,933	100%	280,553	100%	160,144	100%	218,161	100%

Flexo-printed cartons

Flexo-printed cartons are primarily made of corrugated paperboards which are either single-wall or double-wall with the use of water-based printing ink in the printing process involving the use of a flexible relief plate.

Before printing, our production department, who possesses knowledge in the physical and chemical properties of raw materials and understands how these ingredients react with one another as well as with the environment and the substrate of our cartons, will measure and formulate the ink for the water-based printing works. Though flexo-printing is generally in mono-colour, we can print up to four colours by flexo-printing at the same time.

Flexo-printed carton is generally more durable, versatile, economical and light in terms of weight and is widely used for packaging containers and protection of the contents inside storage.

The cost of flexo-printed cartons printing machine is relatively lower than that of the offset-printing machine. The sale price and gross profit margin of flexo-printed cartons are also relatively lower than those of offset-printed cartons.

Offset-printed cartons

The primary raw materials for offset-printed cartons are raw paper including but not limited to coated whiteboard paper, corrugated paperboards and oil-based ink. The printed pattern by offset-printing is usually aimed for higher definition and precision and is in multi-colours. As such, the printing quality of offset-printed carton with precision is much better than that of flexo-printed carton. Machinery and equipment for offset-printing are more expensive than those for flexo-printing. The sale price and gross profit margin of offset-printed cartons are thus relatively higher than those of flexo-printed cartons.

Set out below are the photos of our flexo-printed cartons and offset-printed cartons respectively.

Flexo-printed cartons:

Offset-printed cartons:

PRODUCTION

Production plant

Our production facilities for production of corrugated paperboards and the printing of paper-based packaging products are all located at the Fengxin Plant with a total gross floor area of approximately 17,534 sq.m. consisting of eight blocks. It is situated in Hong Sheng Industrial Park, Fengxin County, Yichun City, Jiangxi Province, the PRC. We have obtained building ownership certificates for all these eight blocks. As at the Latest Practicable Date, a new block was under construction and the aggregate gross floor area of which will be approximately 15,490 sq.m. For further details, please refer to the paragraph headed "Properties" in this section of the prospectus.

As at the Latest Practicable Date, we had seven production lines, of which one was designed for production of corrugated paperboards, three for production of flexo-printed cartons and three for production of offset-printed cartons.

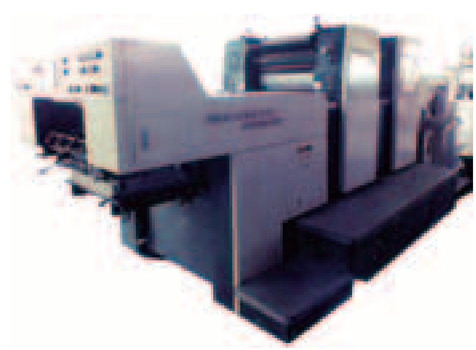
As advised by our PRC Legal Advisers and confirmed by our Directors, we have obtained all the licences, approvals and permits from the relevant regulatory authorities necessary for our operation in the PRC, and all the required licences for the printing and manufacturing of our paper-based packaging products. In connection with the Printing Business Licence ("印刷經營許可證"), Certificate for Bar Code for Commodity ("商品條碼印刷資格證書") and Emission Permit ("排放污染物許可證") held by us, according to our PRC Legal Advisers and our Directors, the PRC Government requires all such licences and certificates to be renewed on or before their respective expiry date, being the end of January 2014, 22 June 2014 and 29 April 2015 respectively. We intend to apply for renewal of our Printing Business Licence ("印刷經營許可證") in the beginning of January 2014, which is consistent with the industry norm. Our PRC Legal Advisers further confirm that there should not be any material legal impediments which would affect the renewal of our licences under the current rules and regulations in the PRC.

Machinery and equipment

Our major machines include a 2-Color Flexo-Printing Machine, a 4-Color Flexo-Printing Machine, a Full-Automation Printing and Cutting Machine for flexo-printed cartons, a Heidelberg Speedmaster 5-Color Printing Machine, a Man-Roland 4-Color press, a Unit Offset Press for offset-printed cartons and a 5-Layer Corrugator for corrugated paperboards. In particular, two of the offset-printing presses were made in Germany.

Details of some of our principal machines used in the Fengxin Plant as at the Latest Practicable Date are set out below:

Machine	Number of unit(s)	Place of origin	Principal specifications (主要技術參數)
2-Color Flexo-Printing Machine YSS-1450 (雙色水墨印刷機)	1	PRC	maximum press specification is 2400*1450mm and the printing rate is approximately 4260 pages per hour 
4-Color Flexo-Printing Machine (四色浮水印刷機)	1	PRC	maximum press specification is 1200*2360mm and the printing rate is approximately 13200 pages per hour 
Full-Automation Printing and Cutting Machine QYK 2000*1200 (全自動印刷(開槽)模切機)	1	PRC	maximum press specification is 1150*1950mm and the printing rate is approximately 7200 pages per hour 

Machine	Number of unit(s)	Place of origin	Principal specifications（主要技術參數）
Heidelberg Speedmaster SM102-5 5-Color Offset Printing Press（海德堡彩印機）	1	Germany	equipped with sheetfed control system and varnishing. The maximum press specification is 710*1020mm and the printing rate is approximately 15,000 impressions per hour 
Man-Roland R804-6 4-Color Printing Press（羅蘭800彩印機）	1	Germany	maximum press specification is 990*1400mm and the printing rate is approximately 10,000 impressions per hour 
Unit Offset Press（機組式平版膠印機）	1	PRC	maximum press specification is 464*645mm and the printing rate is approximately 10,000 impressions per hour 

As for the manufacturing of corrugated paperboards, we have the following equipment and machinery:–

Machine	Number of unit(s)	Place of origin	Principal specifications (主要技術參數)
5-Layer Corrugator (五層瓦楞紙板生產線)	1	PRC	Running at about 250 meters per minute 

Details of our manufacturing process are set out in the sub-paragraph headed "Production process" in this section of the prospectus. As at 31 August 2013, we have 329 staff members working in the Fengxin Plant. Among these 329 staff members, around 210 are specifically engaged in production.

We emphasize on the use of technologically advanced machinery to enhance our production efficiency, product quality and production techniques, and had made considerable investments in building up our seven production lines. During the Track Record Period, the amount of our capital expenditures consisting of the addition of property, plant and equipment for the new production facilities and the enhancement of equipment and machinery for the three years ended 31 December 2012 and for the eight months ended 31 August 2013 was approximately RMB5.1 million, RMB0.8 million, RMB20.0 million and RMB8.8 million respectively. All our major machinery and equipment are owned by us.

We adopt straight-line method to calculate depreciation of our brand new machinery for flexo-printed cartons and offset-printed cartons and the brand new machinery for production of corrugated paperboards over an estimated useful life of 10 years and residual value of 5% of the cost of acquisition. We set out below the table showing the year of purchase of the relevant machinery and initial operation, the depreciation policy, the estimated and remaining estimated useful life and the net book value as at 31 December 2012.

Year of purchase	Year of initial operation (including subsequent upgrade)	Depreciation Policy	Estimated useful life	Remaining estimated useful life as at 31 December 2012	Net book value as at 31 December 2012
			(year)	*(year)*	*(RMB'000)*
2006	2006	10% straight-line basis	10	4	3,879
2007	2007	10% straight-line basis	10	5	160
2008	2008	10% straight-line basis	10	6	1,179
2009	2009	10% straight-line basis	10	7	5,033
2010	2010	10% straight-line basis	10	8	3,956
2011	2011	10% straight-line basis	10	9	368
2012	2012	10% straight-line basis	10	10	502
Total					15,077

Our competitive production techniques

The details of our competitive production techniques are set out below:-

Production techniques	Functions
Enhancing the functions of DCS, a kind of computerized control system commonly used to control manufacturing processes that are continuous or batch-oriented, for our production of corrugated paperboards. Our automatic sequential DCS can connect different workstations and control loops scattered in our Fengxin Plant by computer networks, which would trigger a series of mechanical actuators in the correct sequence to perform the tasks pre-set by us starting from raw material flow directions, computer controlled high speed cutting machine, paperboards creasing, slotting, automatic counting and stacking of finished corrugated paperboards.	By enhancing the use of DCS, we have improved the production speed, reduced labour consumption and ensured cutting accuracy of our corrugated paperboards.
Modifications of our production lines by the application of the 15 patents jointly developed by BIGC and us.	The production processes along the production line for corrugated paperboards can be adjusted to manufacture corrugated paperboards of different sizes in a more efficient manner. It can start production of corrugated paperboards from both ends of the production line simultaneously instead of the straight line production from the front to the end of the production line. Hence, it has improved our production efficiency and flexibility in respect of the production of corrugated paperboards and has effectively reduced the average number of workers on each production line, while the production capacity remains the same.
Use of automatic overbridge corrugated paper conveyor to enable single-layer corrugated paper to move in the right track for surface gluing, drying, slitting and scoring and cutting for making multi-layered corrugated paperboards.	Our production efficiency will increase whilst labour intensity will decrease.

In view of the above, our competitive production techniques have improved our production efficiency, reduced labour consumption and enhanced our production speed, which in totality, have enabled us to have a better control on our production costs. Our Directors believe that our competitive production techniques have led to a positive impact on our gross profit margin and allow us to offer a more competitive selling price on our products.

At the same time, we have been upgrading our existing production lines from time to time. We may change the parts of our existing machinery and equipment or enable our existing offset-printing press to print one more color on the paperboards simultaneously, which in our opinion, will improve our product quality as well as enhance our production capabilities and provide a greater variety of paper-based packaging products for our customers. Taking into account our expected increase in demand for paper-based packaging products in the PRC, our plan to develop stone-paper based packaging products and the fact that the average utilisation rate of our existing production lines had reached the maximum capacity for the eight months ended 31 August 2013, we had decided to set up four new production lines.

Our Group's expenses for upgrading our production lines during the Track Record Period ranged from approximately RMB0.04 million to RMB0.8 million per year for (i) purchasing spare and accessory parts for the machinery and equipment and (ii) the research fund paid to BIGC in relation to the upgrading and enhancement of our production lines. These expenses were financed by our internal resources.

Production capacity

Each production line in our Fengxin Plant is equipped with various types of machineries and equipment. Certain ancillary equipment such as paper cutter（切紙機）, laminating machine（覆膜機）and gilding machine（壓平機）would serve the production lines for production of both flexo-printed cartons and offset-printed cartons. For certain kinds of machineries and equipment, only staff with specific qualifications and/or are holders of the requisite certificates can operate them. For instance, only staff with printing certificate (i.e. intermediate level or above) can operate the offset printing press. As confirmed by our Directors, all of our staff members who are currently assigned to operate the offset printing press are with proper qualifications.

The estimated maximum production capacity and utilisation rate of our production facilities for production of flexo-printed cartons, offset-printed cartons and corrugated paperboards during the Track Record Period are as follows:

	Year ended 31 December									Eight months ended 31 August 2013		
	2010			2011			2012					
	Estimated production capacity *Approximate million sq.m. (Note 1)*	Actual production output *Approximate million sq.m.*	Average utilisation rate *% (Note 2)*	Estimated production capacity *Approximate million sq.m. (Note 1)*	Actual production output *Approximate million sq.m.*	Average utilisation rate *% (Note 2)*	Estimated production capacity *Approximate million sq.m. (Note 1)*	Actual production output *Approximate million sq.m.*	Average utilisation rate *% (Note 2)*	Estimated production capacity *Approximate million sq.m. (Note 1)*	Actual production output *Approximate million sq.m.*	Average utilisation rate *% (Note 2)*
Flexo-printed cartons	59.2	33.7	56.9	81.8	50.1	61.2	81.8	73.4	89.7	54.5	54.6	100.2 *(Note 3)*
Offset-printed cartons	20.3	10.9	53.7	28.5	14.7	51.6	28.5	24.0	84.2	19.0	23.2	122.1 *(Note 3)*
Corrugated paperboards *(Note 4)*	37.0	24.7	66.8	37.0	26.8	72.4	37.0	41.5	112.2 *(Note 3)*	24.7	28.0	113.4 *(Note 3)*
Total	116.5	69.3	59.5	147.3	91.6	62.2	147.3	138.9	94.3	98.2	105.8	107.7 *(Note 3)*

Notes:

(1) The estimated production capacity is calculated for illustrative purposes only, on the basis of the total production output per machine per hour at 16 hours per day and 345 working days per annum as the production of packaging products will stop during the statutory holidays in the PRC.

(2) The average utilisation rate is derived by dividing actual production output of a year/period by the estimated production capacity of that year/period.

(3) For the year ended 31 December 2012 and the eight months ended 31 August 2013, the production facilities were operated overtime and hence the utilisation rate exceeded 100%.

(4) The corrugated paperboards are solely used by ourselves as the raw materials for production of flexo-printed cartons and offset-printed cartons and are not sold to third parties.

Our estimated maximum production capacity increased from approximately 116.5 million sq.m. for the year ended 31 December 2010 to approximately 147.3 million sq.m. for the year ended 31 December 2012. Such increase in the estimated maximum production capacity in 2011 was mainly due to the procurement of one Full-Automation Printing and Cutting Machine by the Group at a purchase price of approximately RMB0.75 million and one Man-Roland R804-6 4-Color Printing Press at a purchase price of approximately RMB4.85 million in October 2010. Accordingly, the capital expenditure was fully expensed in 2010 whereas their contributed production capacity was reflected on pro-rata basis.

The average utilisation rate of our production facility for the Track Record Period was approximately 59.5%, 62.2%, 94.3% and 107.7% respectively. The average utilisation rate of our production lines is affected by a number of factors such as the number of purchase orders we received from our customers, the types of products manufactured and our production schedule. The increase in average utilisation rate during the Track Record Period was due to the corresponding increase in total production volume to meet the sales growth in the relevant periods.

We confirm that during the Track Record Period, all of our production lines had not experienced any events resulting in suspension or closure of the production lines, which would have materially adversely affected the production and operation of our Group.

Taking into account (i) the fact that the average utilisation rate of our existing production lines had reached the maximum capacity for the eight months ended 31 August 2013; (ii) our plan to develop stone-paper based packaging products whereby our need for stone paperboards will increase correspondingly; and (iii) one of the new production lines can produce both corrugated paperboards and stone paperboards, which allows us to devise our production plan ahead with more flexibility, our Directors take the view that it is necessary for us to set up new production lines to support our future business development. We have therefore planned to set up one new production line for production of corrugated paperboards, two for production of offset-printed cartons and one for production of flexo-printed cartons in our new production block in the Fengxin Plant. The following table sets forth our estimated annual production capacity of our four new production lines when they have fully commenced operation:–

	Estimated annual production capacity *Approximate million sq.m.*
Flexo-printed cartons	46.5 *(Note 1)*
Offset-printed cartons	28.3 *(Note 2)*
Corrugated paperboards	55.5 *(Note 3)*
Total	130.3

Notes:

1. The new production line for production of flexo-printed cartons will have an estimated annual production capacity of approximately 46.5 million sq.m. of flexo-printed cartons. As such, our aggregate annual production capacity for flexo-printed cartons will increase from approximately 81.8 million sq.m. to approximately 128.3 million sq.m.

2. The two new production lines for production of offset printed cartons will have an aggregate estimated annual production capacity of approximately 28.3 million sq.m. of offset printed cartons. As such, our aggregate annual production capacity for offset printed cartons will increase from approximately 28.5 million sq.m. to approximately 56.8 million sq.m.

3. The new production line for production of corrugated paperboards will have an estimated annual production capacity of approximately 55.5 million sq.m. of corrugated paperboards. As such, our aggregate annual production capacity for corrugated paperboards will increase from approximately 37.0 million sq.m. to approximately 92.5 million sq.m.

All these four new production lines can be converted for the production of stone paperboards or stone-paper based packaging products, as the case may be, without incurring any substantial additional cost. Our Directors confirm that the conversion of the production lines for production of stone paperboards or stone-paper based packaging products shall take approximately 10 days as modification works for converting the production lines from producing corrugated paperboards to stone paperboards and the paper-based packaging products to stone-paper based packaging products mainly involve adjustment of production temperature, pressure and drying temperature.

Production lead-time

Once we have received purchase orders from customers, our production department will work together with our sales personnel to formulate the relevant production plan including individual customer's quality requirements on the paper-based packaging products, the kind of raw materials to be used for production and the quantity of such products under the relevant purchase order. Depending on customers' needs and requirements, upon customers' request, we will design the structure and/or layout of our paper-based packaging products for them apart from mere production of the packaging products according to our customers' specifications. After formulating the production plan, we can then determine the production lead time and fix the delivery schedule with the customers. Thereafter, we will commence production of our products.

Our production lead time from the design of the paper-based packaging products or procurement of raw materials (if we are not responsible for the design) to the delivery of the finished products to the customers' designated locations varies from two to twenty days during the Track Record Period. Customers' desired delivery schedule, order size and product complexity are also relevant factors, which would affect our production lead time. We therefore believe that maintaining effective communication with our customers is essential to avoid prolonging the production lead time. We confirm that we had not experienced any material delay in our production process during the Track Record Period.

Repair and maintenance

We have devised a set of internal procedures for regular checking and maintenance of our machineries and equipment in the Fengxin Plant to ensure that they can function properly. Our production department will inspect the conditions of the production lines, machineries and equipment on a daily basis, in particular, their cleanliness, the functions of the indicators and the operating push buttons thereon. Such daily inspection will take about 10 minutes every day. Weekly and monthly maintenance work such as adding engine oil and air compressor maintenance are also carried out. To minimise the operational and financial impact during the machineries shutdown caused by our routine maintenance, during the Track Record Period, we tried to schedule the weekly and monthly maintenance work to take place after our normal operational hours or on public holidays. For the three years ended 31 December 2012 and the eight months ended 31 August 2013, we incurred maintenance costs for our machines and equipment of approximately RMB37,000, RMB167,000, RMB199,000 and RMB82,000 respectively. We believe that routine inspection and maintenance would ensure our production efficiency and extend the useful lives of machineries and equipment. We confirm that during the Track Record Period, we did not experience any unexpected material stoppage or prolonged suspension of operation as a result of any failure of our machinery and equipment.

Expansion Plan

Construction of a new block

We had commenced the construction of a new production block with an estimated total gross floor area of approximately 15,490 sq.m. in the Fengxin Plant in November 2012 and we expect to complete the construction in or about the first quarter of 2014. The new block will be used to accommodate four new production lines to be set up by the first half of 2014. The construction cost of this new block is estimated to be approximately RMB45.2 million, of which approximately RMB36.0 million has been settled as at the Latest Practicable Date and the remaining balance will be financed by the proceeds from the Share Offer and/or our internal resources and/or bank borrowings. As at the Latest Practicable Date, we had already obtained the "construction land planning permit（建設用地規劃許可證）", "construction works planning permit（建築工程處規劃許可證）" and "construction works commencement permit（建築工程施工許可證）". For more details of this new block, please refer to the paragraph headed "Properties" in this section of the prospectus.

Setting up of new production lines

In view of the high utilisation rate of our existing production lines and to cope with our business expansions, in particular, our proposed development of stone-paper based packaging products in the near future, we have planned to set up four new production lines by stages in 2013 and 2014, of which one can be used for production of both corrugated paperboards and stone-paperboards, one for printing of flexo-printed cartons and two for printing of offset-printed cartons in Fengxin Plant.

The estimated budget for setting up four new production lines is approximately RMB59.0 million, of which approximately RMB14.2 million has already been settled as at the Latest Practicable Date and approximately RMB44.8 million will be financed by the proceeds from the Share Offer and/or our internal resources.

The following table sets forth, among others, details of our expansion plan, expected date for production and the estimated investment cost for setting up four new production lines as at the Latest Practicable Date:

Functions of the new production line(s) and the ancillary equipment and devices	Machinery and equipment	Date of expected commencement of production	Estimated capital expenditure (RMB)
Production of offset-printed cartons	4-Color Offset Printing Press	By October 2013	RMB6.0 million *(Note)*
	5-Color Offset Printing Press	By June 2014	RMB15.0 million
Production of flexo-printed cartons	5-Color Flexo-Printing Machine	By June 2014	RMB6.0 million

Functions of the new production line(s) and the ancillary equipment and devices	Machinery and equipment	Date of expected commencement of production	Estimated capital expenditure (RMB)
Production of corrugated paperboards (including stone paperboards)	5-Layer Corrugator	By June 2014	RMB6.0 million
	A series of machineries and devices for production of stone paper	By June 2014	RMB15.3 million
Ancillary equipment and devices for both flexo-printing and offset-printing machines	Automated molding machine, gliding press, automated carton stapler, bag pasting machine and punching machine etc.	By June 2014	RMB10.7 million *(Note)*

Note: The 4-Color Offset Printing Press and a portion of the ancillary equipment and devices for both flexo-printing and offset-printing machines have been put into operation as at the Latest Practicable Date.

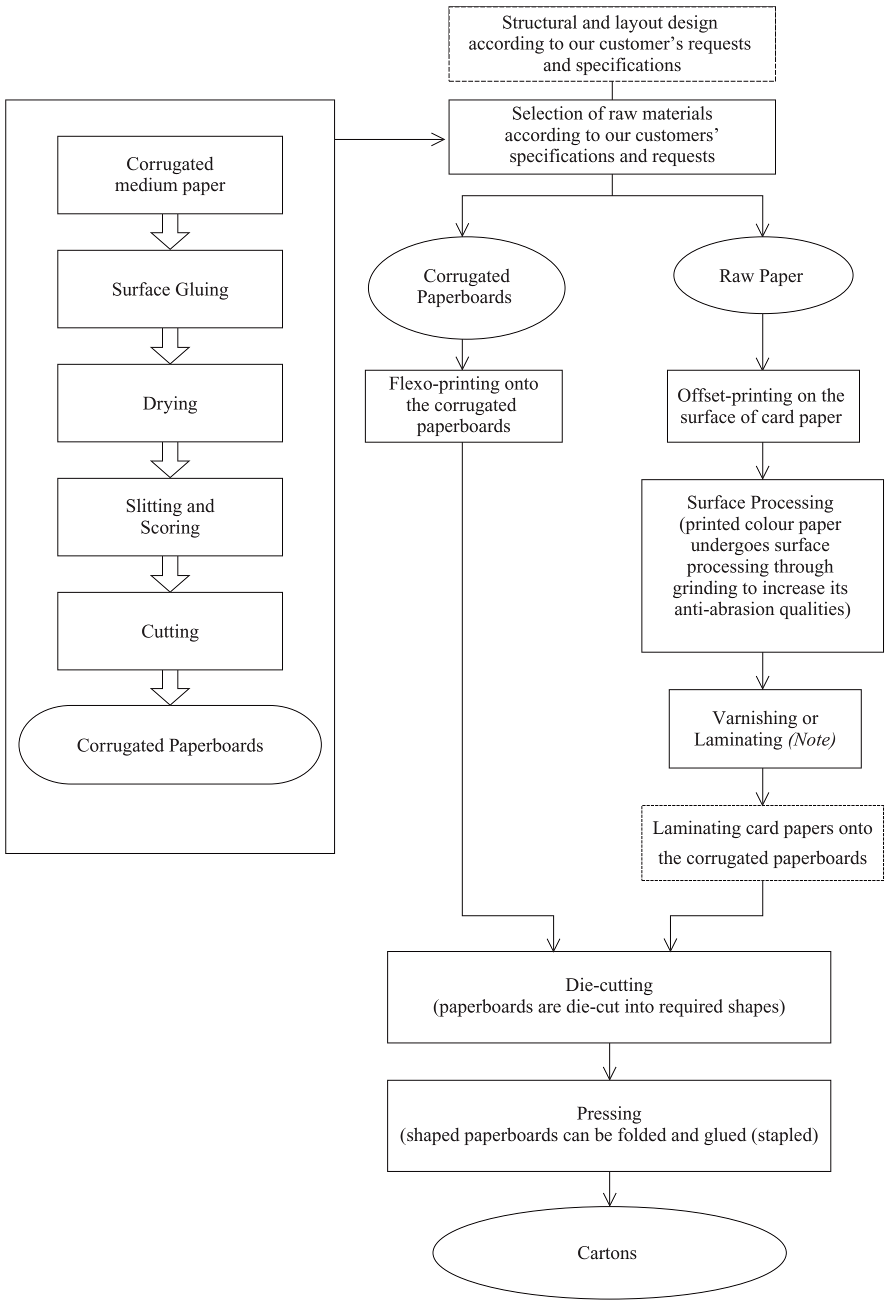
Our estimated budget in the sum of approximately RMB59.0 million for setting up four new production lines is substantially higher than the cost of the equipment and machinery of our existing seven production lines, which was approximately RMB26.9 million as at 31 August 2013. This is due to the facts that (i) the equipment and machinery to be installed in each new production line are more advanced with multi-functions, which can be used for production of both stone paperboards and stone-paper based packaging products; (ii) our new corrugated paperboard production line is equipped with a number of workstations and ancillary equipment and devices on top of those in our existing corrugated paperboards production line to accommodate the production of stone paperboards and all these workstations and ancillary devices are connected under our DCS for the purpose of regulating their operations; (iii) one of our new offset-printing machines will be able to print five colors concurrently whereas one of our existing offset-printing machines can only print four colors at the same time; and (iv) our new flexo-printing machines will be able to print five colors concurrently whereas two of our existing flexo-printing machines can only print two colors and four colors respectively. As the machinery and equipment to be installed in our new production lines are more advanced in terms of their functions and production speed, we believe that the four new production lines, once being put into operation, would enhance our production capacity and efficiency.

According to our accounting policy, the capital expenditures in connection with setting up of new production lines and construction of new production block will be depreciated over an estimated useful life of 10 years and 20 years respectively as soon as such production lines and production block have been put into operation. As our four new production lines and new production block are expected to come into operation by stages in 2013 and 2014, the additional depreciation charges on the relevant capital expenditures for the year ending 31 December 2013 and 2014 are expected to be approximately RMB325,000 and RMB5.1 million respectively.

For the year ended 31 December 2012, assuming all other factors are the same, if our depreciation charges increase by approximately RMB325,000 or RMB5.1 million, our costs of sales will increase by approximately RMB325,000 or RMB5.1 million correspondingly and our gross profit margin will decrease by approximately 0.1% or 1.8%, as the case may be.

Production process

The process for the design, production and printing of our paper-based packaging products can be illustrated as follows:



Note: These two procedures are applied according to our customer's specification on the products.

As shown in the above flowchart, the major steps in the production process of our paper-based packaging products are:

1. Structure and layout design

We place strong emphasis on packaging design and product development so as to ensure that our paper-based packaging products will not only protect the goods from damaging during transportation and storage but also, as far as possible, promote the image of our customers and their products. The effectiveness of these functions is to a large extent determined by both the structural and layout design of our paper-based packaging products as well as the selection of raw paper and corrugated paperboards, whilst all these factors vary with the particular properties of the packaging content and customers' specifications.

Some customers would provide the artwork design of the paper-based packaging products to us for production of cartons of a pre-determined size. Some customers, especially those who purchase offset-printed cartons from us, may request us to create the structural and/or layout design of the cartons that are tailor-made for their products as a value-added service. In this connection, our research and development department will take into account customers' budget, and any other specific requirements, such as anti-vibration function of the cartons for use in transporting the specific contents and the required size, shape, weight and thickness of the paper-based packaging products.

As at 31 August 2013, our research and development department, which consists of 14 designers, is mainly responsible for the design work. Our research and development department has built up a good communication platform with our customers and has familiarized itself with our customers' needs and can therefore respond to their requests on a timely basis.

Once our customers have confirmed the final version of the structural and/or layout design of our products, our research and development department will pass the design to the production department for production of the sample for customers' inspection and approval.

2. Selection of raw materials and printing methods

We select the type of raw materials and printing methods to be used for production and printing of our paper-based packaging products for our customers according to their needs and specifications. Different kinds of cartons are needed for packing and protection of different kinds of contents therein. The protective function of a carton is determined by a number of factors including, among others, the type of raw paper or corrugated paperboards to be used in terms of its intensity, flute size, endurance to external force, degree of resistance to water, grease, insect and crushing, tear endurance, and anti-vibration strength. A good carton which is fit for the content is not only protective and space saving but also transportation and storage cost saving. We leverage our in-depth knowledge and experience to select the right kind of corrugated paperboards and/or raw paper and compatible structural design of the carton with an aim to provide our customers with protective, space and cost saving and appealing paper-based packaging products. If the relevant kind of corrugated paperboards or raw paper cannot be found in our inventory, we have to purchase the same from our suppliers, which will take about one to seven days.

3. Printing

We will first produce a printing plate previously approved by our customers by transferring the digital image to a blank printing plate.

For our flexo-printed cartons, printing plate is made according to the design patterns. Design patterns are printed directly onto the corrugated paperboards by water-based inks with a flexible relief plate (柔版). In this connection, corrugated paperboards are then placed on the plate and compressed, such as by a heavy roller. When the corrugated paperboards are removed, the ink will be transferred from the plate to the paperboards and the design pattern will be resulted.

For our offset-printed cartons, we use metal or polyester plates. Offset-printing is done by transferring (or "offsetting") inked images from plates to a rubber blanket, and then to card papers instead of printing directly onto paperboards.

4. Post-printing

For our flexo-printed cartons, the printed paperboards from the above printing step are die-cut into required shapes before the paperboards are folded and glued to become cartons.

For our offset-printed cartons, the printed card papers may go through varnishing or laminating processes according to our customer's specifications. Unlike flexo-printing which can transfer the design pattern directly on the corrugated paperboards, depending upon the desired degree of thickness and tear resistance of the cartons, the offset-printed card paper will be laminated onto the corrugated paperboards to form printed paperboards. The printed paperboards (or card papers only, if corrugated paperboards are not used) can be die-cut, folded and glued to become cartons.

5. Pressing

This process involves pressing with designed patterns so that the corrugated paperboards can be folded to form a carton.

We complete the production and printing of cartons, including completion of the post-printing works and pressing within one to three days, depending on the time frame or the delivery schedule set out in the purchase order of individual customer.

QUALITY CONTROL

We believe that continual adherence to stringent quality control procedures is the key in maintaining good reputation for product quality among our customers and differentiating us from our competitors in the paper-based packaging industry.

The quality of paper-based packaging products is of paramount importance to our customers, who are engaged in various kinds of industries as packaging with good quality would not only enhance the image and market recognition of the end-products but also help promoting the brands of our customers. Therefore, quality packaging products play an important role in the production process of our customers' end-products. In view of this, we place great emphasis on our quality control team to ensure that our high standard of quality control in production of our paper-based packaging products can be achieved.

During the Track Record Period, we adopted various quality control measures to (i) enhance the efficiency of quality control procedures conducted in the manufacturing process; and to (ii) ensure consistency and precision (in terms of intensity and thickness and colours of our products) of our paper-based packaging products. We have invested and acquired machineries and testing apparatus for these purposes. As at 31 August 2013, our quality control department are consisted of 12 staff members and was led and supervised by head of quality control team who has more than 15 years of experience in the quality control of paper-based packaging products. We closely monitor the manufacturing processes ranging from the sourcing of raw materials to the completion of the production of our packaging products in order to ensure product quality and safety prior to delivery of our products to our customers. Before delivery of our paper-based packaging products to our customers, our quality control department will ensure that the products are in compliance with the customers' specifications and without any patent defects. Our quality control department will also work with our research and development department and take part in product design and development in order to ensure that quality considerations are addressed at an early stage and thereby minimizing subsequent revisions to product design and the number of faulty products.

We adopt the following comprehensive and stringent quality control measures in the Fengxin Plant throughout the manufacturing process of paper-based cartons on an on-going basis:

Measures taken	**Procedures**
Random inspection and sample testing of the quality of our raw materials such as raw paper and corrugated paperboards	– We select suppliers of our raw materials based on, among other things, our assessment of their ability to meet our delivery schedule(s), the quality of the raw materials supplied, their length of co-operation with us and the reasonableness of the price quoted and we maintain a list of approved suppliers and we would only purchase raw materials from the suppliers on this list.

Measures taken	Procedures
Random inspection of partially finished products and settings of machinery and equipment at each stage of the manufacturing processes	– Our quality control personnel carry out inspection on the quality of our raw materials and prepare a testing report duly signed by the responsible staff member of our quality control personnel. For example, in the case of raw paper, our quality control personnel will weigh the raw paper and physically inspect their water content, color, surface, quality, fabric composition, end-face, texture and stability, color intensity, thickness and the flexibility of the raw paper. – Our quality control personnel carry out testing at various stages of the manufacturing and printing process and select partially finished products for review and testing in accordance with our internal procedures and technical criteria. – In the event of color intensity or thickness inconsistency, our quality control personnel and staff from the production department will adjust the settings of our machinery and equipment to resolve such inconsistencies.
Inspection of paper-based packaging products after the Die-cutting Process	– The semi-finished products will be inspected physically to ensure no defective goods are passed to the next manufacturing process.
Random inspection of paper-based packaging products before packing them for delivery	– Our quality control personnel carry out final inspection of our cartons to ensure that they comply with the specifications of our customers before delivery.
Collecting feedback from customers in relation to product quality by our sales and marketing team	– Our sales personnel will collect oral and/or written feedback from our customers and discuss with our quality control team. – Our quality control department will review the feedbacks from customers in order to ascertain if our internal quality control measures are needed to be further improved.

Measures taken	Procedures
Providing training to our employees in the production department to update their production techniques and technologies as well as analyzing quality issues	– Our quality control department conducts regular monthly meetings with our senior management, sales department, production department and the procurement department so as to exchange with one another our customers' views and feedbacks on our paper-based packaging products and services and provide internal trainings to update their production techniques to address and resolve our customers' concerns.
	– Once we have acquired any new machine and/or technology, we will arrange with the manufacturers of the machinery to provide trainings to our production team before such machine or technology are utilised in our manufacturing process. This is to ensure that our employees in the production department is familiar with the application of such machine or technology.
	– Our quality control department and production department will together manufacture samples using the new machine or technology and review the inherent quality issues before the new machine or technology is put into use in full swing.
Setting production guidelines for production department	– We implement and review the production guidances devised for our production department, which incorporate therein our past experiences so as to continuously improve our quality control standard.

Measures taken	Procedures
After-sales services	– We take a proactive approach in collecting customers' feedbacks on the quality of our products and services through constant communications between our sales personnel and our customers. Our sales personnel will pass the feedbacks to our senior management, who will convey the same to our research and development department if our senior management finds it necessary. By doing so, all our sales department, research and development department and our senior management will gain a better understanding on the needs and requirements of individual customer coming from different industries, the demands or the potential demands for packaging in different industries and how to improve our production process to suit their changing demands.

As to equipment inspection, we require the machineries for production of our flexo-printed cartons and offset-printed cartons to pass four quality control tests to ensure their high quality: (i) scale magnifier（帶刻度的放大鏡）to check the dot gain rate（網點擴大率）, over printing（檢測套印）and register mark（規矩）; (ii) scale bar（刻度尺）to measure the position of the design and specifications; (iii) moisture meter（含水量測試儀）to measure the water content of raw paper; (iv) rub tester（摩擦儀）to test the wearing indicator of the white card paper and the varnish.

If any quality defect is identified in any batch of packaging products produced by us during the production process, we will immediately stop the production process of that particular batch of packaging products until the defect is rectified. In situations where the finished products do not conform to our stringent quality controls, we will either re-process them or dispose the entire batch of substandard products and re-print the entire order.

On the other hand, we provide product quality guarantees in the master sale agreements with our customers to the effect that our paper-based packaging products shall meet the specified requirement of our customers and the standards of the carton inspection. Such standards generally include light intensity, printing standards, durability, smoothness, water content and the like.

In recognition of our ongoing commitment to maintaining and improving product quality, we were awarded certificates in respect of the compliance with the international standards of ISO9001:2008 (re-issued in 2013 to be expiring in 2016).

In general, in case of sales return, we evaluate the claims for compensations from our customers on a case-by-case basis. In the event that our customers consider that our products are deviated from their specified requirements, they will inform our sales and marketing team by email or by phone within two days, according to the terms of the relevant sales orders. We will carry out product investigation after receiving such notice; and if upon investigation, it is confirmed that our products did materially deviate from the specified requirements of the customers, we will in general pay compensation or replace such defective products with products in good condition in accordance with terms of the sales arrangements of the customers.

During the Track Record Period, we did not experience any material complaint or substantial sales returns from our customers and had not incurred any substantial compensation liability. We believe that this can demonstrate our quality assurance capability and our notable reputation in the printing and manufacturing of paper-based packaging industry in the Jiangxi Province of the PRC.

PROCUREMENT OF PRINCIPAL RAW MATERIALS AND INVENTORY CONTROL

Raw materials

During the Track Record Period, all our paper-based packaging products were primarily made of raw paper and corrugated paperboards. Raw paper can be categorized into various types with different specifications, color intensities, thickness and the like, such as kraftlinerboard, corrugated paper, white card paper and coated whiteboard paper.

The table below sets forth the purchase of raw paper and corrugated paperboards as a percentage of our total purchase during the Track Record Period:–

	For the year ended 31 December						For the eight months ended 31 August			
	2010		2011		2012		2012		2013	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Raw paper	51,192	51.0	56,583	38.7	81,185	39.0	47,849	41.1	46,616	31.8
Corrugated paperboards	42,801	42.6	80,513	55.0	113,674	54.6	60,581	52.1	89,325	60.8

In selecting the types of raw paper or corrugated paperboards for production, we will discuss with our customers their expected specifications of the cartons and the suitability of the kind of paper to be chosen for production.

We manufacture corrugated paperboards for our own production of paper-based packaging products mainly for offset-printed cartons. The corrugated paperboards manufactured by ourselves currently represent approximately 40.0% of the corrugated paperboards we need for production. We also source corrugated paperboards from various independent suppliers in the PRC. The costs of raw paper and corrugated paperboards are the major components of our production costs.

We purchase raw materials only from the suppliers that meet our quality standards. We generally select our suppliers based upon their creditworthiness, pricing, product quality, delivery terms, after-sales services and technological levels and skills. Before confirming the selection of a supplier, we also perform background checks on the operating history, track record and market reputation of the potential supplier. Our procurement department procures different product samples from the potential suppliers for inspection and testing to ensure quality and consistency of the raw materials. We also inspect the production facilities of the potential supplier to ensure that its production process and products are in conformity with our quality requirements.

During the Track Record Period, raw material costs represented approximately 93.4%, 93.8%, 95.1% and 95.0% respectively of our cost of sales. Given that (i) raw material costs constitute a large percentage of the cost of sales; and (ii) raw paper and corrugated paperboards are the major components of our raw materials, the price of raw paper and corrugated paperboards is a key factor affecting our gross profit margin which, in turn, affects our financial performance.

Raw paper

During the Track Record Period, our products were mainly produced by four types of raw paper namely kraftlinerboard, corrugated paper, white card paper and coated whiteboard paper. During the Track Record Period, the procurement of raw paper accounted for approximately 51.0%, 38.7%, 39.0% and 31.8% respectively of the total purchase.

We set out herein below the average approximate purchase price and the average market price of raw paper comprising of kraftlinerboard, corrugated paper, white card paper and whiteboard paper according to ASKCI (excluding VAT) during the Track Record Period as follows:–

	For the year ended 31 December			**For the eight months ended 31 August**
	2010	**2011**	**2012**	**2013**
Weighted average purchase price of raw paper (RMB per tonne)	3,100	3,200	3,000	2,900
Weighted average market price of raw paper (RMB per tonne) *(Note)*	3,100	3,600	3,300	3,100*(Note)*

Note: The weighted average market price of raw paper is calculated for illustrative purposes only, on the basis of the average market price of each type of raw paper for the three years ended 31 December 2012 and the six months ended 30 June 2013, weighted by the quantity tonne of corresponding type of raw paper purchased in the three years ended 31 December 2012 and the eight months ended 31 August 2013, respectively.

Average market price of raw paper (per tonne)

As illustrated in the table above, during the Track Record Period, the weighted average purchase price of raw paper ranged from RMB2,900 per tonne to RMB3,200 per tonne, whilst the weighted average market price of raw paper ranged from RMB3,100 per tonne to RMB3,600 per tonne. Our relatively stable purchase price of raw paper as compared with the market, as far as the Directors concern, could be attributable to our effective inventory control management. For details of our inventory control management, please see the paragraph headed "Inventory Control" in this section of the prospectus.

Corrugated paperboards

Corrugated paperboard is a durable, versatile, economical and lightweight material, which is widely used for making paper-based packaging products. We purchased corrugated paperboards from third party suppliers or manufacture corrugated paperboards by ourselves. We had not sold corrugated paperboards manufactured by us to any third party during the Track Record Period. The market price of corrugated paperboards would vary in different types and product mix, depending on, among other things, the number of layers of the corrugated paperboards, flute sizes and width and the thickness of the corrugated paperboards. Nevertheless, as corrugated paperboards are primarily made of corrugated paper, the fluctuation in the price of corrugated paper shall affect the market price of corrugated paperboards in general.

During the Track Record Period, our average purchase prices of corrugated paperboards ranged from RMB2.02 per sq.m. to RMB2.34 per sq.m. The procurement of corrugated paperboards accounted for approximately 42.6%, 55.0%, 54.6% and 60.8%, of our total purchases respectively.

Procurement of raw materials

All of our raw materials are sourced externally while the corrugated paperboards produced by us will be used as raw materials for our own production of corrugated cartons.

Our procurement plan aims at (i) maintaining a sufficient level of raw materials (for around two weeks' to one month's production during the Track Record Period); (ii) controlling the raw material costs to be within our cost budget; and (iii) making sure that there would not be any substantial cost fluctuation which would affect the performance of our business adversely. To this end, our procurement department and our production department work together to devise our procurement plan at the end of each month. To ensure that we can consume our raw materials effectively and efficiently, we keep track on (i) inventory level of our raw materials (in particular, corrugated paperboards and raw paper); (ii) our raw material consumptions in the preceding one month; (iii) the prevailing price trend of the raw materials; (iv) the supply of raw materials in the preceding month; and (v) ongoing purchase orders from our customers. Such details about the monthly estimated quantities of raw materials required are passed to the general manager of our Group for review and finalization of our procurement plan each month.

We had not adopted any hedging policy or engaged in any hedging activities during the Track Record Period as our principal raw materials (i.e. raw paper and corrugated paperboards) can be readily available and be delivered to our Fengxin Plant by our suppliers whereby our average procurement days of these raw materials would approximately not exceed seven days during the Track Record Period. It is therefore not necessary for us to enter into any hedging arrangement, price-locking arrangement or forwarding purchase agreement with our suppliers. Further, the lead time between the placement of purchase orders from our customers and the delivery of our products to our customers is relatively short, which ranges from two days to 20 days, and thus, the fluctuation in the price of these raw materials should not be great.

Inventory control

We have an inventory control policy designed to monitor and control the inventory level of our raw materials, to help minimize obsolete inventory and to facilitate smooth manufacturing process and operation of our business. Our inventory and logistics department keeps track of the inventory movements and updates the inventory level of our raw materials and finished products at the end of each month to ensure that such records are up-to-date. We manage our inventory of raw materials and finished products based on the amount of the purchase orders placed by our customers, our production schedules, and our procurement cycle for raw materials.

We generally inform our suppliers the expected demands and schedules of delivery for raw materials at the end of each month so that our suppliers can make appropriate arrangements for timely delivery of raw materials to us. Finished products are temporarily stocked in our warehouse after they have passed our quality inspection and testing procedures. Our sales department will instruct our logistics team or external transportation companies to arrange for delivery of the finished products to the customers' designated location(s) in accordance with the delivery date as specified in the relevant purchase order(s). In general, the finished products will not be stocked in the Fengxin Plant for more than seven days to prevent accumulation of stock.

Our inventory balance includes raw materials and finished products. Our general policy is to maintain the stock of raw materials and/or components at a barely sufficient level for our use for around two weeks to one month during the Track Record Period and currently two weeks in light of the decreasing trend of the raw materials since 2012. We adopt such a safe stock level to avoid any shortage of supplies given it, on average, takes not more than seven days for the suppliers to deliver raw materials to the Fengxin Plant from the date of placing purchase orders to arrival of the raw materials. By so doing, we can average out the effect of price fluctuations in the cost of raw materials. Our inventory of finished products comprises primarily products pending delivery to customers.

At all times, we attend to the market price of the raw paper and corrugated paperboards and maintain inventory level of them according to both our projected production as well as the trend in pricing of these raw materials. We also conduct reviews on our aging inventory at least on a monthly basis. During the Track Record Period, no provision for inventory impairment had been made.

By (i) keeping track of the inventory movements on a monthly basis; (ii) placing orders for raw materials based on the actual purchase orders from our customers; (iii) maintaining our stock of raw materials at a barely sufficient level for our use within two weeks to one month, and above all (iv) ensuring that there will be a relatively short lead time between our placing purchase orders and the arrival of raw materials to our Fengxin Plant, we can refrain from purchasing a huge amount of raw materials at any single purchase order. Such inventory control policy facilitates our flexibility in inventory management, which, to the best knowledge of our Directors, helps stabilize our purchase price of raw materials, as illustrated by our relatively stable weighted average purchase price of raw paper as compared with the weighted average market price of raw paper in the PRC during the Track Record Period.

SUPPLIERS

We purchase raw materials from over 20 independent suppliers generally with credit period of 60 days counting from the day on which the raw materials are received by us. The purchase prices of raw materials are determined between us and the suppliers based on the then prevailing market conditions, in particular, the global price of wood pulp, and are denominated in RMB and are generally settled by bank transfer.

During the Track Record Period, we did not encounter any major difficulties in sourcing raw materials and did not experience any significant fluctuation in the prices of raw materials through the implementation of our inventory management policy. We believe that our bargaining power with our suppliers lies on our good payment record and economies of scale of our purchases. For details, please refer to the paragraph headed "Business – Procurement of principal raw materials and inventory control – Inventory control" in this section of the prospectus. We continue to diversify our suppliers of raw materials to avoid over reliance on any single supplier for any type of raw materials. We maintain a stable relationship with our key suppliers with one year to seven years of business relationship.

For the three years ended 31 December 2012 and the eight months ended 31 August 2013, our purchases from the five largest suppliers amounted to approximately RMB79.7 million, RMB121.7 million, RMB174.5 million and RMB118.9 million respectively, which, in aggregate accounted for approximately 79.4%, 83.1%, 83.8% and 81.0%, respectively, of our total purchases. All of our five largest suppliers are Independent Third Parties. During the same periods, our purchases from our single largest supplier amounted to approximately 26.8%, 32.2%, 31.3% and 36.0% of our total purchases respectively. We had not relied on any single source of supply for our raw materials and did not have any major returns of raw materials relating to quality problems during the Track Record Period. Given that there are plenty of choices of suppliers available in the market, our Directors believe that our raw materials can be purchased from alternative suppliers, if required, at prices comparable to those charged by our current suppliers. No supplier was our customer or vice versa during the Track Record Period and up to the Latest Practicable Date.

The following tables set forth certain information about our top five suppliers during the Track Record Period:

Top five suppliers for the year ended 31 December 2010	Major Products	Credit period granted to our Group	Business with the supplier commenced since	% to total purchase of our Group
Supplier A	Paper products	60 days	2008	26.8
Supplier B	Paper products	60 days	2009	18.5
Supplier C	Paper products	60 days	2009	17.6
Supplier D	Paper products	60 days	2009	8.4
Supplier E	Paper products	60 days	2009	8.1

Top five suppliers for the year ended 31 December 2011	Major Products	Credit period granted to our Group	Business with the supplier commenced since	% to total purchase of our Group
Supplier A	Paper products	60 days	2008	32.2
Supplier B	Paper products	60 days	2009	22.8
Supplier F	Paper products	60 days	2011	13.0
Supplier C	Paper products	60 days	2009	8.8
Supplier G	Paper products	60 days	2009	6.3

Top five suppliers for the year ended 31 December 2012	Major Products	Credit period granted to our Group	Business with the supplier commenced since	% to total purchase of our Group
Supplier H	Paper products	60 days	2012	31.3
Supplier B	Paper products	60 days	2009	23.3
Supplier C	Paper products	60 days	2009	13.3
Supplier F	Paper products	60 days	2011	10.9
Supplier D	Paper products	60 days	2009	5.0

Top five suppliers for the eight months ended 31 August 2013	Major Products	Credit period granted to our Group	Business with the supplier commenced since	% to total purchase of our Group
Supplier H	Paper products	60 days	2012	36.0
Supplier B	Paper products	60 days	2009	22.5
Supplier C	Paper products	60 days	2009	9.3
Supplier I	Paper products	60 days	2012	7.8
Supplier F	Paper products	60 days	2011	5.4

The raw materials we need for production of our products are generally readily available in the market and their price may fluctuate from time to time. During the Track Record Period, we did not enter into any long-term supply agreement with any of our suppliers. However, we entered into certain legally binding framework supply agreements with our major suppliers. These framework supply agreements did not contain any provision which would impose any minimum purchase amount on us. The key terms of such framework supply agreements are summarized hereunder:

– *Product type:* as specified in the individual purchase orders.

– *Duration:* the agreements generally last for around one year.

– *Pricing:* agreements with duration of one year provided that the supplier shall offer the most favored price to us as compared to its offers to other customers, but the exact prices of the raw materials are not specified in the agreements and are to be fixed in our purchase orders.

– *Price Adjustment:* there is no price adjustment mechanism in the agreements.

– *Delivery:* the supplier is generally responsible for delivery and bear the relevant costs.

– *Minimum purchase commitment:* there is no minimum purchase commitment imposed on us in the framework supply agreements.

– *Credit arrangement:* we shall be entitled to 60-day credit period. 0.3% of penalty interest will be charged on any outstanding amount after the said period.

– *Quality standard:* the quality of the raw materials shall be up to the national standard. For dangerous or harmful substances, the supplier should make sure that the amount of such harmful substances in our product should not exceed the threshold limits.

– *Inspection and return of raw materials:* we are entitled to inspect the raw materials at the spot upon their arrivals and are entitled to request the supplier to replace those defective raw materials with good ones.

– *Termination:* we are entitled to terminate an agreement with supplier if, among others things, the supplier fails to offer us the most favored price.

– *Renewal:* there is usually no renewal clause in the agreements. Our Directors confirm that in practice, we generally negotiate with relevant suppliers for renewal within one month before the agreements expire if we are willing to continue our business with the suppliers.

– *Inspection:* Upon delivery of the raw materials to our designated warehouse, we shall inspect the products on the spot and notify the supplier if there is any defect in the products within two days thereafter.

– *Quality standard:* The supplier shall manufacture the raw materials according to our specification as set out in the purchase order from time to time.

– *Return policy:* If we in any single transaction discover any defective products which in aggregate constitute more than 1% of the total amount of products purchased in that transaction, we shall notify the supplier within 5 days after receipt of the products and the supplier shall handle the defective products expeditiously.

Our Directors confirm that during the Track Record Period and as at the Latest Practicable Date, (i) there had not been any occurrence of prolonged supply stoppage nor supply instability of any kind of raw materials which we used in the production of our paper-based packaging products; (ii) we had not experienced any material delay in making payments to our suppliers; and (iii) we are not aware of any pending or threatened litigation between our Group and any of our top five suppliers regarding the supply of raw materials. Our Directors confirmed that during the Track Record Period, we had not suffered any significant loss in the sale of our products resulted from the increase in the purchase price of our raw materials.

None of our Directors or any of their respective associates or any Shareholders (which, to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company prior to the completion of the Share Offer) had any interest in our Group's top five suppliers of raw materials during the Track Record Period. During the Track Record Period, we did not experience any material delay in delivery of the raw materials to us, which may adversely affect or delay our production schedule.

CUSTOMERS, SALES AND MARKETING

Customers

Leveraging our competitive strengths and continued efforts of our sales and marketing staff, we have been successfully attracting a broad base of customers. Up to the Latest Practicable Date, we had produced and supplied paper-based packaging products to over 100 customers engaged in the manufacture and sales of a wide range of products primarily in the Jiangxi Province in the PRC. As such, we were able to spread around our source of turnover among customers from different industries in the PRC during the Track Record Period to avoid concentration risk arising from over-reliance upon any single customer or industry. We have established strong and long term business relationships with our customers. Our top five customers or their respective group companies have been having a stable business relationship with us for about three to six years. The following table sets forth a breakdown of our Group's turnover by product categories of our customers during the Track Record Period:

	Year ended 31 December						Eight months ended 31 August			
	2010		2011		2012		2012		2013	
	RMB'000	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000* (Unaudited)	*% of Total*	*RMB'000*	*% of Total*
Turnover by product categories of our customers										
Food and beverages	56,600	42.6%	75,413	38.9%	127,730	45.5%	65,137	40.7%	104,881	48.1%
Glass and ceramics articles	23,168	17.4%	35,660	18.4%	48,197	17.2%	28,470	17.8%	36,746	16.8%
Metal hardware and chemical products	17,266	13.0%	25,494	13.1%	29,220	10.4%	18,963	11.8%	24,231	11.1%
Bamboo articles	14,697	11.1%	24,378	12.6%	27,262	9.7%	17,067	10.7%	17,152	7.9%
Other products *(note)*	21,267	15.9%	32,988	17.0%	48,144	17.2%	30,507	19.0%	35,151	16.1%
	132,998	100%	193,933	100%	280,553	100%	160,144	100%	218,161	100%

Note: Other products mainly include stationery, energy and electronic products, textile and pharmaceutical products.

We intend to retain, to the extent possible, our existing customers and gain new customers, relying on our competitive strengths. For details of our competitive strengths, please refer to the paragraph headed "Competitive strengths" in this section.

We have succeeded in achieving progressively growing revenue and expanding our customer base since our establishment. During the Track Record Period, our sales to our top five largest customers amounted to approximately RMB54.4 million, RMB69.5 million, RMB111.2 million and RMB76.7 million, representing approximately 40.9%, 35.8%, 39.7% and 35.2% of our total turnover respectively. All of our five largest customers are Independent Third Parties. In addition, as all of our customers were located in the PRC, our sales are denominated in RMB only.

Our largest customer for the three years ended 31 December 2010, 2011 and 2012 was a well-known manufacturer and seller of beverage, dairy and other products in the PRC, which ranked 16th in the list of top 500 PRC private enterprises ("全國民營企業500強") issued by All-China Federation of Industry and Commerce ("中華全國工商業聯合會") in 2012. For each of the three years ended 31 December 2012 and the eight months ended 31 August 2013 respectively, our sales to our largest customer amounted to approximately RMB18.6 million, RMB21.9 million, RMB35.2 million and RMB21.1 million, representing approximately 14.0%, 11.3%, 12.6% and 9.7% of our total turnover of the respective year or period.

The table below sets out the basic information of our top five customers during the Track Record Period:

Top five customers for the year ended 31 December 2010	**Major business activities of the customer**	**Credit period**	**Business with the customer commenced since**	**% to total turnover of our Group**
Customer A *(Note 1)*	Manufacture and sale of beverage and dairy products	60 days	2008	14.0
Customer B	Manufacture and sale of ceramics and related products	60 days	2009	7.3
Customer C	Manufacture and sale of dairy products	60 days	2007	7.1
Customer D	Manufacture and sale of glass products	60 days	2008	6.5
Customer E	Manufacture and sale of stationery products	60 days	2009	6.0

Top five customers for the year ended 31 December 2011	Major business activities of the customer	Credit period	Business with the customer commenced since	% to total turnover of our Group
Customer A *(Note 1)*	Manufacture and sale of beverage and dairy products	60 days	2008	11.3
Customer C	Manufacture and sale of dairy products	60 days	2007	6.6
Customer D	Manufacture and sale of glass products	60 days	2008	6.5
Customer B	Manufacture and sale of ceramics and related products	60 days	2009	5.8
Customer E	Manufacture and sale of stationery products	60 days	2009	5.6

Top five customers for the year ended 31 December 2012	Major business activities of the customer	Credit period	Business with the customer commenced since	% to total turnover of our Group
Customer A *(Note 1)*	Manufacture and sale of beverage and dairy products	60 days	2008	12.6
Customer F *(Note 2)*	Manufacture and sale of beverage and snack food products	30-60 days	2011	8.3
Customer B	Manufacture and sale of ceramics and related products	60 days	2009	6.9
Customer C	Manufacture and sale of dairy products	60 days	2007	6.2
Customer D	Manufacture and sale of glass products	60 days	2008	5.7

Top five customers for the eight months ended 31 August 2013	Major business activities of the customer	Credit period	Business with the customer commenced since	% to total turnover of our Group
Customer A *(Note 1)*	Manufacture and sale of beverage and dairy products	60 days	2008	9.7
Customer F *(Note 2)*	Manufacture and sale of beverage and snack food products	30 days	2011	9.0
Customer B	Manufacture and sale of ceramics and related products	60 days	2009	5.9
Customer D	Manufacture and sale of glass products	60 days	2008	5.5
Customer C	Manufacture and sale of dairy products	60 days	2007	5.1

Note 1: the sales amount from Customer A represents the aggregate sales of our Group to two entities which are directly and/or indirectly owned and controlled by the same group.

Note 2: the sales amount from Customer F represents the aggregate sales of our Group to four entities which are directly and/or indirectly owned and controlled by the same group.

None of our Directors or any of their respective associates or any Shareholders (which, to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company prior to the completion of the Share Offer) had any interest in our top five customers during the Track Record Period.

Some of our major customers are famous enterprises in the PRC. Wahaha Group (娃哈哈集團), one of the most famous beverage manufacturers in the PRC, had been one of our largest customers during the Track Record Period and we have maintained business relationship with it for over five years. Before our largest customer places any bulk purchase orders, the customer will invite a few of its selected paper-based packaging product manufacturers including us to attend meeting(s) at which the customer will brief us and other manufacturers on the specifications of the relevant paper-based packaging products, its requirements and time frame for production and delivery etc. After the briefing, the customer will invite us and other manufacturers to provide quotations for production of the products on the spot. As we are able to keep abreast of the prevailing market price of raw materials from time to time and we have kept track on our updated production capacity and the then utilisation rate thereof, we can come up with a quotation which would be acceptable to the customer whilst maintaining a reasonable profit margin of our own.

We enter into legally-binding framework co-operation agreements with our major customers setting out the principles to be adhered to by us in the production and the sale of our paper-based packaging products in the subsequent year on a yearly basis. However, no minimum purchase commitment by individual customers is set out in these agreements. The major terms of such framework co-operation agreements are generally similar and summarized as below:

– *Duration:* around one year.

– *Minimum purchase commitment:* there are generally no minimum purchase commitments in our agreements with our customers.

– *Pricing:* to maintain flexibility, we do not fix the product price in the agreements but determine the price separately for any individual purchase order. There is also no price adjustment clause in the agreements.

– *Delivery:* we are generally responsible for delivery of our products and bear the costs thereof.

– *Payment method:* our customers are generally required to make payments to us by bank transfers.

– *Credit Arrangement:* we generally allow credit periods of 30 to 60 days.

– *Termination:* generally there is no express termination clause in our agreements, except for our agreement with Customer B, which provides that the customer may terminate the agreements when we fail to deliver our products on time, or deliver the products with defects which would result in the suspension of the production of sale of Customer B.

– *Renewal:* there is usually no renewal clause in the agreements. Our Directors confirm that in practice, we generally negotiate with relevant customers for renewal within about one month before the agreements expire if we are willing to continue our business with the customers.

– *Inspection:* Upon delivery of our products to the customer's designated location, but before the customer has accepted the products, the customer shall inspect the products on the spot and notify us if there is any defect in the products within two days thereafter.

– *Quality standard:* We shall manufacture the products according to the customer's specifications, including the cartons' size, printing specifications, use of raw materials, colours, logo as set out in the purchase order from time to time.

– *Return policy:* Our customer is entitled to return the products to us if the qualification rate of the products is less than 99%. If our customer in any single transaction discovers any defective products, the customer shall notify us in writing within five days after accepting the products and we shall deal with the defective products expeditiously. After the expiration of the five-day period, we shall not assume any liability.

Apart from entering into the framework co-operation agreement with certain major customers set out above without mentioning therein the minimum purchase amount of individual customer, we did not enter into any long term sales agreement with our customers. For most customers, we may offer them with credit terms of 30 to 60 days from delivery. The credit terms offered to our customers are determined by our senior management, taking into account the length of business relationship between the customer and us, their financial strength and payment record.

We review our receivable balances on a regular basis and an assessment is made by our senior management on whether or not provision for bad debt should be made. If our trade receivables have been outstanding for more than 60 days, we may charge the customer concerned a penalty at a rate of 0.3% per day on the outstanding amount from the day it has fallen due. During the Track Record Period and up to the Latest Practicable Date, we did not have any legal or arbitration proceedings or pending or threatened legal or arbitrations proceedings with any of our customers or any material sales return or cancellation from our customers. Our Directors confirm that during the Track Record Period, we had not charged any penalty on our customers for late settlement of our invoices.

Sales and marketing

Sales department

Our paper-based packaging products are solely sold in the PRC. As at 31 August 2013, our sales department had 25 staff members. It would conduct regular internal meetings to discuss and devise marketing strategies, assess and review the sales performance of our Group. Further, apart from frequent communications with our customers arising from our ordinary course of business with these customers, our sales personnel also visit our major customers at least once every six months to gather their feedbacks on our products and services. Such constant communications with customers will allow us to foster closer working relationships with our existing customers, secure new purchase orders and referrals from them and promote our paper-based packaging products.

Further, during regular communications and visits, our customers can reveal their feedbacks and concerns on our products and services to us so that we can understand their changing needs and requirements from time to time, their projected sales schedules and above all, respond to their feedbacks in a timely manner.

In general, we rely on, among other things, the initiatives of our sales personnel and word-of-mouth referral for sales and marketing of our products. Prior to placing purchase orders with us, potential customers will usually inquire about our reputation in the paper-based packaging industry and make physical visits to our Fengxi Plant to satisfy themselves regarding our production facilities and production capacity. Some potential customers may also require sample cartons from us for their inspection. After the potential customers are satisfied with our capacity to supply quality products, they may then start placing purchase orders from us, usually on a recurrent basis.

In order to enlarge our sales network and customer base, we pay commissions in an amount equal about 0.5% or 0.2% of the total sales revenue generated from the customer to the sales personnel and the sales manager respectively, as the case may be, who has successfully introduced the customer to us as an incentive. We intend to expand our sales team by recruiting more experienced sales personnel in the PRC so as to develop and expand our customer base.

Sales cycle

Purchase orders placed by our customers	→→→→	Checking the inventory of raw materials and, if necessary, procurement of the required raw materials	→→→→	Confirmed the specifications, quantity and the selling price of the products and the delivery date with customers	→→→→	Manufacturing process	→→→→	Storage of finished goods in the Fengxin Plant and arrange for the delivery of the products
								↓ ↓ ↓ ↓ ↓ ↓
				Payment by our customers	←←←←	Issue of invoice to our customers	←←←←	Delivery of the products by external logistics company or our logistics team

Our sales cycle includes eight major stages as illustrated above. In general, once we have received purchase orders from our customers, we will check our inventory so as to ascertain whether we have sufficient raw materials for immediate manufacturing. Should we discover of any shortage of any kind of raw materials, we will source that kind of raw material from our selected suppliers immediately. As we generally inform our suppliers the expected demands and schedules of delivery for raw materials in advance such that they can make appropriate arrangements for timely delivery of raw materials, our Directors confirm that during the Track Record Period, we had not experienced any shortage of supplies.

The raw materials will be processed according to our manufacturing process in the Fengxi Plant. For further details of our manufacturing process, please refer to the paragraph headed “Production process” in the subsection headed “Production” in this section. From our experience, our production lead time normally spans two to 20 days.

The finished paper-based packaging products will be temporarily stored in the warehouse within the Fengxin Plant after passing our quality inspection and testing procedures. The finished products will be grouped in preparation for delivery to the designated locations of customers according to the delivery schedule pre-agreed between us or our customers (or as stipulated in the purchase orders). In general, the finished products will not be stocked in the Fengxin Plant for more than seven days. Our Directors confirm that there had not been substantial accumulation of finished products in the Fengxin Plant during the Track Record Period.

Turnover from the sale of our products to customers will be recognised when the finished products are delivered to the location(s) designated by customer(s) whereby title of these finished products have been passed to the customer(s).

Our customers will generally be given a credit period ranging from 30 to 60 days, depending on the creditworthiness of and our business relationship with the customers. For details of the payment method and/or credit period, please refer to the paragraph headed "Credit control" below.

Credit control

We use our best endeavours to exercise credit control. In this connection, our senior management together with our finance department will review the credit terms of individual customers annually to evaluate its creditworthiness. These evaluations focus on individual customers' financial strength, payment record and the length of business relationship with us. During the Track Record Period, we generally offer to our customers a credit period of 30 to 60 days starting from their acknowledgement of receipt of the finished products, and were denominated in RMB and settled mainly by bank transfer.

We also review our receivable balances on a monthly basis and our senior management makes an assessment on whether or not provision for bad debt should be made. If our trade receivables have been outstanding for more than 60 days, we will charge the customer concerned a penalty at a rate of 0.3% per day on the outstanding amount from the day it has fallen due. During the Track Record Period, we did not have any legal or arbitration proceedings with any of our customers in this respect.

During the Track Record Period, we did not experience major recovery problems in relation to trade and bill receivables and our average trade receivables turnover days were approximately 65 days, 66 days, 55 days and 64 days.

Seasonality

Since most of our paper-based packaging materials are used for packaging of consumer products, which generally have their peak season in the Chinese New Year that normally takes place in January or February each year, we generally receive more purchase orders from October to December to meet the increasing production level to cater for the peak season of these manufacturers of consumer goods. For the three years ended 31 December 2012, our turnover from October to December of the respective years accounted for approximately 38.2%, 25.7% and 35.0% of the total revenue respectively.

Pricing Policy

The prices of our paper-based packaging products are determined on a cost-plus basis according to, among other factors, the then prevailing price of the raw materials, our expected costs of production, our intended profit margins, prices offered by our competitors for similar products by the time we receive the purchase order(s) and prevailing economic conditions. In general, we are able to pass on partly but not all of the increases in our cost of production to our customers by adjusting the price upward if, amongst the things, the price of raw materials goes up. We are able to do so due to the fact that we would not pile up our inventory of raw materials for more than two weeks to one month during the Track Record Period. And we can secure the availability of raw materials within a short period of time, which will not exceed seven days from placing orders to arrival of raw materials. We therefore have more flexibility in adjusting the selling price of our products.

We can only pass a part, but not all, of our cost of production to our customers because most of our major customers are leading manufacturers of food and beverages or other products, who keep themselves abreast of the changes in the costs of the raw materials and the prevailing offers of our competitors in the market. As we are only one of their approved suppliers for paper-based packaging products, they may not accept our quotations or offer if we pass all the increases in our cost of production to them. When these customers invite us to give quotations or bid for the supply of paper-based packaging products, we might have to compete with their other approved suppliers for the transaction. As such, we may also have to prepare our quotations within a relatively short period of time by taking into account, among other things, the prevailing market price of the raw materials and the quotations offered by other approved suppliers in the bid. Under such circumstances, we generally may not be able to pass all the increase in our cost of production to our customers.

As to how our competitive production techniques and how such techniques have enabled us to save both production costs and time thereby we can offer a more competitive selling price of our paper-based packaging products to our customers, please refer to the paragraph headed "Our competitive production techniques" in this section of the prospectus.

During the Track Record Period, our average unit selling price for flexo-printed cartons and traditional offset-printed cartons ranged from RMB2.54 per sq.m. to RMB2.76 per sq.m. and from RMB3.40 per sq.m. to RMB3.82 per sq.m. respectively in order to reflect the change in labor cost and raw material prices.

Product warranty

We do not offer any product warranties to our customers and hence, no provision of product warranty was recorded during the Track Record Period. Nevertheless, we accept customers to return the products, if found to be defective during inspection before acceptance of the products. In such circumstances, we will replace the defective products returned to us by the new ones.

COMPETITION

The paper-based packaging industry is highly competitive and fragmented. Insofar as the Jiangxi Province is concerned, paper-based packaging manufacturers are scattered primarily in Nanchang, Yichun and Ganzhou in the PRC. Paper-based packaging product manufacturers normally compete on the basis of product quality, product design and development, delivery stability and price. Our competitors are mainly large scale paper-based packaging product manufacturers located in the Jiangxi Province, which have the financial resources, technical expertise as well as sales and marketing networks comparable to or better than ours. We consider that the major barriers for entering and staying in business in the paper-based packaging industry in the PRC are as follows:–

(a) high initial set-up costs and ongoing capital investments in technologically advanced machinery and equipment for manufacturing of corrugated paperboards and paper-based packaging products;

(b) an established sales network; and

(c) industry knowledge, experience and skills of our management personnel and technical professionals in product design and development.

Despite the above mentioned barriers in entering and staying in business in the paper-based packaging industry, we believe that we have competitive strengths to maintain our competitiveness in the market, in particular, in terms of our product design, timely introduction of new products such as stone-paper based packaging products, our development capacity, stable source of raw paper supply, long term and stable business relationship with our customers and suppliers and our technologically advanced production lines and printing techniques. We will continue to devote our resources to the research and development of new and existing products and our techniques in the production process.

AWARDS AND RECOGNITIONS

We have been granted various awards and recognitions in respect of our quality management system, credit rating, business reputation and industry position, etc. The table below sets out below the information about our major awards and recognitions:

Year of Issue	Award or recognition	Awarding body	Validity
2007 (Re-issued in 2013 upon expiry)	ISO 9001:2008	China Quality Certification Centre	Until 2016
2010	Class B Taxpayer Enterprise 納稅B級企業	Yichun Office of State Administration of Taxation (宜春市國家稅務局) and Yichun Local Taxation Bureau (宜春市地方稅務局)	Not Applicable
2010	1st Year Credit Enterprise in the Printing Industry of Yichun City 首屆宜春市印刷行業誠信企業	Culture and Press Publication Bureau of Yichun City (宜春市文化和新聞出版局) and the Printing Association of the Yichun City (宜春市印刷協會)	Not Applicable
2011	Credit Enterprise in the Printing Industry of Jiangxi Province (江西省印刷行業誠信企業)	Press Publication Bureau of Jiangxi Province (江西省新聞出版局) and Association of Printing and Copying Industry in Jiangxi Province (江西省印刷複製業協會)	Not Applicable
2012	Leading Model Enterprise in the Printing Industry of Yichun City (宜春市印刷行業龍頭示範企業)	Culture and Press Publication Bureau of Yichun City (宜春市文化和新聞出版局) and the Printing Association of the Yichun City (宜春市印刷協會)	Not Applicable
2013	Excellent Packaging Enterprise of Jiangxi Province during 2011-2012 (2011-2012年度江西省優秀包裝企業)	Commission of Industry and Information Technology of Jiangxi Province (江西省工業和信息化委員會)	No Applicable
2013	Leading Model Enterprise in the Packaging and Printing Industry of Jiangxi Province (江西省包裝印刷行業龍頭示範企業)	Association of Printing and Copying Industry in Jiangxi Province (江西省印刷複製業協會)	Not Applicable

RESEARCH AND DEVELOPMENT

Our Directors believe that continuous technical advancement in production technology and product development is one of the key drivers to our future success in the paper-based packaging industry, which is consistently subject to change in terms of product quality and the changing demands of our customers for new products and printing technologies.

As at 31 August 2013, our research and development department has 14 staff members, who were led by Mr. Li Jian Jie (李建捷). Mr. Li has approximately 10 years of experiences in design and advertising industry and graduated from Sanming Teaching Professional College of Fujian Province (福建省三明師範專科學校). A majority of our staff members in the research and development department possess the qualification of college education or tertiary education. As at the Latest Practicable Date, our research and development division has been researching on three different projects, which are mainly related to (i) improving the efficiency of our production process and the productivity of our existing machinery and equipment; (ii) saving cost and resources; and (iii) the development of new products, with a special focus on the production of stone-paper packaging products and (iv) the enhancement of our ability in production technologies and techniques in satisfying a wide range of customer requirements in a cost efficient and profitable manner. As the technologies and know-how developed by us were for internal use and our research and development costs may not be easily quantified and allocated to specific terms to be developed, our research and development expenses were therefore not capitalised, but were recognised as expenses when they were incurred. Our expenses on research and development during the Track Record Period amounted to approximately RMB0.6 million, RMB1.9 million, RMB2.2 million and RMB2.4 million. These expenses on research and development during the Track Record Period mainly consisted of the raw material costs and expenses for enhancement and upgrading of our equipment and machinery (including the research fund paid to BIGC) and the remunerations paid to our staff members.

As the technology in the paper-based packaging industry is evolving, in 2011 we entered into a master agreement with BIGC ("**BIGC Co-operation Agreement**") in relation to our co-operation with BIGC in technological research and development in the fields of packaging and printing. The principal terms of the BIGC Co-operation Agreement are summarized as follows:

(1) We allow BIGC to establish an experimental base and a research center for packaging techniques in our Fengxin Plant, and agree to provide necessary assistance to BIGC for their staff to conduct experiments and research and development activities in our Fengxin Plant. All research achievements and findings developed by BIGC in the said experimental base shall be jointly owned by BIGC and our Group.

(2) We will provide a research fund to BIGC in a total amount of RMB three million by an installment of RMB0.6 million each year for a five-year period.

(3) BIGC will provide us with advices and proposals for improvement of our then existing production techniques and product qualities.

(4) We will provide training opportunities by way of internships to BIGC's students, in exchange for having priority in choosing outstanding students to work for us upon their graduation.

(5) The BIGC Co-operation Agreement lasts for a term of five years and will expire in 2016.

Thanks to the collaboration with BIGC, we had successfully registered 15 utility model patents, details of which are set out in the paragraph headed "Intellectual Property Rights" of this section in the prospectus. We confirm that the payment of a research fund in the sum of RMB0.6 million per annum since 2011 had already included in the consideration we paid to BIGC for the 15 utility model patents and thus, we did not pay any additional consideration to BIGC for these 15 utility model patents. Our collaboration with BIGC is still ongoing until the BIGC Co-operation Agreement expires in 2016.

By applying all the above 15 patents and our own technological know-how, we have developed an intelligent resource-saving corrugated paper carton production system（智能化資源節約型紙箱生產系統）for upgrading our existing corrugated paperboards production line. We were therefore granted the high-tech research and development subsidies in the amount of RMB610,000 in November and December 2012 by the Jiangxi Province Financial Department（江西省財政廳）of the PRC. We achieved better production efficiency, cost efficiency and quality control with this intelligent resource-saving corrugated paper carton production system, which have the following features:–

(a) *Recycling of waste paper and used corrugated medium papers*: the intelligent resource-saving corrugated paper carton production system has the function of collating waste paper to be recycled for production of corrugated paperboards;

(b) *Upgrading of our existing corrugator*: by undertaking major upgrading works and modifications on our corrugator assembled by a combination of different workstations and devices, we can increase the production output and capabilities of our corrugator for production of corrugated paperboards; and

(c) *Computerisation of real-time production control system*: A part of process for production of corrugated paperboards are computerized and can be monitored on a real time basis.

The above intelligent resource-saving corrugated paper carton production system can modify our DCS in production of corrugated paperboards whereby one single workstation of our DCS can perform multiple functions pre-set by us at the same time, which would therefore save our labour consumption and energy resources.

The School of Printing and Packaging of Wuhan University ("**Wuhan University**") and our Group entered into a co-operation agreement in June 2010 ("**Wuhan University Co-operation Agreement**") with respect to two projects related to technological research and development of stone-paper honeycomb paperboards and stone-paper corrugated paperboards. The principal terms of our co-operation agreement with Wuhan University are summarized as follows: (1) Wuhan University should provide expertise in production of stone paperboards and stone-paper based packaging products experimental platform; (2) we shall provide research and development raw materials and production support etc to Wuhan University in respect of the two projects; and (3) the research findings and invention patents developed in the course of our collaboration with Wuhan University under the Wuhan University Co-operation Agreement shall be owned by the Wuhan University but we shall have the first right to use and apply such findings and patents. Wuhan University and our Group had jointly developed and procured registration of two invention patents related to, inter alia, a kind of stone paperboards and its production methods. Details of these two invention patents are set out on the paragraph headed "Intellectual Property Rights" in this section of the prospectus. Wuhan University had assigned all its interest in these two registered invention patents to us for a consideration of RMB130,000 respectively. We intended to continue to co-operate with Wuhan University in the technological development of stone-paper based packaging products in the future.

In this connection, we entered into a co-operation agreement with Wuhan University on 24 October 2013 related to the technological research and development on the innovative applications of stone-paper in packaging, which contains the following principal terms:

- The term of the agreement is from 24 October 2013 up to 23 October 2016;

- We allow Wuhan University to establish an incubator base in our Fengxin Plant whereby its professors and experts together with our own technicians can collaborate with one another and make use of the facilities, raw materials, technicians etc in our Fengxin Plant to conduct research trials;

- During the course of our collaboration, professors and experts from Wuhan University will provide necessary trainings and technical support to our technicians and we should bear their expenses incurred in accommodation and transportation etc.;

- The research subject shall be able to be applied and integrated into our production process; and

- The proprietary right of the patent, if any, developed thereunder shall be determined by Wuhan University and our Group by that time but our Group shall have the exclusive right to use such patent.

On the same date, we also entered into an internship agreement with Wuhan University whereby Wuhan University can set up an internship base in our Fengxin Plant. The principal terms of this agreement are summarized as follows:

- The term of the agreement is five years.

- The "Wuhan University-Hong Sheng Teaching Internship Base" shall be set up by the end of October 2013.

- We will provide training opportunities by way of internship to not more than 10 students from Wuhan University for a period of two months each year and we shall provide each intern with free accommodation, living subsidy in the sum of RMB2,000 each month and transportation cost between Wuhan University and our Fengxin Plant.

- In consideration of the above, we are entitled to have the priority in choosing outstanding students from the internship base to work for us upon their graduation.

By collaboration with BIGC and/or Wuhan University or other academic institutions, we can strengthen our capability in research and development by keeping ourselves abreast of the latest technologies in both production line and process and the latest development in paper-based packaging products without incurring excessive cost, which would bring new progress to, among others, our operation, in particular product development, production efficiency and quality control. Further, we can on the one hand leverage on their research capabilities on various aspects, in particular, enhancing the efficiency of our production lines and developing stone-paper based packaging products and on the other hand, save the routine expenses incurred in hiring in-house professionals and technicians. During the Track Record Period, BIGC had assisted us in setting up the experimental base in our Fengxin Plant, which had served as a platform for us in developing environmental protection routines, such as treatment of waste paper for recycling and use of energy-saving equipment in the course of production at our Fengxin Plant. It also provided trainings to our staff of the research and development department and the production department. In addition, through providing internship to the students of these academic institutions to work at our Fengxin Plant, we can at the same time identify potential staff for our research and development department. Thus, by collaborating with academic institutions and technical colleges, insofar as we can secure our proprietary rights in all research findings and the new inventions derived from the collaboration by way of contractual terms in the co-operation agreements, we can leverage on their research capabilities and achieve a continuous technological development at a comparatively lower costs. Hence, though our expenditure on research and development was not significant during the Track Record Period, we could successfully develop and procure registration of 15 utility model patents for enhancing the efficiency of our existing production lines and production process and obtaining registration of two invention patents related to the production of stone-paper based packaging products.

PROPERTIES

Owned properties

As of the Latest Practicable Date, we owned two parcels of industrial land located in Fengxin County, Yichun City, Jiangxi Province, the PRC with a total site area of approximately 66,140 sq.m.

Pursuant to the relevant State-owned Land Use Certificates issued by the PRC government in 2005, we were granted with the land use rights of these two adjoining land parcels for a term of 50 years expiring in 2055.

We have constructed eight blocks on the said two parcels of land for industrial, office and ancillary uses, with an aggregate gross floor area of approximately 17,534 sq.m. We have obtained building ownership certificates for all these blocks. As at the Latest Practicable Date, the above-mentioned lands and buildings were subject to mortgages in favor of the Fengxin Sub-Branch of the China Construction Bank (中國建設銀行奉新支行). For further details in this respect, please refer to "Appendix III – Property Valuation" to this prospectus.

As confirmed by our PRC Legal Advisers, the current use of these two parcels of land and the said eight blocks constructed thereon are in compliance with the approved uses prescribed in the title documents. Our Directors consider that these landed properties are crucial to our operations as all our existing operational and production facilities are housed therein.

Further, as at the Latest Practicable Date, an additional block with a gross floor area of approximately 15,490 sq.m. was under construction. We plan to set up four new production lines in this new block. For details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. As at the Latest Practicable Date, we had already obtained the "construction land planning permit (建設用地規劃許可證)", "construction works planning permit (建築工程處規劃許可證)" and "construction works commencement permit (建築工程施工許可證)". We expect that the construction of this new block can be completed by first quarter of 2014.

Leased properties

On 17 December 2013, we as tenant entered into a tenancy agreement with an Independent Third Party as landlord pursuant to which we agreed to lease an office premise situated at Office 2, 7th Floor, Wah Hing Commercial Building, 283 Lockhart Road, Hong Kong with a gross floor area of approximately 58.5 sq.m. as our principal place of business in Hong Kong for a term of twenty-four months from 18 December 2013 to 17 December 2015.

INTELLECTUAL PROPERTY RIGHTS

We have been developing new production techniques and innovative products so as to build up our competitive edges in the paper-based packaging market. As at the Latest Practicable Date, we had acquired two invention patents（發明專利）from Wuhan University and had obtained 15 utility model patents（實用新型專利）in the PRC. In addition, we have submitted applications for registration of 11 patent (including two invention patents（發明專利）, two utility model patents（實用新型專利）and seven design patents（外觀設計專利）) .

In June 2013, Wuhan University assigned the following two invention patents to our Group absolutely. The details are set forth as follows:

Patent Number	Patent Title	Assignment Effective Date	Consideration Paid
ZL201110069105.9	Stone-paper Honeycomb Paperboards and its Production Method（石頭紙蜂窩紙板及其制造方法）	24 July 2013	RMB130,000
ZL201110069124.1	A Kind of Stone-paper Corrugated Paperboards and its Production Method（一種石頭紙瓦楞紙板及其制造方法）	24 July 2013	RMB130,000

As confirmed by our Directors, these two patented methods had not been used or applied by Wuhan University as the assignor prior to the assignment. The registration of these two patents will expire in 2031.

We have also obtained 15 utility model patents and applied these patents for developing the intelligent resource-saving corrugated paper carton production system（智能化資源節約型紙箱生產系統）. Details of these 15 registered utility model patents are as following:

Patent Number	Patent Title	Date of Application	Expiry Date
ZL201120477150.3	Computerised Single-layer Corrugated paper Collecting Device（單層瓦楞紙數控收紙裝置）	25 November 2011	24 November 2021
ZL201120477151.8	Corrugator Site Control System（紙板生產線現場控制系統）	25 November 2011	24 November 2021
ZL201120481426.5	Multiple-layers Corrugator（多層瓦楞紙板生產線）	28 November 2011	27 November 2021

Patent Number	Patent Title	Date of Application	Expiry Date
ZL201120516617.0	Slotting wheel of Corrugator and Cutter Control Device (紙板線壓線輪和切刀控制裝置)	13 December 2011	12 December 2021
ZL201120477149.0	A Kind of Improved Die-cutting Device (一種改進的模切機)	25 November 2011	24 November 2021
ZL201120477156.0	Printing-slotting Machine Connecting Transportation Device (印刷/開槽機連接輸送結構)	25 November 2011	24 November 2021
ZL201120477157.5	A Kind of Improved Steam Emission Device (一種改進的汽水排放裝置)	25 November 2011	24 November 2021
ZL201120477218.8	A Kind of Two-way Blade Cutting Device (一種雙向模切裝置)	25 November 2011	24 November 2021
ZL201120477154.1	Width Adjustable Folder Gluer Device (可調寬幅糊箱裝置)	25 November 2011	24 November 2021
ZL201120477135.9	Compressed Air Central Gas Supply Device (壓縮空氣集中供氣裝置)	25 November 2011	24 November 2021
ZL201120477212.0	A Kind of Adjustable Brushing Glue Device (一種可調刷膠裝置)	25 November 2011	24 November 2021
ZL 201120477144.8	On-Site Recycling and Packaging of Waste Paper Device (現場廢紙回收打包的裝置)	25 November 2011	24 November 2021
ZL201120477213.5	Pressure boosting Device for Offset Press (膠印機氣壓助力裝置)	25 November 2011	24 November 2021
ZL201120477159.4	A Kind of Brush Removal Device for Printing Press Paper Powder (一種印刷機紙面噴粉刷除裝置)	25 November 2011	24 November 2021
ZL201120477170.0	Auxiliary Connecting Device for Carton Packaging (紙箱打包輔助連接裝置)	25 November 2011	24 November 2021

These utility model patents can reduce marginal cost of production and enable mass production in a more efficient way by enabling the recycling of waste paper, upgrading the corrugator, saving energy and monitoring the entire production process on a real time basis. As a result, cost saving can be achieved without compromising our product quality.

We have also submitted applications for registration of two invention patents, two utility model patents and seven design patents, which are mainly applied to the production of stone-paper packaging products. The details are set forth as follows:

Two Invention Patent Applications:	**Application Date:**
A Kind of Stone-paper Printing Technology Invention (一種石頭紙印刷工藝發明)	16 July 2013
Newly Structured Stone-paper Corrugated Paperboards and its Production Method (新型結構石頭紙瓦楞紙及其生產線和方法)	01 June 2013
Two Utility Model Patent Applications	**Application Date:**
Stone-paper Corrugated Paper (石頭瓦楞紙)	01 June 2013
A Kind of Compound Corrugated Paperboards (一種複合瓦楞紙板)	01 June 2013
Seven Design Patent Applications:	**Application Date:**
Packaging box (File 001) (包裝盒(文件夾-001)	17 July 2013
Packaging box (File 002) (包裝盒(文件夾-002)	17 July 2013
Packaging box (Moon cake box-001) (包裝盒(月餅盒-001)	17 July 2013
Packaging box (Moon cake box-002) (包裝盒(月餅盒-002)	17 July 2013
Packaging box (Gift box-001) (包裝盒(禮品盒-001)	17 July 2013
Packaging box (Gift box-002) (包裝盒(禮品盒-002)	17 July 2013
Packaging box (Tea box-001) (包裝盒(茶葉盒-001)	17 July 2013

On the other hand, we consider the brand name of "Hong Sheng" has established goodwill in the paper-based packaging industry in the Jiangxi Province of the PRC. To protect our reputation, we have registered our trademark. For further details of our trademark registration, please refer to the paragraph headed "Statutory and General Information – Further Information about the Business of Our Group – Intellectual property rights" in Appendix V to this prospectus.

We have also registered the domain names of www.hs-pack.com, www.hspack-bu.com, www.hs-pack.com.cn, www.hs-pack.cn and www.hs-pack.net, among which www.hs-pack.com is currently used as website of our Group.

Apart from the trademarks, patents and domain names registered or being applied for registration by us set out above, we had not registered nor applied for registration of any other trademark, patent or domain name as at the Latest Practicable Date.

Some of our systems, research achievements, product designs and manufacturing methods or processes, involve unpatented propriety technology, processes, know-how or data. With respect to such propriety know-how which is not patentable and processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality agreements/provisions in order to safeguard our interests. We require all our research and development personnel to enter into confidentiality and non-competition agreements with us pursuant to which such personnel shall assign to us all of their inventions, designs and technologies that they may develop during their periods of employment with us and keep strict confidence on any information to which they have accessed or obtained in these course of their employment with us.

We recognize the importance of protecting and enforcing intellectual property rights. We had not been involved in and are not aware of any material infringement of our intellectual property rights during the Track Record Period. As at the Latest Practicable Date, we are not aware of any pending or threatened claims against us or any of our subsidiaries relating to our infringement of any third parties' intellectual property rights.

LICENCES AND PERMITS

The regulatory and legal framework of the industry of manufacturing and printing of paper-based packaging products in the PRC is set out in the section headed "PRC Regulatory Framework" of this prospectus. As advised by our PRC Legal Advisers, we have obtained and renewed all licences and permits necessary for our operations in the PRC, and our operations had complied with all the relevant requirements and rules of the competent authorities in the PRC during the Track Record Period and as at the Latest Practicable Date.

Type of permit/ licence	Date of issue	Expiry date	Scope/conditions
Printing Business Licence (印刷經營許可證)	20 March 2012	End of January 2014	Printing of packaging and decorative Printed materials
Certificate for Bar Code for Commodity (商品條碼印刷資格證書)	23 June 2011	22 June 2014	Bar code printing
Emission Permit (排放污染物許可證)	30 April 2013	29 April 2015	Emission of pollutants

As confirmed by our Directors, we had not been subject to any material fines, penalties or sanctions by national or local authorities for violations of PRC laws and regulations since our establishment. Furthermore, we had not experienced any failure in applying for renewal of the above licence/permit since our establishment and as at the Latest Practicable Date. Our PRC Legal Advisers advise that there will be no material legal impediment for our Group to renew the Printing Business Licence subject to our Group's compliance with the requirements and procedures stipulated in the relevant PRC laws and regulations then applicable. We are going to apply for the renewal of the Printing Business Licence in January 2014.

Nevertheless, Mr. Sun together with our Controlling Shareholders have agreed to indemnify us fully and effectually against all claims, damages, losses, costs, expenses, actions and proceedings whatsoever and howsoever arising at any time whether in the present or future from the failure or delay, if any, on our part to obtain all necessary and relevant licences, permits, approvals or consents for our business up to the date when the Share Offer becomes unconditional in a timely manner in compliance with the rules, policies, regulations or laws prevailing in the PRC.

INSURANCE COVERAGE AND PRODUCT LIABILITY

In accordance with the law and regulatory requirements of the PRC, we have maintained social insurance schemes that cover unemployment, retirement, personal injuries and medical expenses for our PRC employees as at the Latest Practicable Date. We also maintain insurance for our properties production facilities, machineries and inventories against physical loss or damage arising from natural hazards or accidents in relation to our operation in the PRC. As at the Latest Practicable Date, our Group was not subject to any outstanding material insurance claims.

With respect to product liability insurance, as we are not involved in the manufacture and distribution of the end-products to be contained in our paper-based packaging products during the Track Record Period and as at the Latest Practicable Date, we had not maintained any product liability insurance for any of our paper-based packaging products. Nevertheless, our Directors confirm that during the Track Record Period, all products sold by us were complied with the specifications required by our customers in all material respects and, up to the Latest Practicable Date, we had not received any material claim from our customers related to any liability arising from or in connection with the use of our products and had not had any production interruption, which would have caused material adverse effect to our operation or any material industrial accident during the Track Record Period. Our Directors believe that the specifications and coverage in the existing insurance policy applicable to the Fengxin Plant are in line with the normal industry practice in the PRC and are adequate for our operation.

LABOUR AND SAFETY MATTERS

Our Directors regard labor and safety matters as one of the most important issues with respect to our employees and our social responsibilities. As confirmed by our PRC Legal Advisers, save as disclosed in this prospectus, we have complied with the relevant labor and safety laws and regulations in the PRC since our establishment.

According to the PRC Labor Law (中華人民共和國勞動法)and the PRC Labor Contract Law (中華人民共和國勞動合同法), when an employer hires an employee, it should sign a written labor contract, whereby the employees' salary shall not be lower than the local minimum wage. The employer must establish a system for labor safety and sanitation strictly abide by the state standards, and provide relevant education and training to its employees. Employee is also entitled to work in safe and sanitary conditions conformed to the state rules and standards.

Pursuant to the PRC Production Safety Law (中華人民共和國安全生產法) and other relevant laws and industrial standards, we shall maintain safe condition for production. We are required to offer education and training programs to our employees regarding production safety. The design, manufacture, installation, use, checking and maintenance of our safety equipment are required to take place in conformity to applicable national or industrial standards.

We will continue to dedicate adequate resources and efforts to uphold and improve our safety management system in order to reduce the risks relating to labor safety. Our senior management will continue to supervise the compliance of the applicable laws in labor and safety. We will also continue to provide the required employee insurance, implement safety guidelines and operating procedures for the manufacturing process and provide sufficient training on occupational health and safety to our employees. Our Directors believe that these measures are adequate in hedging future risks associated with occupational health and safety matters relating to our employees. During the Track Record Period, there had not been any material labor dispute or non-compliance with safety records reported by us.

ENVIRONMENTAL PROTECTION

As advised by our PRC Legal Advisers and confirmed by our Directors, the PRC Environmental Protection Law (中華人民共和國環境保護法) (effected on 26 December 1989), the PRC Law on Appraisal of Environment Impact (中華人民共和國環境影響評價法) (effected on 1 September 2003), and the Regulations on Administration of Environmental Protection of Construction Projects (建設項目環境保護管理條例) (effected on 29 November 1998) together set out the legal framework on, among other things, the design and construction requirements of manufacturing facilities of the Fengxin Plant and the aspects of pollution control and environmental protection. There are other relevant laws and regulations including the PRC Law on the Prevention and Treatment of Air Pollution (中華人民共和國大氣污染防治法) (effected on 1 September 2000), the PRC Law on the Prevention and Treatment of Water Pollution (中華人民共和國水污染防治法) (effected on 1 June 2008), the PRC Law on the Prevention and Treatment of Noise Pollution (中華人民共和國環境噪聲污染防治法) (effected on 1 March 1997) and the PRC Law on the Prevention and Treatment of Solid Waste Pollution (中華人民共和國固體廢物污染環境防治法) (effected on 1 April 2005). These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions, water, wastewater discharge and solid waste such as scrap paper and various residues from production. Our production facilities, boiler rooms and waste discharge system are subject to inspection by Yichun City Environmental Protection Bureau (宜春市環境保護局).

Our Directors recognize the importance of environmental protection. Noise, gas, waste residue, waste water and a limited quantity of waste paper will inevitably be generated in the course of the operation of the Fengxin Plant and therefore we have controlled our pollutant emissions and ensured compliance with PRC environmental regulations during our manufacturing process. We have imposed the following measures in relation to environment protection:

– waste water is processed by our sewage treatment station to reach national safety standards for discharge;

– our corrugator is heated by steam power from our boiler room which generates steam power via a coal boiler. We have put in place a desulfurization device to monitor the emission of sulfur dioxide so as to ensure that the waste gas emitted from our steam boiler in our boiler room is within the national permissible level; and

– solid waste such as scrap paper and various residues from production will be sold to scrap paper recycling companies for recycling.

During the Track Record Period and up to and including the Latest Practicable Date, no environmental pollution incidents, administrative sanctions, penalties or punishments had been imposed on our Group for breach of any environmental laws and regulations in the PRC and we have not been subject to any environment claims. Save as disclosed in this prospectus, our Directors confirm that we have obtained all the required permissions from the relevant authorities in the PRC.

Our Group has obtained a confirmation from Fengxin County Environmental Protection Bureau（奉新縣環境保護局）regarding our compliance with the environmental protection laws and regulations for our production facilities in the Fengxin Plant up to the date of issuing of the confirmation on 6 August 2013. Our PRC Legal Advisers have confirmed that save as disclosed in this prospectus, our Group had complied with environmental laws and regulations in the PRC, and the risk of penalty imposing on us by any PRC government authorities in relation to any environmental matters is low. Our Directors are of the view that the annual cost of compliance with applicable environmental laws and regulations in the PRC was not material during the Track Record Period.

NON-COMPLIANCE

Failure to pay contribution to the housing provident fund

According to the laws and regulations of the PRC, a PRC company is also required to make housing provident fund contributions to the relevant local housing provident fund management centre for our employees.

During the Track Record Period, Hong Sheng did not make contribution for the housing provident fund for its employees in the PRC and there was a breach of relevant PRC labor and social welfare laws and regulations on the part of Hong Sheng until 1 June 2013. The total estimated outstanding amount of unpaid housing provident fund contribution amounted to approximately RMB4.2 million up to the Latest Practicable Date. Pursuant to the Regulations on the Administration of Housing Provident Funds（住房公積金管理條例）, employers are also required to contribute no less than 5% of each employee's average monthly salary in previous year to the housing provident fund on behalf of their employees on a fully and timely basis . Our subsequent late registration or no registration with the relevant local housing provident fund management centre may be subject us to the fine above RMB10,000 and below RMB50,000.

Our Directors confirm that our non-payment of contributions to the housing provident fund was due to the inconsistent implementation or interpretation by the local housing provident fund management centre in the PRC and different levels of acceptance of the social security system by employees during the Track Record Period. We have contributed to the housing provident fund for our employees since June 2013.

The Yichun City Housing Provident Fund Administrative Centre Fengxin County Office (宜春市住房公積金管理中心奉新縣辦事處) (the "**Housing Provident Fund Office**") issued a confirmation on 5 August 2013 confirming that it would not impose penalties on us in respect of our default in payment of contributions to the housing provident fund and violation of the relevant laws and regulations or demand us to pay the defaulted amount in respect of the housing provident fund incurred before June 2013. Pursuant to the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例), housing provident fund administration centers may set up their branches at the county level, and housing provident fund administration centers as well as their branches shall implement unified rules. According to the confirmation letter issued by Yichun City Housing Provident Fund Administration Center dated 11 November 2013, the Yichun City Housing Provident Fund Administration Center Fengxin County Office, as the branch of Yichun City Housing Provident Fund Administration Center, is the competent authority to confirm the matters in respect of the registration and payment of housing provident fund of the enterprises within its jurisdiction, and to expose penalties against enterprises or exempt enterprises from any penalty for the non-compliance incidents in respect of housing provident fund. The confirmation letter issued by Yichun City Housing Provident Fund Administration Center also confirms that the Housing Provident Fund Office is competent to provide the confirmation dated 5 August 2013. As advised by our PRC Legal Adviser, the Housing Provident Fund Office is the competent and appropriate authority to issue the confirmation under the applicable PRC laws and regulations. The confirmation letters are in written form and represent opinion of the Housing Provident Fund Office.

Based on the confirmation received from the Housing Provident Fund Office, there is no evidence showing that (1) Hong Sheng has any obligation at present obligation as a result of the past incident; (2) it is probable that there is an outflow of resources; and (3) there is a reliable estimate of the amount of housing provident fund payable. Therefore, no provision was recognised according to the relevant accounting standard.

Our PRC Legal Advisers advised that the risk of Hong Sheng being ordered to pay back the unpaid housing provident fund contribution is remote on the basis that (i) Hong Sheng has made contribution payment to housing provident fund in accordance with the relevant PRC laws and regulations since June 2013, and the Housing Provident Fund Office has accepted the contributions since June 2013 without giving any notifications or warnings for any non-compliance; (ii) the Housing Provident Fund Office issued a confirmation letter on 5 August 2013 confirming, inter alia, that Hong Sheng will not be subject to any administrative penalties; (iii) Yichun City Housing Provident Fund Administration Center issued a confirmation that the Housing Provident Fund Office is competent to provide the confirmation dated 5 August 2013; and (iv) Hong Sheng will generally be ordered to make the unpaid contribution for certain employees if such employees file complaint to demand its past contributions, and will be required to pay fines if Hong Sheng violates such order. Hong Sheng further indicated that they had not received any complaint from any employee of Hong Sheng.

As at the Latest Practicable Date, no enforcement actions had been taken by the relevant PRC authorities against Hong Sheng for any non-compliance mentioned above and Hong Sheng had not received any complaint from any employee in relation to the housing provident fund contributions. In addition, Mr. Sun and our Controlling Shareholder(s) have irrevocably undertaken in writing to reimburse us for any losses and penalties we may suffer in connection with the above non-compliance. In view of the foregoing, our Directors are of the view that our non-compliance will not have material and adverse impact on our business operations.

In view of the advice of our PRC Legal Advisers, the amount of unpaid housing provident fund contribution, the written confirmations issued from the competent Housing Provident Fund Office, and the undertaking firm Mr. Sun and other Controlling Shareholder(s) to indemnify our Group as well as the preventive measures to be and have been taken by us to avoid recurrence of the non-compliance incident, the Sole Sponsor takes the view that the non-compliance and its impact on our Group and our Directors should not be significant.

Failure to obtain approval for assessment report on the environmental impact

Pursuant to the applicable PRC and local environmental protection laws and regulations set forth in the section of "PRC Regulatory Framework" in this prospectus, enterprises planning construction projects in the PRC shall engage qualified professional institution to provide assessment reports on the environmental impact of such projects (the "**assessment report**"). The assessment report must be approved by the competent environmental protection authorities prior to commencement of any construction work. We had not completed such procedure before we commenced the construction work of the additional block in the Fengxin Plant in or around November 2012. The relevant environmental protection authorities may issue an order against us and request us to suspend the construction work and impose a fine up to RMB200,000 on us if we fail to go through the relevant formalities within the prescribed time.

The reason for our non-compliance in this respect was due to, inter alia, our misconception on the interpretation of the relevant laws in this respect.

We received a confirmation dated 6 August 2013 from the Environmental Protection Bureau of Fengxin County (奉新縣環境保護局) confirming that (i) we had subsequently submitted the assessment report and all relevant documents related to our construction of the new block in Fengxin Plant and there should not be any obstacle which would impede our application related to the matters under the assessment report; (ii) we had obtained the relevant emission permit (排污許可證) and duly paid the emission fees; and (iii) it would not take any action or impose any penalty on us due to our failure to comply with the relevant environmental laws and regulations before the date of issuance of the confirmation, including but not limited to our failure to submit the assessment report for its approval before we commenced construction of the new block in Fengxin Plant. It further confirmed that there was no circumstance which would result in any penalty being imposed on us and we were not in dispute with it on any matter related to environmental protection. As advised by our PRC Legal Advisers, the Environmental Protection Bureau of Fengxin County is the competent and appropriate authority to issue the confirmation. The assessment report for the construction work of the additional block was approved by the competent environment protection authorities on 2 September 2013.

As advised by our PRC Legal Advisers and confirmed by our Directors, save as disclosed herein, we had: (i) obtained all licences, permits or certificates necessary to conduct our business; (ii) complied with all relevant PRC laws, rules and regulations including but not limited to labour law and social welfare laws and regulations in our operations; and (iii) obtained confirmation from relevant environmental bureau in respect of the compliance in all material aspects with the environmental laws in the PRC during the Track Record Period and up to the Latest Practicable Date.

Taking into account the advice of the PRC Legal Advisers, the written confirmation from the Environmental Protection Bureau of Fengxin County（奉新縣環境保護局）, the fact that we have obtained the construction land planning permit（建設用地規劃許可證）, construction works planning permit（建築工程處規劃許可證）and the construction works commencement permit（建築工程施工許可證）related to the construction of the additional blocks, the fact that the assessment report for the construction work of the additional block has been approved, and the undertaking from our Controlling Shareholders including Mr. Sun to indemnify our Group, the Sole Sponsor takes the view that this non-compliance and its impact on our Group and our Directors should not be significant.

INTERNAL CONTROL

We put emphasis on up-keeping adequate internal control and risk management systems. In order to continuously improve our corporate governance and to prevent recurrence of the non-compliance incidents, we intend to adopt or have adopted the following measures:

(i) we will engage a PRC legal advisor to provide legal services to our Group in relation to future compliance with the PRC laws and regulations including but not limited to the law and regulations related to the Housing Provident Fund and environmental protection laws and regulations;

(ii) we have arranged for our Directors and senior management to attend training program on relevant applicable laws and regulations, including the Listing Rules, provided by our Hong Kong Legal Advisers prior to the Listing. We will continue to arrange various training programs on an annual basis to be provided by the legal advisers in Hong Kong and the PRC and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations. In addition, specific training programme(s) in relation to updates on relevant applicable laws and regulations will also be held when necessary;

(iii) our Group has decided to improve the existing internal control framework by adopting a set of internal control manual and policies, including the corporate governance manual, which covers corporate governance, risk management, operations, legal matters, finance and audit;

(iv) we will appoint a compliance officer who will be responsible for assessing and monitoring compliance with our internal control policies, recommending additional internal control measures if required, coordinating compliance training for our employees and reporting the above to our Directors;

(v) we will establish a compliance committee (the "**Compliance Committee**") which will oversee compliance matters for the day-to-day operation of our Group; the Compliance Committee comprises four members, namely Mr. Chen Wei Wei, an executive Director and Chairman of our Group, who shall also chair the Compliance Committee, Mr. Sun, our executive Director, Mr. Ma Yiu Ho, Peter, our independent non-executive Director, and Mr. Hu Chung Ming, our company secretary.

(vi) we will strengthen trainings for our employees on compliance matters in order to develop a corporate culture and to enhance employee compliance perception and responsibility. We plan to provide regular training to employees of managerial level on an annual basis and ad hoc training to all relevant employees when we find it necessary;

(vii) Mr. Chen Wei Wei, the general manager of our Group is responsible for the implementation of the above preventive measures; and

(viii) we have designated Ms. Hu Li Yu, our executive Director, to oversee and monitor future compliance with the above-mentioned non-compliance incidents.

In relation to our failure to pay contributions to housing provident fund in full before June 2013, we will adopt the following measures by phases to prevent re-occurrence of non-compliance events in the future:

- Internal policies be adopted to ensure compliance with all regulatory requirements in the PRC, including the procedures to require our human resources department to review periodically the total number of staff members who are required to make housing provident fund contributions, and our administration department review and check against the total number of staff members before making payment for the contribution so as to ensure compliance.

- Incoming staff are required to provide us with their respective housing provident fund registration information and at the same time, our administration department will complete all formalities regarding cessation of payment of housing provident fund contribution for all outgoing staff.

- Enhancing the awareness of our employees with respect to the importance of participation in housing provident fund scheme by regularly issuing notices to remind our staff to make their part of contributions.

- Ensuring that housing provident fund contributions are duly made by us and our employees on a monthly basis.

- Carrying out internal checking from time to time to ensure that we have paid housing provident fund contributions in accordance with the relevant PRC laws and regulations.

- Seeking advice from external legal advisers on the latest requirements of applicable laws and regulations.

Based on the above, our Directors are of the view that the above internal control measures could adequately and effectively ensure that we have implemented a proper internal control system and maintained good corporate governance practices to prevent future non-compliance with the PRC laws and regulations. As of the Latest Practicable Date, no litigation or arbitration proceedings or administrative proceedings had been instituted or threatened against us or any of our Directors, which would have a material adverse effect on our financial condition or results of operations.

LEGAL PROCEEDINGS

During the Track Record Period and as at the Latest Practicable Date, our Group including the Fengxin Plant was not, directly or indirectly, involved in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group including the Fengxin Plant and/or any of our Directors and/or Controlling Shareholders.

CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and/or their respective associates after the Listing, having taken into consideration the following factors:

Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Board's main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. We have an independent management team which is led by a team of senior management with experience and expertise in our business to implement our policies and strategies.

Our Board consists of six Directors, comprising three executive Directors and three independent non-executive Directors. For a summary of the positions held by our Directors at our Company and its subsidiaries as at the Latest Practicable Date, please refer to the section headed "Directors, Senior Management and Staff" in this prospectus.

Directorship with our Company and our subsidiaries

None of the our Directors hold(s) any directorships or positions in companies privately owned by our Controlling Shareholders.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. The provisions of our Articles also ensure that matters involving a conflict of interests which may arise from time to time will be managed in line with accepted corporate governance practice.

Our Company has also appointed three independent non-executive Directors, comprising one-half of our Board, to provide a balance between the number of executive Directors and independent non-executive Directors to ensure that there is a strong independent element on our Board and with a view to promoting the best interests of our Company and Shareholders taken as a whole. Our independent non-executive Directors have diversified skills and experience in their respective fields of expertise and our Directors believe that our Board will benefit from their independent advice.

In light of the above, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing its business independently from our Controlling Shareholders after the Listing.

Operational independence

Our Group has established its own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their respective associates. Save as set out in this prospectus, no services, premises and facilities will be provided by our Controlling Shareholders and/or their respective associates to our Group. Our Group is able to operate independently from our Controlling Shareholders after the Listing.

Financial independence

Our Group principally financed our operation through cash generated from operations and bank facilities to carry on its business during the Track Record Period. This is expected to continue after the Listing. Also, all of our Group's outstanding balances with our Controlling Shareholders will be settled before Listing.

Having considered the above factors, our Directors consider that there is no financial dependence on our Controlling Shareholders.

Therefore, in view of the above fact, our Directors believe that our Group has been operating independently from our Controlling Shareholders and/or their respective associates in all material aspects including finance, management and operations of our Controlling Shareholders.

Independence of major customers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective associates, have any relationship with the top five customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

Delineation of business

None of our Controlling Shareholders and/or their respective associates are engaged in the primary business of printing and manufacturing of packaging materials in the PRC, and accordingly, our Directors consider that the business of our Group will be operated independently without any concerns regarding competition from our Controlling Shareholders.

In light of the above, our Directors are of the view that our Group does not unduly rely on our Controlling Shareholders and/or their respective associates.

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

UNDERTAKINGS

Each of our Controlling Shareholders has given certain undertakings in respect of the Shares to our Company, the Sole Sponsor, the Sole Lead Manager and the Underwriter, details of which are set out under the paragraph headed "Undertakings by the Controlling Shareholders" in the section headed "Underwriting" in this prospectus.

NON-COMPETITION UNDERTAKING

In order to avoid any possible competition between our Group and our Controlling Shareholders in the future, our Controlling Shareholders as covenantors (the "**Covenantors**") have executed the Non-competition Deed in favour of us (for ourselves and for the benefit of each member of our Group). Pursuant to the Non-competition Deed, during the period that the Non-competition Deed remains effective, each of the Covenantors irrevocably and unconditionally undertakes in favour of us (for ourselves and for the benefit of each member of our Group) that he/it shall not, and shall procure his/its associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

When business opportunities which may compete with the business of our Group arise, the respective Covenantor(s) shall, and shall procure their respective associates to, give us notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall, within a period of 30 days (which shall be extendable to a further 30 days if requested by all of our independent non-executive Directors, or such longer period if we are required to complete any approval procedures as set out under the Listing Rules from time to time), inform the Covenantor(s) whether we will exercise the right of first refusal or not. We shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and our other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The Covenantors' obligations under the Non-competition Deed are conditional upon the conditions stated under the paragraph headed "Conditions of the Share Offer" in the section headed "Structure and Conditions of the Share Offer" of this prospectus being fulfilled.

The Non-competition Deed shall terminate on the earliest of (i) a Covenantor whether individually or taken together with its associates, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) our Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of our Shares on the Stock Exchange due to any reason).

We will adopt the following procedures to monitor that the Non-competition Deed is being observed:

(i) our Board will establish a committee comprising all of our independent non-executive Directors which will be delegated with the authority to review on an annual basis the above undertakings from the Covenantors and to evaluate the effective implementation of the Non-competition Deed;

(ii) the Covenantors undertake to provide all information necessary for the evaluation of the enforcement of the Non-competition Deed as requested by the committee from time to time;

(iii) the Covenantors will make an annual confirmation as to compliance with its undertaking under the Non-competition Deed for inclusion in the annual report of our Company; and

(iv) we will disclose details and basis of decision on matters reviewed by our independent non-executive Directors relating to the exercise or non-exercise of the first right of refusal in the annual report or by way of announcements to the public.

LEGAL PROCEEDINGS

Background

Mr. Sun, one of our Controlling Shareholders and an executive Director, was involved in some legal proceedings in Hong Kong and the PRC (collectively, the "**Legal Proceedings**").

According to the relevant Hong Kong court judgments of HCA1244/2009 and CACV 269/2011 (the "**Court Judgments**"), legal proceedings had been instituted against Mr. Sun's sibling, namely Mr. Sun Jiangrong (孫江榕), Mr. Sun Jiangrong's company and the relevant person, who is an Independent Third Party, as a result of the default of a loan made in August 2007 in the amount of Singapore dollars 120 million (the "**Loan**") by Thumb (China) Holdings Group Limited (formerly known as Sino Fortune Union Investment Limited) ("**Thumb BVI**"), a BVI company wholly owned by Mr. Sun Jiangrong at that time, as the issuer of secured notes, which were secured by shares of a public company listed on the Singapore Stock Exchange (SGX) of which the controlling shareholder was Mr. Sun Jiangrong at the material time. Mr. Sun has never provided any security or guarantee in whatever form to the Loan. Apart from the fact that Mr. Sun is a sibling of Mr. Sun

Jiangrong, there was no relationship between Mr. Sun and/or our Group and the public company. Following the default of the Loan in April 2009 (the "**Loan Default**"), the trustee of the noteholders (i.e. entities controlled and managed by a global investment group), applied to the Hong Kong court for court orders to appoint receivers (the "**Receivers**") to take over the assets of Mr. Sun Jiangrong. As a result, since July 2010, the Receivers were appointed and took over, among other assets of Mr. Sun Jiangrong, the 70% of the issued share capital of Good Idea International and the 60% of the issued share capital of Hong Kong Beanburg International Development Co. Limited ("**Hong Kong Beanburg**") held by Mr. Sun Jiangrong. Our Directors confirm that neither Mr. Sun nor our Group was a party to the Loan and our Group did not receive any proceeds from the issue of the notes or any part thereof. The Sole Sponsor, after conducting its due diligence investigation, is not aware of any evidence or record that could reasonably suggest or imply that our Group had received such proceeds. Further, according to the Court Judgments, since there is no evidence showing that Mr. Sun and/or our Group has any relationship with the Loan and/or the Loan Default which, if have existed, would likely make Mr. Sun and/or our Group become liable for the Loan and/or the Loan Default and neither Mr. Sun nor our Group were parties to these legal proceedings, our Hong Kong Legal Advisers have advised us that the Loan Default shall not impose any material potential risk on the Shares. As Mr. Sun and/or our Group have no relationship with the Loan or the issue of the notes, our Directors confirm that Mr. Sun and/or our Group have no knowledge about the details of the Loan such as its nature, terms and its use of the proceeds from the issue of the notes. In addition, our Directors also confirm that, since the establishment of Hong Sheng in 2005, Mr. Sun Jiangrong had never owned any interests of our Group nor in any way participated in the operation and management of our Group.

The remaining 30% interest in Good Idea International was owned by Mr. Sun and the remaining 20% and 20% interest in Hong Kong Beanburg were owned by Mr. Sun and Ms. Hong Hui respectively. After the Receivers had taken over, among other assets of Mr. Sun Jiangrong's 70% issued share capital of Good Idea International, which is an investment company, the Receivers sought to discharge all the management duties of Mr. Sun in Good Idea International and its two wholly owned operating subsidiaries in the PRC, namely Fujian Hongsheng and 泉州鴻聖輕工有限公司 (Quanzhou Hong Sheng Qinggong Co., Ltd)* ("**Quanzhou Hong Sheng**"), which are both primarily engaged in the manufacture and sale of various types of bags, luggage and accessories. The businesses of Good Idea International, Fujian Hongsheng and Quanzhou Hong Sheng are different from those of our Group. To the best knowledge of our Directors, Hong Kong Beanburg is a company without any material asset, business operation or subsidiary. As at the Latest Practicable Date, Hong Kong Beanburg was still owned as to 60% by Mr. Sun Jiangrong, 20% by Mr. Sun and 20% by Ms. Hong Hui and the Receivers were and are still appointed to take over the 60% of the issued share capital owned by Mr. Sun Jiangrong. Ms. Hong Hui is an Independent Third Party and not connected with Mr. Sun and other Directors and there is no relationship between Ms. Hong Hui and other members of our Group.

Legal proceedings in Hong Kong (the "Hong Kong Proceedings")

On 20 December 2010, the Receivers, as the applicant on behalf of Mr. Sun Jiangrong, applied and were subsequently granted by a consent order a period of three days to hold an extraordinary general meeting of Good Idea International with an aim to take away Mr. Sun's management duties in Fujian Hongsheng. However, due to the Receivers' delay in holding the extraordinary general meeting, the Receivers then applied and were subsequently granted an extension of the period for holding the extraordinary general meeting. Mr. Sun, with the intention to protect his 30% minority shareholding interest in Good Idea International, sought leave to appeal against the Order on the basis that the court did not have the judicial power to extend the period for holding the extraordinary general meeting as the original order represented a true contract between the parties and its provisions discharged the power of the court to extend time limit. However, Mr. Sun's application was ultimately refused by the Court of Appeal of the High Court of Hong Kong on 6 July 2012. Since 6 July 2012 and up to the Latest Practicable Date, Mr. Sun had not taken any legal action in relation to the Hong Kong Proceedings relating to Good Idea International.

On 12 August 2010, the Receivers, as the applicant on behalf of Mr. Sun Jiangrong, applied to the Hong Kong court for a court order to convene an extraordinary general meeting of Hong Kong Beanburg with an aim to pass resolutions to appoint new directors to the board of directors of Hong Kong Beanburg. Four new corporate directors were subsequently appointed by the Receivers to the board of directors of Hong Kong Beanburg on 15 September 2010. Since the Receivers' application mentioned above and up to the Latest Practicable Date, Mr. Sun had not taken any legal action in relation to the Hong Kong Proceedings relating to Hong Kong Beanburg.

Legal proceedings in the PRC (the "PRC Proceedings")

There were two legal proceedings involving Mr. Sun against the representative of the Receivers in the PRC, namely 民事判決書 (2011) 泉民初字第353號 (Civil Judgment (2011) Quan Min Chu Zi No. 353)* dated 4 March 2013 of 福建省泉州市中級人民法院 (the Fujian Province Quanzhou City Intermediate People's Court)* of the PRC (the "**Civil Judgment No. 353**") which involved Good Idea International as the complainant and Mr. Sun and Quanzhou Hong Sheng as the first and second defendants respectively and 民事判決書(2011) 泉民初字第354號 (Civil Judgment (2011) Quan Min Chu Zi No. 354)* dated 4 March 2013 of 福建省泉州市中級人民法院 (the Fujian Province Quanzhou City Intermediate People's Court)* of the PRC (the "**Civil Judgment No. 354**") which involved Good Idea International as the complainant and Mr. Sun and Fujian Hongsheng as the first and second defendants respectively.

In the Civil Judgment No. 353, Good Idea International, as the sole shareholder of Quanzhou Hong Sheng, passed a board resolution (the "**Board Resolution**") on 7 March 2011 to terminate Mr. Sun as the president, general manager and legal representative of Quanzhou Hong Sheng and took away his duties thereof and requested Mr. Sun to immediately handover his work to the new directors and supervisor of Quanzhou Hong Sheng duly appointed pursuant to the Board Resolution on the grounds that according to Article 4 of the Company Law of the PRC and the constitution of Quanzhou Hong Sheng,

* *in English for identification purpose only*

Good Idea International, as the shareholder of Quanzhou Hong Sheng, had the right and power to elect and appoint directors and supervisors of Quanzhou Hong Sheng by resolutions and that the Board Resolution was legal and valid to such effect.

Mr. Sun contested, inter alia, that Good Idea International had exceeded its power and authority as the shareholder of Quanzhou Hong Sheng. The court adjudged that according to the relevant PRC laws and regulations, no interference should be imposed on a foreign enterprise provided that its management activities were conducted in accordance with its approved articles of association. The constitution of Quanzhou Hong Sheng explicitly stated that the directors and supervisors thereof would be appointed by the shareholder(s). Therefore, the court endorsed the appointments of the new head of directors, new vice head of directors, new directors, supervisor, and legal representative of Quanzhou Hong Sheng and ordered the defendants including Mr. Sun to pay half of the proceeding fee which amounted to RMB50.0.

The Civil Judgment No. 354 had a similar context to that of the Civil Judgment No. 353 and both involved Good Idea International as the complainant and Mr. Sun as the first defendant, yet they were two different cases in that the second defendant in the Civil Judgment No. 353 was Quanzhou Hong Sheng and that in the Civil Judgment No. 354 was Fujian Hongsheng. In the Civil Judgment No. 354, Good Idea International was the sole shareholder of Fujian Hongsheng and Mr. Sun had served as the president, general manager and legal representative of Fujian Hongsheng and on its similar cause of action to that of the Civil Judgment No. 353, the court likewise endorsed the appointments of the new head of directors, new vice head of directors, new directors, supervisor and legal representative of Fujian Hongsheng and ordered the defendants including Mr. Sun to assume half of the proceeding fee which amounted to RMB50.0.

On 22 October 2013, 福建省高級人民法院 (Fujian Province Senior People's Court of the PRC*) awarded a judgment 民事裁定書(2013)閩民終字第741號 (Civil Judgment (2013) Min Min Zhong Zi No. 741*) (the "**Civil Judgment No. 741**") and a judgment 民事裁定書(2013)閩民終字第742號 (Civil Judgment (2013) Min Min Zhong Zi No. 742*) (the "**Civil Judgment No. 742**") both in favour of (1) Mr. Sun and Quanzhou Hong Sheng and (2) Mr. Sun and Fujian Hongsheng respectively in Mr. Sun's applications to appeal against the Civil Judgment Nos. 353 and 354. According to the Civil Judgment No. 741 and 742, Fujian Province Senior People's Court of the PRC was of the view that the investigation of facts made by 福建省泉州市中級人民法院 (Fujian Province Quanzhou City Intermediate People's Court of the PRC*) was unclear, and therefore the Civil Judgments Nos. 353 and 354 were overruled and there will be a retrial of these two cases in Fujian Province Quanzhou City Intermediate People's Court of the PRC. As at the Latest Practicable Date, the date of retrial of these two cases has not yet been fixed.

* *in English for identification purpose only*

Rule 13.51(2)(k) of the Listing Rules

As at the Latest Practicable Date, other than the PRC Proceedings which had been subject to retrials in 福建省泉州市中級人民法院 (the Fujian Province Quanzhou City Intermediate People's Court) in the PRC, the Directors confirm that there was no unsatisfied judgments or court orders of continuing effect against Mr. Sun pursuant to Rule 13.51(2)(k) of the Listing Rules which required our Company to publish an announcement in relation to thereto.

Potential maximum exposure and liability of Mr. Sun and/or our Group

The Hong Kong Proceedings and the PRC Proceedings concerned, inter alia, dispute on the respective shareholder's levels of Good Idea International and Hong Kong Beanburg and the management of Good Idea International and its two wholly owned operating subsidiaries, Fujian Hongsheng and Quanzhou Hong Sheng in the PRC without any allegation against the parties in the Legal Proceedings relating to fraud, deceit or dishonesty of any party thereunder. The major issues relating to the Hong Kong Proceedings were mainly related to the appointment of new directors and/or the removal of directors (as the case may be) and/or some procedural disputes for convening an extraordinary general meeting of each of Good Idea International and Hong Kong Beanburg for such appointment of new directors and/or removal of directors (as the case may be) instead of the Loan Default. Mr. Sun was involved in the Hong Kong Proceedings just because of his intention to protect his interests as a minority shareholder in each of Good Idea International and Hong Kong Beanburg after the Receivers taking over Mr. Sun Jiangrong's majority shareholding in these two companies as a result of the legal actions in relation to the Loan Default. Further, there was no implication or suggestions under the Hong Kong Proceedings and the PRC Proceedings related to directors' capacity or integrity. In particular, Mr. Sun and/or our Group have not been commented or alleged of having acted dishonestly or fraudulently in the Hong Kong Proceedings and the PRC proceedings. On this basis, our Hong Kong and PRC Legal Advisers advised us that the outcomes of the Hong Kong Proceedings and the PRC Proceedings will not have any implication on the character and integrity of Mr. Sun to act as a director in Hong Kong and the PRC respectively. Further, as advised by our PRC Legal Advisers, as the PRC Proceedings are not related to monetary claims, the proceeding fees, preservation fees and other litigation fees are the only potential financial liabilities stated in Good Idea International's current claims which may be imposed on Mr. Sun, there is a minimum possibility that Mr. Sun will be subject to substantial financial liability under the PRC Proceedings. The proceeding fees are in the region of RMB50 to RMB100. In case Mr. Sun loses in the PRC Proceedings and he is ordered by the PRC court to pay the litigation cost incurred by the counterparty, to the best estimation of Mr. Sun, the fee he has to pay will not exceed RMB500,000 based on his own legal costs incurred so far and the level of legal costs in the PRC.

In relation to the Hong Kong Proceedings, since the Receivers are not Mr. Sun's creditors and based on the cause of action and nature of the Hong Kong Proceedings, our Hong Kong Legal Advisers have advised us that there is a minimum possibility that Mr. Sun's minority shareholding interests in Good Idea International and Hong Kong Beanburg will be challenged by the Receivers under normal circumstances. Further, as Mr. Sun confirmed that he had not taken any legal action in relation thereto as mentioned in the section "Legal Proceedings in Hong Kong" under "Legal Proceedings" of this part of this prospectus and the Hong Kong Proceedings are not cases of monetary claims, and assuming that no further action will be taken by the Receivers against Mr. Sun under the Hong Kong Proceedings as the Receivers have already taken over the majority shareholdings interest and the control of the board of directors in these two companies, our Hong Kong Legal Advisers have advised us that there is a minimum possibility that Mr. Sun will be exposed to any substantial financial liability under the Hong Kong Proceedings.

The Sole Sponsor's view on the suitability of Mr. Sun to act as our Director under Rules 3.08 and 3.09 of the Listing Rules

The Sole Sponsor takes the view that the Hong Kong Proceedings, the PRC Proceedings and their outcomes will not have any implication on the character and integrity of Mr. Sun to act as our Director due to, inter alia, the following facts:

(i) Mr. Sun was not a party to the Loan, the subsequent Loan Default and the dispute between Mr. Sun Jiangrong and the trustee of the notes in Hong Kong and anywhere else;

(ii) Mr. Sun's involvement in the Hong Kong Proceedings and the PRC Proceedings are due to his intention to protect his shareholding interest in each of Good Idea International and Hong Kong Beanburg as a minority shareholder thereto and to protect his investment in Fujian Hongsheng and Quanzhou Hong Sheng after the Receivers have taken over the majority shareholding interest in these two companies as a result of the legal proceedings originated from the Loan Default, which is not related to Mr. Sun and our Group; and

(iii) Mr. Sun has never been drawn as a party to any litigation case related to the Loan, the Loan Default and the disputes between Mr. Sun Jiangrong and the trustee of the notes in Hong Kong and anywhere else.

DIRECTORS

Our Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors. The table below shows certain information in respect of our Directors.

Name	Age	Date of appointment	Position	Roles and responsibilities
Mr. Chen Wei Wei (陳衛偉)	30	13 December 2013	Executive Director Chairman of our Board Chairman of the nomination committee	Responsible for business, development, decision making and management of our Group and participate in the overall strategic and business planning of our Group
Ms. Hu Li Yu (胡麗玉)	39	13 December 2013	Executive Director Member of the remuneration committee	Responsible for overseeing our human resources and administration department
Mr. Sun Shao Hua (孫少華)	42	12 July 2013	Director	Responsible for the overall corporate strategic planning and business development of our Group
		13 December 2013	Executive Director	
Mr. Liu Da Jin (劉大進)	48	13 December 2013	Independent non-executive Director Chairman of the remuneration committee Members of the audit committee and the nomination committee	Serving as an independent non-executive Director of our Company
Mr. Ma Yiu Ho, Peter (馬遙豪)	49	13 December 2013	Independent non-executive Director Chairman of the audit committee	Serving as an independent non-executive Director of our Company
Mr. Wu Ping (吳平)	51	13 December 2013	Independent non-executive Director Members of the audit committee, the nomination committee and the remuneration committee	Serving as an independent non-executive Director of our Company

Save as disclosed below, there are no other matters concerning each of our Directors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange and there are no other matters which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Executive Directors

Mr. Chen Wei Wei (陳衛偉), aged 30, was appointed as the chairman of our Board and an executive Director on 13 December 2013. He is the chairman of the nomination committee. Mr. Chen has more than 11 years of experience in management, business development and operation of manufacturing industry. To assist the business development of our Group led by Mr. Sun, Mr. Chen joined our Group on 17 April 2009 as deputy general manager and had been, responsible for sales and research and development, and became the general manager of our Group on 1 July 2013.

Prior to joining our Group, Mr. Chen worked at Fujian Hongsheng Bags & Suitcases Co., Ltd. (福建鴻聖箱包有限公司) as the brand assistant director from October 2002 to February 2005. Mr. Chen worked at Bosideng Sporting Goods Co., Ltd. (波司登體育用品有限公司) as a sales manager and special assistant to the chief sales and marketing officer from March 2006 to February 2007. He then worked at Shanghai Wihao International Brand Consultancy Limited Company (上海唯好國際品牌資詢有限公司) from March 2007 to April 2009 as a consultant and partner. He graduated from both Fuzhou Gongren Yeyu University (福州市工人業餘大學) and Fujian Institute of Hydraulic and Electrical Engineering (福建水利電力學校) in July 2002, majoring in computer and information management and powerplant and electric power system respectively.

Mr. Chen has not been a director of any publicly listed company during the three years preceeding the date of this prospectus.

Ms. Hu Li Yu (胡麗玉), aged 39, was appointed as an executive Director on 13 December 2013. She is also a member of the remuneration committee. Ms. Hu obtained a Master of Business Administration degree from the Massachusetts Institute of Technology in July 2009. Ms. Hu has approximately 17 years of experience in corporate management and the packaging industry. Ms. Hu joined our Group as a director on 23 August 2006. Prior to joining our Group, Ms. Hu worked at Quanzhou Shuangxing Paper Packaging Co., Ltd. (泉州洛江雙興紙品包裝有限公司) which is principally engaged in the manufacture of paper products and packaging business from 1996 to 1998 as manager. She previously worked as a deputy general manager at Fujian Thumb Enterprise Group (福建大拇指實業集團) which is principally engaged in the farming, manufacturing and sales of organic food, health, supplements and medication from 1998 to 2007. From 2007 to 2009, Mr. Sun Jiangrong, a sibling of Mr. Sun, had been a shareholder and director of the said Fujian Thumb Enterprise Group and Thumb BVI. Ms. Hu served as a general manager of 包客吾得(廈門)箱包發展有限公司 which is principally engaged in the fashion, bag and accessories industry from 2007 to July 2013. Ms. Hu was not a party in any litigations in relation to Mr. Sun Jiangrong as mentioned in the subsection headed "Legal Proceedings" under the section headed "Relationship with Controlling Shareholders" in this prospectus.

Ms. Hu has not been a director of any publicly listed company during the three years preceeding the date of this prospectus.

Mr. Sun Shao Hua (孫少華), aged 42, was appointed as a Director on 12 July 2013 upon the incorporation of the Company when it was a private company and, for the purpose of the Listing, was redesignated as an executive Director on 13 December 2013 to differentiate the responsibilities from our independent non-executive Directors. While Mr. Sun was not appointed as the executive Director until 13 December 2013, he has performed the role as an executive Director since 12 July 2013 when he was appointed as a Director. Mr. Sun is the founder and the ultimate controlling shareholder of our Company, and has been heading the Group since its incorporation. Mr. Sun had been the general manager of the Group since 21 August 2006 until Mr. Chen was appointed to the role on 1 July 2013.

Mr. Sun has approximately 15 years of experience in the packaging industry and corporate management. Mr. Sun is the shareholder and director of Quanzhou Hongsheng Light Industry Co., Ltd (泉州鴻聖輕工有限公司) and Fujian Hongsheng Bags & Suitcases Co., Ltd (福建鴻聖箱包有限公司), which are principally engaged in the manufacture and sale of various types of bags, luggage and accessories; and Hongsheng Information Technology (Xiamen) Co., Ltd (鴻聖 信息科技(廈門)有限責任公司). Mr. Sun was previously the standing director of the 7th China Packaging Federation Council (中國包裝聯合會第七屆理事會) in 2011. Mr. Sun was awarded the 5th Lake Poyang Printing Development Contribution Award (第五屆鄱陽湖(鴻聖)杯印刷發展貢獻獎) by the Association of Printing and Copying Industry in Jiangxi Province (江西省印刷複製業協會) in December 2011. Mr. Sun completed the postgraduate economics course at Jiangxi University of Finance and Economics (江西財經大學) in July 2005 and graduated from the Central Communist Party School Correspondence Institute (中共中央黨校函授學院) in December 2006, majoring in economic management. Mr. Sun completed the 2006 Chief Executive Course at Xiamen University School of Management in August 2007 and the GEM Financing and Private Fund Executive Course at Fudan University in April 2009.

Mr. Sun has not been a director of any publicly listed company during the three years preceeding the date of this prospectus.

Independent Non-executive Directors

Mr. Liu Da Jin (劉大進), aged 48, was appointed as an independent non-executive Director on 13 December 2013. Mr. Liu is also a member of the audit committee and the nomination committee and the chairman of the remuneration committee. Mr. Liu has been a non-practicing member of the Chinese Institute of Certified Public Accountants since June 1996. He has also been the consultant of the Xiamen City Economic Management Consultancy Association (廈門市經濟管理諮詢協會) since August 2008 and the council member of the Xiamen City Accounting Association (廈門市會計學會) since March 2005.

Mr. Liu graduated from the Central University of Finance and Economics (中央財經大學) (originally named Central Institute of Finance and Banking (中央財政金融學院) in June 1989, majoring in accounting. He then obtained a postgraduate certificate from Xiamen University Postgraduate School in September 1992. Mr. Liu worked as a teaching assistant at Jimei Finance and Economics School (集美財經學校) from August 1984 to August 1987. Mr. Liu then served as the deputy director and instructor at the department of financial management at Jimei College of Finance（集美財政專科學校）from July 1989 to August 1995. Mr. Liu worked as a certified accountant at Xiamen Jiyou Accounting Firm（廈門集友會計師事務所）from June 1995 to May 1999. Mr. Liu worked in various faculties of Jimei University（集美大學）since September 1995 and is currently the associate dean of its faculty of overseas education.

Mr. Liu has not been a director of any publicly listed company during the three years preceeding the date of this prospectus.

Mr. Ma Yiu Ho, Peter（**馬遙豪**）, aged 49, was appointed as an independent non-executive Director on 13 December 2013. He is also the chairman of the audit committee. Mr. Ma is currently the financial controller of Chyau Fwu Properties Limited, a company principally engaged in property development and hospitality. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1990 and a fellow member of the Association of Chartered Certified Accountants (UK) since April 1994. Mr. Ma obtained a Master of Business Administration Degree from the Hong Kong University of Science and Technology in November 1995. He is also an associate member of the Hong Kong Institute of Directors. He has over 20 years of experience in the finance and accounting field and worked as the financial controller and company secretary of The Hong Kong Parkview Group Ltd.; the financial controller of VODone Limited, shares of these companies are listed on the Main Board of the Stock Exchange; chief financial officer of Superior Fastening Technology Limited, a Singapore listed company. Mr. Ma also worked for Standard Chartered Equitor Trustee HK Limited and Hong Kong Government's Audit Department. Mr. Ma is currently and has been an independent non-executive director and chairman of the audit committee of Convoy Financial Services Holdings Limited since March 2010, Shares of which are listed on the Stock Exchange.

Save as disclosed above, Mr. Ma has not been a director of any publicly listed company during the three years preceeding the date of this prospectus.

Mr. Wu Ping（**吳平**）, aged 51, was appointed as an independent non-executive Director on 13 December 2013. He is also a member of the audit committee, the nomination committee and the remuneration committee. Mr. Wu completed monetary banking correspondence course at the Jiangxi University of Finance and Economics（江西財經大學）in July 1998. Mr. Wu obtained the intermediate level of finance qualification granted by the Ministry of Personnel of the PRC in November 2000. Mr. Wu held various positions in Yichun branch and Fongxin branch of the China Construction bank from 1981 to 2012, including serving as the manager of the credit approval commission of the Yichun branch, the manager of the credit approval department of the Fengxin branch and the branch manager of the Fengxin branch.

Mr. Wu has not been a director of any publicly listed company during the three years preceeding the date of this prospectus.

SENIOR MANAGEMENT

Mr. Guo Xiu Peng（郭秀鵬）, aged 36, is the director of production of our Company. He has over 8 years of experience in production management. Mr. Guo obtained a bachelor degree in Jiangxi Normal University（江西師範大學）in July 2000, majoring in control technology and engineering. Mr. Guo joined our Group since October 2008 as the director of production, responsible for the production and equipment management of our Company. Prior to joining our Group, Mr. Guo was the manager of the department of design at Guangzhou Yuanjing Paper Packaging Limited Company（廣州遠景紙品包裝有限公司）from March 2001 to July 2004. He then worked at Guangzhou Xinxing Decoration and Packaging Limited Company（廣州新星裝潢印刷有限公司）from August 2004 to September 2008, responsible for production management.

Mr. Li Jian Jie（李建捷）, aged 41, is the research and development director of our Company, responsible for research, development and design. Mr. Li has over 8 years of experience in design and advertising. Mr. Li completed a 2-year arts programme at Sanming Normal College（三明師範專科學校）in July 1993. Mr. Li joined our Group since March 2013. Prior to joining our Group, Mr. Li worked as an art instructor at Fujian Province Nanping Jianyang Commercial School（福建省南平建陽商業學校）from September 1994 to December 1997. Mr. Li was the brand director of Zhibentang Advertising Company（知本堂廣告公司）and Zhibentang Business Planning Limited Company（知本堂企業策劃有限公司）from 2005 to 2013.

COMPANY SECRETARY

Mr. Hu Chung Ming（胡宗明）, aged 41, is the chief financial officer and the company secretary of our Group. Mr. Hu joined our Group on 21 August 2013 and he has over 16 years of professional experience in accounting and finance. During the period from September 2009 to April 2011, Mr. Hu was the chief financial officer and the company secretary of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited, a company whose shares are listed on the Stock Exchange. Mr. Hu had also been the chief financial officer and the company secretary of China Flexible Packaging Holdings Limited from February 2003 to June 2007 and the chief financial officer of Lankom Electronics Limited from April 2000 to January 2003, both of which are listed on Singapore Exchange. Mr. Hu was an accountant of the assurance and advisory business services of Ernst and Young, Certified Public Accountants from January 1997 to March 2000. Mr. Hu obtained a degree of Bachelor of Commerce from the University of Queensland, Australia, in December 1996. Mr. Hu became a Certified Practising Accountant of the Australian Society of Certified Practising Accountants in March 2000 and a fellow of the Hong Kong Institute of Certified Public Accountants in January 2010. Mr. Hu is currently an independent non-executive director of Sumpo Food Holdings Limited, the shares of which are listed on the Stock Exchange.

REMUNERATION POLICY

Compensation of the employees of our Group includes basic salary and bonuses. Bonuses are determined on a yearly basis based on the results of performance reviews. Compensation of sales staff primarily comprises commissions which are linked to sales performance.

Our Group incurred staff costs (comprising sales commission, staff salaries and welfare expenses, contributions to retirement benefit schemes, bonus and welfare fund of staff and workers) of approximately RMB10.4 million, RMB13.8 million, RMB17.2 million, RMB10.4 million and RMB12.9 million for the years ended 31 December 2010, 2011 and 2012 and for the eight months ended 31 August 2012 and 2013, representing approximately 7.8%, 7.1%, 6.1%, 6.5% and 5.9% of our Group's turnover from continuing operations respectively for those periods.

Our Group participates in a mandatory provident fund scheme (the "**Scheme**") registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all our Group's employees in Hong Kong. Voluntary contributions are vested in our Group's employees over a period of time. Subject to limited exceptions, all benefits derived from the mandatory contributions must be preserved until an employee reaches the retirement age of 65 or ceases employment and attains the age of 60. Our Group's contributions to the Scheme can be used to offset any long service payments or severance payments payable and are deductible for income tax purposes.

STAFF

As of 31 August 2013, we had a total of 329 full-time employees, a breakdown of which by their functions is set forth below:

	Employee number
General	7
Sales and marketing	25
Research and development	14
Finance	7
Administration	21
Purchasing	4
Production	214
Storage	25
Quality control	12
	329

OUR GROUP'S RELATIONSHIP WITH STAFF

Our Group recognises the importance of a good relationship with its employees. The remuneration payable to the employees includes salaries and allowances.

BOARD COMMITTEES

Audit committee

An audit committee was established by our Company on 13 December 2013 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and approve our Group's financial reporting process and internal control system. The members of the audit committee are Mr. Ma Yiu Ho, Peter, Mr. Liu Da Jin and Mr. Wu Ping, all of whom are independent non-executive Directors. Mr. Ma Yiu Ho, Peter is the chairman of the audit committee.

Remuneration committee

A remuneration committee was established by our Company on 13 December 2013 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of our Group. The members of the remuneration committee are Ms. Hu Li Yu, an executive Director, Mr. Wu Ping and Mr. Liu Da Jin, both of whom are independent non-executive Directors. Mr. Liu Da Jin is the chairman of the remuneration committee.

Nomination Committee

A nomination committee was established by our Company on 13 December 2013 with written terms of reference. The primary duties of the nomination committee are to make recommendations to the Board on appointment of Directors and the management of the Board succession. The members of the nomination committee are Mr. Liu Da Jin, Mr. Wu Ping, both of whom are independent non-executive Directors and Mr. Chen Wei Wei, an executive Director and Chairman of our Group. Mr. Chen Wei Wei is the chairman of the nomination committee.

COMPLIANCE ADVISER

Pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed the Sole Sponsor as our compliance adviser. The compliance adviser will advise us on the following matters pursuant to Rule 3A.23 of the Listing Rules:

(i) the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where our Company proposes to use the proceeds of the Share Offer 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 of this prospectus; or

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares the possible development of a false market in its securities, or any other matters.

The term of this appointment will commence on the Listing Date and is expected to end on the date on which we comply with Rules 13.45 of the Listing Rules on the distribution of our annual report in respect of the financial results of the first full financial year commencing after the Listing Date.

So far as our Directors are aware, the following persons will, immediately following completion of the Share Offer (assuming no Shares have been issued pursuant to the exercise of the Offer Size Adjustment Option), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of shareholding
Novel Blaze	Beneficial owner	468,000,000	58.5%
Mr. Sun	Interest in a controlled corporation	468,000,000 *(Note)*	58.5%

Note: These Shares are registered in the name of Novel Blaze Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Sun Shao Hua. Under the SFO, Mr. Sun Shao Hua is deemed to be interested in all the Shares registered in the name of Novel Blaze Limited.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Share Offer (assuming no Shares have been issued pursuant to the exercise of the Offer Size Adjustment Option), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

SHARE CAPITAL

The authorised registered share capital of our Company is as follows:

Authorised share capital:

		HK$
8,000,000,000	Shares	80,000,000

Assuming the Offer Size Adjustment Option is not exercised, the issued share capital of our Company immediately following the Share Offer will be as follows:

Shares in issue or to be issued, fully paid or credited as fully paid:

		HK$
100	Shares in issue at the date of this prospectus	1
599,999,900	Shares to be issued pursuant to the Capitalisation Issue	5,999,999
200,000,000	Shares to be issued pursuant to the Share Offer	2,000,000
800,000,000		8,000,000

Assuming the Offer Size Adjustment Option is exercised in full, the issued share capital of our Company immediately following the Share Offer will be as follows:

Shares in issue or to be issued, fully paid or credited as fully paid:

		HK$
100	Shares in issue at the date of this prospectus	1
599,999,900	Shares to be issued pursuant to the Capitalisation Issue	5,999,999
200,000,000	Shares to be issued pursuant to the Share Offer	2,000,000
30,000,000	Shares to be issued pursuant to the Offer Size Adjustment Option	300,000
830,000,000	Total	8,300,000

Minimum public float

Pursuant to Rule 8.08 of the Listing Rules, at the time of listing of the Shares on the Main Board and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

Ranking

The Offer Shares will rank pari passu in all respects with all our Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify 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 Listing Date.

Capitalisation Issue

Pursuant to the written resolutions of our Existing Shareholders passed on 13 December 2013, conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise HK$5,999,999 standing to the credit of the share premium account of our Company applying such sum in paying up in full at par 599,999,900 Shares for allotment and issue to our Existing Shareholders.

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

General mandate to issue Shares

Conditional on the conditions as stated in the section headed "Structure and Conditions of the Share Offer" of this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

(a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme); and

(b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed "General mandate to repurchase Shares" below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue. This general mandate to issue Shares will remain in effect until:

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or

(c) it is varied, revoked or renewed by an ordinary resolution of our Shareholders at general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed "Statutory and General Information – Further Information about Our Company – Written resolutions of our Existing Shareholders passed on 13 December 2013" in Appendix V to this prospectus.

General mandate to repurchase Shares

Conditional on conditions as stated in the section headed "Structure and Conditions of the Share Offer" of this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase Shares (Shares which may be listed 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 of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment 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 on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Statutory and General Information – Further Information about our Company – Repurchase of our Shares by our Company" in Appendix V to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or

(iii) it is varied, revoked or renewed by an ordinary resolution of our Shareholders at general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed "Statutory and General Information – Further Information about Our Company and our subsidiaries – Written resolutions of our Existing Shareholders passed on 13 December 2013" in Appendix V to this prospectus.

You should read the following discussion and analysis of our Group's business, results of operations and financial conditions in conjunction with our consolidated financial information as at and for each of the three financial years ended 31 December 2010, 2011 and 2012 and for the eight months ended 31 August 2013 and the accompanying notes thereto, the text of which is set forth in the accountants' report in Appendix I to this prospectus. Our financial information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). The following discussion and analysis contains certain forward-looking statements and information that involve substantial risks and uncertainties. Our future results could differ materially from those stated in any forward-looking statements and information contained in this section and this prospectus. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are principally engaged in the design, manufacture, printing and sale of paper-based packaging products, consisting of flexo-printed cartons and offset-printed cartons, which are generally used in the packaging of a wide variety of products mainly including food and beverages, glass and ceramics, metal hardware and chemicals, bamboo articles and other products. Our customers are mainly manufacturers of these products with production bases in the PRC.

Our Group experienced continuous growth in turnover over the Track Record Period on a year-to-year basis. Our turnover increased from approximately RMB133.0 million for the year ended 31 December 2010, to approximately RMB193.9 million for the year ended 31 December 2011, and further to approximately RMB280.6 million for the year ended 31 December 2012. Our turnover for the eight months ended 31 August 2013 reached approximately RMB218.2 million, increasing from approximately RMB160.1 million for the eight months ended 31 August 2012.

BASIS OF PRESENTATION

The financial information has been prepared in accordance with HKFRSs and included applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Hong Kong Companies Ordinance. The financial information has been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Company was incorporated in the Cayman Islands on 12 July 2013, as an exempted company under the Companies Law. Our Group resulting from the Reorganisation is regarded as a continuing entity. According to the financial information of our Group, which has been prepared by applying the principles of merger accounting as if the group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment where this is a shorter period.

MAJOR FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

The following factors are the principal factors that have affected, and we expect will continue to affect, our business, financial condition, results of operations and prospects.

Market Conditions in the PRC

Our results of operations and financial conditions are significantly affected by general economic and market conditions in the PRC. We believe general economic and market conditions that are favorable to our operations include, among other factors, high GDP growth, liquid and efficient capital markets, reasonable levels of inflation, high investor confidence, stable geopolitical conditions, strong corporate earnings and rising personal wealth. Unfavorable or uncertain economic and market conditions include, but not limited to:

- declines in economic growth, business activities or investor confidence;
- decreases in the availability of, or increases in the cost of, credit and capital;
- significant inflation, increases in interest rates and volatility of exchange rates and commodity prices;
- outbreaks of hostilities or other geopolitical instability; or
- natural disasters or pandemics.

Raw material costs

The production of our flexo-printed cartons and offset-printed cartons requires the use of raw paper, corrugated paperboards, inks and other supplemental raw materials. Apart from purchasing corrugated paperboards from external suppliers, we also manufacture corrugated paperboards as the raw materials for our production of cartons. We have equipment and machinery at our Fengxin Plant for manufacturing corrugated paperboards in different sizes, shapes, thickness with different layers and strength solely for our internal use in production.

Raw paper which was procured to produce corrugated paperboards for our internal use and offset-printed cartons accounted for approximately RMB51.2 million, RMB56.6 million, RMB81.2 million, RMB47.8 million and RMB46.6 million, representing 51.0%, 38.7%, 39.0%, 41.1% and 31.8% of our total purchase during the three years ended 31 December 2012 and the eight months ended 31 August 2012 and 2013, respectively. Our average purchase price for raw paper was approximately RMB3,100 per tonne, RMB3,200 per tonne, RMB3,000 per tonne, RMB3,000 per tonne and RMB2,900 per tonne for the three years ended 31 December 2012 and the eight months ended 31 August 2012 and 2013, respectively. During the Track Record Period, our business and results of operations were affected by the fluctuation of raw paper price.

We also purchased a significant amount of corrugated paperboards directly from external suppliers during the Track Record Period. Our purchases of corrugated paperboards accounted for approximately RMB42.8 million, RMB80.5 million, RMB113.7 million, RMB60.6 million and RMB89.3 million, representing 42.6%, 55.0%, 54.6%, 52.1% and 60.8%, of our total purchases during the three years ended 31 December 2012 and the eight months ended 31 August 2012 and 2013, respectively. Our average purchase price for corrugated paperboards was approximately RMB2.34 per sq.m., RMB2.29 per sq.m., RMB2.19 per sq.m., RMB2.21 per sq.m. and RMB2.02 per sq.m. for the three years ended 31 December 2012 and the eight months ended 31 August 2012 and 2013, respectively. During the Track Record Period, our business and results of operations were also affected by the fluctuation of corrugated paperboards price.

We intend to maintain long term business relationships with our suppliers to secure a stable supply of raw materials. Purchase price is usually determined by prevailing market price.

As at the Latest Practicable Date, we did not have any hedging arrangements protecting us from price fluctuations in raw materials and we have limited capability to mitigate fluctuation of raw material prices. Any significant increase in the price of raw paper and corrugated paperboards could have a significant impact on our cost of sales, which could in turn have a material adverse effect on our business, financial condition and results of operations if we are unable to pass on a portion or all of such increased costs to our customers. We may experience difficulties in passing on this increased cost to our customers when market conditions are unfavourable and/or competition is intensified in the industry.

The table below sets forth the purchase of raw paper and corrugated paperboards as a percentage of our total purchase during the Track Record Period:–

	Year ended 31 December			Eight months ended 31 August	
	2010	2011	2012	2012	2013
	%	%	%	%	%
				(Unaudited)	
Raw paper	51.0	38.7	39.0	41.1	31.8
Corrugated paperboards	42.6	55.0	54.6	52.1	60.8

With increasing demand and numbers of categories of our printed cartons, we increased our purchase of corrugated paperboards from external suppliers since our self-manufactured corrugated paperboards are inadequate to fulfill our production requirements. As a result, our purchases of corrugated paperboards increased from 42.6% to 60.8% of our total purchases throughout the Track Record Period.

The table below sets forth the average prices of raw paper and corrugated paperboards during the Track Record Period:–

	Year ended 31 December			Eight months ended 31 August	
	2010	2011	2012	2012	2013
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Raw paper per tonne	3,100	3,200	3,000	3,000	2,900
Corrugated paperboards per sq.m.	2.34	2.29	2.19	2.21	2.02

A sensitivity analysis on the price fluctuation of raw paper during the Track Record Period is set forth below, which illustrates the hypothetical effects on our profit before tax with 5%, 10% and 15% increase or decrease of raw paper price.

	Change in our profit before tax for change in raw paper price		
	+/-5%	+/-10%	+/-15%
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2010	2,560	5,119	7,679
Year ended 31 December 2011	2,829	5,658	8,487
Year ended 31 December 2012	4,059	8,119	12,178
Eight months ended 31 August 2013	2,331	4,662	6,992

A sensitivity analysis on the price fluctuation of corrugated paperboards during the Track Record Period is set forth below, which illustrates the hypothetical effects on our profit before tax with 5%, 10% and 15% increase or decrease of corrugated paperboards price.

	Change in our profit before tax for change in corrugated paperboards price		
	+/-5%	+/-10%	+/-15%
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2010	2,140	4,280	6,420
Year ended 31 December 2011	4,026	8,051	12,077
Year ended 31 December 2012	5,684	11,367	17,051
Eight months ended 31 August 2013	4,466	8,932	13,399

Pricing of our products

The prices of our printed cartons are determined on a cost-plus basis according to, among other factors, the prevailing price of the raw materials, printing methods for the products, our costs of production, our intended profit margins, prices offered by our competitors and prevailing economic conditions. In general, we are able to pass on part of the increases in our cost of production to our customers in order to maintain a stable gross profit margin. For example, during the year ended 31 December 2011, our average unit selling price for offset-printed cartons increased from RMB3.72 per sq.m. to RMB3.82 per sq.m. respectively in order to reflect the increase in our average cost of sales per sq.m. due to the increase in labor cost and raw material prices.

Market competition

Our Group faces the competition from a number of paper-based packaging products manufacturers in the PRC, particularly in Jiangxi Province. Should these competitors possess advanced machinery and equipment, advanced technology know-how and expertise and a strong sales and marketing network comparable to or better than ours, we might not be able to maintain our competitive edges and the business operations and our profitability might be adversely affected. For further details, please refer to the section headed "Risk Factors – Risks relating to the industry" in this prospectus.

Level of income tax and preferential tax treatment

According to Article Eight of the Foreign-invested Enterprise and Foreign Enterprise Income Tax Law of the PRC（中華人民共和國外商投資企業和外國企業所得稅法）which became effective from 1 July 1991 and expired since 1 January 2008, Foreign-invested Enterprises for production, unless otherwise regulated by the State Council were approved to enjoy 2-year income tax exemptions commencing from their first profit-making year of operations, and thereafter to enjoy a 50% relief for the following three years ("Preferential Tax"). This policy was still in effect when the income tax rate unified on 1 January 2008 if an enterprise was in the process of this transition stage at that point.

According to the approval made by Jiangxi Province Fengxin County State Administration of Taxation, Hong Sheng is eligible to the Preferential Tax from 2008, the first profit making year. As such, the preferential applicable enterprise income tax rate for Hong Sheng is 0% for 2008 and 2009, and 12.5% for 2010 through 2012. This preferential enterprise income tax rate expired after 2012, therefore, the applicable PRC enterprise income tax rate for Hong Sheng increased to 25% beginning in 2013.

If the PRC authorities further amend or promulgate new laws or regulations which prescribe a higher standard EIT rate or introduce any change to the tax preferential treatment which our subsidiary in the PRC currently enjoy, our profit after taxation and financial position may be materially and adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our operating results and financial conditions are based on our audited and unaudited financial information, which has been prepared in accordance with HKFRSs issued by HKICPA. Our operating results and financial conditions are sensitive to the accounting methods, assumptions and estimates that underlie the preparation of the financial information. The assumptions and estimates are based on our industry experience and on various other factors, including our Directors' expectations of future events that they believe to be reasonable. Our management evaluates these estimates on an ongoing basis. Actual results may differ from these estimates as facts, circumstances and conditions change or as a result of different assumptions.

When reviewing our consolidated financial information, our management considers the selection of critical accounting policies and the judgments and other uncertainties affecting the application of those critical accounting policies.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our audited financial information. Our significant accounting policies are summarised in note 1 of the accountants' report on our Group in Appendix I to this prospectus. We believe the following critical accounting policies and practices involve significant risk of causing a material adjustment to the carrying amounts of our assets and liabilities within the next financial year.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue excludes value-added tax and is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- our Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- our Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to our Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property and equipment, less their residual values over their estimated useful lives, using straight-line method.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

	Estimated residual value rates	**Useful lives**
Building	5%	20 years
Machinery	5%	10 years
Computer and office equipment	5%	5 years
Motor vehicles	5%	5 years

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment of tangible assets

At the end of each reporting period, our Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, our Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, amount due from Mr. Sun, pledged bank deposits and cash and cash balances are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss ("FVTPL"), are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occured after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include our Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Financial liabilities and equity instruments

Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including trade, bills, other payables and accruals, bank borrowings, amount due to Mr. Sun) and amount due to immediate holding company are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets and borrowing costs 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

SUMMARY OF FINANCIAL INFORMATION

Following is a summary of the results of our Group for the Track Record Period which has been extracted from the accountants' report of our Company set out in Appendix I to this prospectus.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 December			Eight months ended 31 August	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Turnover	132,998	193,933	280,553	160,144	218,161
Cost of sales	(108,820)	(157,446)	(221,291)	(127,923)	(168,572)
Gross profit	24,178	36,487	59,262	32,221	49,589
Other revenue	393	591	837	384	411
Other income	1,019	2,300	3,903	2,204	5,489
Selling and distribution expenses	(5,011)	(7,743)	(11,704)	(7,269)	(9,560)
Administrative expenses	(5,475)	(8,666)	(11,830)	(7,379)	(13,542)
Profit from operating activities	15,104	22,969	40,468	20,161	32,387
Finance costs	(439)	(524)	(1,080)	(760)	(608)
Profit before tax	14,665	22,445	39,388	19,401	31,779
Income tax expenses	(1,786)	(2,852)	(5,166)	(2,728)	(8,971)
Profit for the year/period	12,879	19,593	34,222	16,673	22,808
Other comprehensive income for the year/period, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	645	586	97	18	391
Other comprehensive income for the year/period, net of tax	645	586	97	18	391
Total comprehensive income for the year/period, net of tax	13,524	20,179	34,319	16,691	23,199

DESCRIPTION OF CERTAIN COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following paragraphs set out a brief discussion on the turnover, cost of sales, gross profit, gross profit margin, and other components of consolidated statements of profit or loss and other comprehensive income during the Track Record Period.

Turnover

The following table sets forth an analysis of our turnover by products for the years/ periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2010		2011		2012		2012		2013	
	RMB'000	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*
							(Unaudited)			
Turnover by products										
Flexo-printed cartons	92,421	69.5%	138,184	71.3%	197,086	70.2%	112,278	70.1%	139,235	63.8%
Offset-printed cartons										
– Traditional paper-based cartons	40,577	30.5%	55,749	28.7%	83,467	29.8%	47,866	29.9%	78,881	36.2%
– Stone-paper based cartons	–	–	–	–	–	–	–	–	45	0.0%
	132,998	100%	193,933	100%	280,553	100%	160,144	100%	218,161	100%

	Year ended 31 December			Eight months ended 31 August	
	2010	2011	2012	2012	2013
Quantity sold by product ('000 sq.m.)					
Flexo-printed cartons	33,498	50,058	73,518	41,713	54,793
Offset-printed cartons					
– Traditional paper-based cartons	10,922	14,579	23,898	13,313	23,231
– Stone-paper based cartons	–	–	–	–	6
Total	44,420	64,637	97,416	55,026	78,030
Average selling price (RMB per sq.m.)					
Flexo-printed cartons	2.76	2.76	2.68	2.69	2.54
Offset-printed cartons					
– Traditional paper-based cartons	3.72	3.82	3.49	3.60	3.40
– Stone-paper based cartons	–	–	–	–	7.50
Overall weighted average	2.99	3.00	2.88	2.91	2.80

Flexo-printed cartons

The turnover generated from our flexo-printed cartons accounted for approximately 69.5%, 71.3%, 70.2%, 70.1% and 63.8% of our total turnover for the three years ended 31 December 2012 and for the eight months ended 31 August 2012 and 2013 respectively. Sales of flexo-printed cartons was the main source of our turnover and increased annually from the years ended 31 December 2010 to 2012 primarily due to the increase in sales volume from approximately 33,498,000 sq.m. for the year ended 31 December 2010 to approximately 50,058,000 sq.m. for the year ended 31 December 2011, and further to approximately 73,518,000 sq.m. for the year ended 31 December 2012. The sales volume increased from approximately 41,713,000 sq.m. for the eight months ended 31 August 2012 to approximately 54,793,000 sq.m. for the eight months ended 31 August 2013. The average selling price of our flexo-printed carton was at a range between approximately RMB2.54 per sq.m. to RMB2.76 per sq.m. during the Track Record Period. With the change in selling price and increased quantities sold, our turnover generated from sales of flexo-printed cartons experienced a growth of 49.5%, 42.6% and 24.0% for the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013.

Offset-printed cartons

Traditional paper-based cartons

The turnover generated from our traditional offset-printed carton accounted for approximately 30.5%, 28.7%, 29.8%, 29.9% and 36.2% of our total turnover for the three years ended 31 December 2012 and for the eight months ended 31 August 2012 and 2013 respectively. Contribution from sales of offset-printed cartons increased annually from the years ended 31 December 2010 to 2012 primarily due to the increase in sales volume from approximately 10,922,000 sq.m. for the year ended 31 December 2010 to approximately 14,579,000 sq.m. for the year ended 31 December 2011, and further to approximately 23,898,000 sq.m. for the year ended 31 December 2012. The sales volume increased from approximately 13,313,000 sq.m. for the eight months ended 31 August 2012 to approximately 23,231,000 sq.m. for the eight months ended 31 August 2013. The average selling price of our traditional offset-printed carton was at a range between approximately RMB3.40 per sq.m. to RMB3.82 per sq.m. during the Track Record Period. With the change in selling price and increased quantities sold, our turnover generated from sales of traditional offset-printed cartons experienced a growth of 37.4%, 49.7% and 64.8% for the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013.

Stone-paper based cartons

Our Group has launched the new stone-paper based cartons which contributed sales of approximately RMB45,000 for the eight months ended 31 August 2013, and accounted for an insignificant portion of our sales during the period. The sales volume was approximately 6,000 sq.m. and the respective average selling price was approximately RMB7.5 per sq.m. for the eight months ended 31 August 2013.

We have established a long-term business relationship with our major customers by providing them our high quality products which boosted their demand of our products and led to an increase in our sales volume. In addition, we have actively expanded our customer bases during the Track Record Period which also boost our sales volume.

A sensitivity analysis on the average selling price of flexo-printed cartons during the Track Record Period is set forth below, which illustrates the hypothetical effects on our profit before tax with 5%, 10% and 15% increase or decrease of the average selling price.

	Change in our profit before tax for change in flexo-printed cartons price		
	+/-5%	**+/-10%**	**+/-15%**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2010	4,621	9,242	13,863
Year ended 31 December 2011	6,909	13,818	20,728
Year ended 31 December 2012	9,854	19,709	29,563
Eight months ended 31 August 2013	6,962	13,924	20,885

A sensitivity analysis on the average selling price of offset-printed cartons during the Track Record Period is set forth below, which illustrates the hypothetical effects on our profit before tax with 5%, 10% and 15% increase or decrease of the average selling price.

	Change in our profit before tax for change in offset-printed cartons price		
	+/-5%	**+/-10%**	**+/-15%**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2010	2,029	4,058	6,087
Year ended 31 December 2011	2,787	5,575	8,362
Year ended 31 December 2012	4,173	8,347	12,520
Eight months ended 31 August 2013	3,946	7,893	11,839

The following table sets forth an analysis of our turnover by product categories of our customers during the Track Record Period:

	Year ended 31 December						Eight months ended 31 August			
	2010		2011		2012		2012		2013	
	RMB'000	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000* (Unaudited)	*% of Total*	*RMB'000*	*% of Total*
Turnover by product categories of our customers										
Food and beverages	56,600	42.6%	75,413	38.9%	127,730	45.5%	65,137	40.7%	104,881	48.1%
Glass and ceramics articles	23,168	17.4%	35,660	18.4%	48,197	17.2%	28,470	17.8%	36,746	16.8%
Metal hardware and chemical products	17,266	13.0%	25,494	13.1%	29,220	10.4%	18,963	11.8%	24,231	11.1%
Bamboo articles	14,697	11.1%	24,378	12.6%	27,262	9.7%	17,067	10.7%	17,152	7.9%
Other products *(note)*	21,267	15.9%	32,988	17.0%	48,144	17.2%	30,507	19.0%	35,151	16.1%
	132,998	100%	193,933	100%	280,553	100%	160,144	100%	218,161	100%

Note: Other products include stationary, energy and electronic products, textile and pharmaceutical products.

Cost of sales

Cost of sales represents the direct costs of production, which primarily includes direct material costs, manufacturing overheads and direct staff costs of our Group.

During the Track Record Period, the cost of sales of our Group is summarised below:

	Year ended 31 December						Eight months ended 31 August			
	2010		2011		2012		2012		2013	
	RMB'000	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000* (Unaudited)	*% of Total*	*RMB'000*	*% of Total*
Cost of sales										
Direct materials	101,699	93.4%	147,750	93.8%	210,542	95.1%	121,043	94.6%	160,324	95.1%
Manufacturing overheads	3,354	3.1%	4,485	2.8%	4,978	2.2%	3,234	2.5%	3,562	2.1%
Subtotal	105,053	96.5%	152,235	96.6%	215,520	97.3%	124,277	97.1%	163,886	97.2%
Direct staff cost	3,767	3.5%	5,211	3.4%	5,771	2.7%	3,646	2.9%	4,686	2.8%
	108,820	100%	157,446	100%	221,291	100%	127,923	100%	168,572	100%
Cost of sales by products										
Flexo-printed cartons	76,804	70.6%	114,232	72.6%	158,785	71.8%	91,472	71.5%	110,654	65.6%
Offset-printed cartons										
– Traditional paper-based cartons	32,016	29.4%	43,214	27.4%	62,506	28.2%	36,451	28.5%	57,887	34.4%
– Stone-paper based cartons	–	–	–	–	–	–	–	–	31	0.0%
	108,820	100%	157,446	100%	221,291	100%	127,923	100%	168,572	100%

Direct materials

Direct material costs mainly represent our cost of raw paper and other costs associated with manufacturing our self-produced corrugated paperboards. During the Track Record Period, the cost of direct materials accounted for approximately RMB101.7 million, RMB147.8 million, RMB210.5 million, RMB121.0 million and RMB160.3 million, representing approximately 93.4%, 93.8%, 95.1%, 94.6% and 95.1% of the cost of sales for the three years ended 31 December 2012 and for the eight months ended 31 August 2012 and 2013 respectively. The increasing trend of our total cost of direct materials during the Track Record Period was primarily attributable to increase in sales quantity.

Manufacturing overheads

Manufacturing overheads mainly represent utilities costs, depreciation expenses, consumables and repair and maintenance costs. Our Group's utilities costs mainly consist of the electricity charge during the Track Record Period.

Also, depreciation expenses among manufacturing overheads amounting to approximately RMB1,576,000, RMB1,986,000, RMB2,079,000, RMB1,381,000 and RMB1,400,000 for the three years ended 31 December 2012 and for the eight months ended 31 August 2012 and 2013 respectively, mainly represented the write-off cost of fixed assets and machineries used for our production purposes.

The increase in our manufacturing overheads mainly attributable to the increase in depreciation expenses and utilities cost for production driven by increase in sales quantity.

Direct staff costs

Direct staff costs mainly represent salaries paid to our production staff in manufacturing of flexo-printed cartons and offset-printed cartons. Staff costs amounted to approximately RMB3.8 million, RMB5.2 million, RMB5.8 million, RMB3.6 million and RMB4.7 million, representing approximately 3.5%, 3.3%, 2.6%, 2.9% and 2.8% of our total cost of sales for the three years ended 31 December 2012 and for the eight months ended 31 August 2012 and 2013 respectively. The increase in direct staff cost was mainly attributable to the increase in numbers of staff for the expanding production capacity and the increase in average monthly wages and the related social insurance.

Gross profit and gross profit margin

During the Track Record Period, gross profit and gross profit margin by products of our Group are summarised below:

	Year ended 31 December						Eight months ended 31 August			
	2010		2011		2012		2012		2013	
	RMB'000	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000* (Unaudited)	*% of Total*	*RMB'000*	*% of Total*
Gross profit										
Flexo-printed cartons	15,617	64.6%	23,952	65.6%	38,301	64.6%	20,806	64.6%	28,581	57.6%
Offset-printed cartons										
– Traditional paper-based cartons	8,561	35.4%	12,535	34.4%	20,961	35.4%	11,415	35.4%	20,994	42.4%
– Stone-paper based cartons	–	–	–	–	–	–	–	–	14	0.0%
	24,178	100%	36,487	100%	59,262	100%	32,221	100%	49,589	100%

	Year ended 31 December			Eight months ended 31 August	
	2010	2011	2012	2012	2013
				(Unaudited)	
Gross Profit Margin					
Flexo-printed cartons	16.9%	17.3%	19.4%	18.5%	20.5%
Offset-printed cartons					
– Traditional paper-based cartons	21.1%	22.5%	25.1%	23.8%	26.6%
– Stone-paper based cartons	–	–	–	–	31.1%
Overall	18.2%	18.8%	21.1%	20.1%	22.7%

Our Group's overall gross profit margin was approximately 18.2% for the year ended 31 December 2010 and increased to approximately 18.8% for the year ended 31 December 2011, and further increased to approximately 21.1% for the year ended 31 December 2012, primary due to the decrease in our direct labour cost and manufacturing overheads per unit of sales benefited from economies of scale and the decreasing trend of the market price of raw paper (except for year 2011) and corrugated paperboards.

For the same reasons, our overall gross profit margin for the eight months ended 31 August 2013 also improved to 22.7% from 20.1% for the eight months ended 31 August 2012.

Other revenue and income

During the Track Record Period, the components of the other revenue and income of our Group and their respective percentage of the total other income are summarised below:

	Year ended 31 December						Eight months ended 31 August			
	2010		2011		2012		2012		2013	
	RMB'000	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*
							(Unaudited)			
Other revenue										
Sales of residual materials	372	26.4%	512	17.7%	737	15.6%	340	13.1%	322	5.5%
Bank interest income	21	1.5%	79	2.7%	100	2.1%	44	1.7%	89	1.5%
	393	27.9%	591	20.4%	837	17.7%	384	14.8%	411	7.0%
Other income										
Government subsidies	–	–	–	–	610	12.9%	–	–	–	–
Tax concession	1,018	72.1%	2,300	79.6%	3,290	69.4%	2,204	85.2%	5,489	93.0%
Sundry income	1	0.0%	–	–	3	0.0%	–	–	–	–
	1,019	72.1%	2,300	79.6%	3,903	82.3%	2,204	85.2%	5,489	93.0%
Total	1,412	100%	2,891	100%	4,740	100%	2,588	100%	5,900	100%

Other revenue comprised of sales of residual paper materials and interest income generated from bank deposits.

Other income mainly comprised of tax concession granted by The People's Government of Fengxin County (奉新縣人民政府) as an encouragement on new entry investment and sustainable industrial development in Fengxin County. Each enterprise located in the Jiangxi Fengxin Industrial District shall be granted with supportive treatments including tax concession pursuant to Implementing Measures for Fengxin Industrial District to Encourage and Support Investment Enterprises (Trial Implementation) (奉新工業園區鼓勵扶持投資企業的實施辦法(試行)) as well as relevant policies implemented by The People's Government of Fengxin County to encourage and support enterprises located in the Jiangxi Fengxin Industrial District. The tax concession recognised in the consolidated statement of comprehensive income of our Group comprises (i) 20% of the total value-added tax paid by our Group; (ii) 40% of the total corporate income tax paid; and (iii) the entire amount paid for land use tax. The aforementioned tax concession treatment our Group have enjoyed will expire in the fourth quarter of 2015 and would not be renewed thereafter. Government subsidy was granted to our Group by Jiangxi Province Financial Department (江西省財政廳) as a subsidy for research and development of advanced technology for packaging industry.

Selling and distribution expenses

During the Track Record Period, the components of the selling and distribution expenses of our Group and their respective percentage of the total selling and distribution expenses are summarised as below:

	Year ended 31 December						Eight months ended 31 August			
	2010		2011		2012		2012		2013	
	RMB'000	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000* (Unaudited)	*% of Total*	*RMB'000*	*% of Total*
Selling and distribution expenses										
Distribution and delivery costs	1,746	34.8%	3,718	48.0%	6,256	53.5%	3,829	52.7%	5,139	53.8%
Staff costs	1,216	24.3%	1,422	18.4%	1,654	14.1%	1,103	15.2%	1,381	14.4%
Sales commission	1,062	21.2%	1,503	19.4%	2,298	19.6%	1,312	18.0%	1,787	18.7%
Business related cost	858	17.1%	948	12.2%	1,338	11.4%	885	12.2%	1,134	11.9%
Others	129	2.6%	152	2.0%	158	1.4%	140	1.9%	119	1.2%
Total	5,011	100%	7,743	100%	11,704	100%	7,269	100%	9,560	100%

Distribution and delivery costs

Distribution and delivery costs mainly represent the costs incurred in the delivery of our products by both our owned trucks and third parties logistics companies in the PRC during the Track Record Period. The distribution and delivery costs accounted for approximately 34.8%, 48.0%, 53.5%, 52.7% and 53.8% of our total selling and distribution expenses for the three years ended 31 December 2012 and for the eight months ended 31 August 2012 and 2013 respectively.

Staff costs

Staff costs mainly represent the salaries, the associated social insurance expenses and the year-end bonus incurred relating to the sales and distribution departments which accounted for approximately 24.3%, 18.4%, 14.1%, 15.2% and 14.4% of our selling and distribution expenses for the three years ended 31 December 2012 and for the eight months ended 31 August 2012 and 2013 respectively.

Sales commission

Sales commission represent the commission calculated with a standard rate on sales procured by the sales staff and sales manager respectively. It accounted for approximately 21.2%, 19.4%, 19.6%, 18.0% and 18.7% of our selling and distribution expenses for the three years ended 31 December 2012 and for the eight months ended 31 August 2012 and 2013 respectively.

Business related cost

Business related cost represent the cost on travelling, accommodation and other business trips and meetings related expenses incurred by the sales department which accounted for approximately 17.1%, 12.2%, 11.4%, 12.2% and 11.9% of our selling and distribution expenses for the three years ended 31 December 2012 and for the eight months ended 31 August 2012 and 2013 respectively.

Others

Others mainly represent the depreciation expense on motor vehicles and office equipment, insurance premium and other expenses associated with sales and distribution departments and accounted for approximately 2.6%, 2.0%, 1.4%, 1.9% and 1.2% of our selling and distribution expenses for the three years ended 31 December 2012 and for the eight months ended 31 August 2012 and 2013 respectively.

Administrative expenses

During the Track Record Period, the components of the administrative expenses of our Group and their respective percentage of the total administrative expenses are summarised as below:

	Year ended 31 December						Eight months ended 31 August			
	2010		2011		2012		2012		2013	
	RMB'000	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*	*RMB'000*	*% of Total*
							(Unaudited)			
Administrative expenses										
Staff costs	2,233	40.8%	2,614	30.2%	4,014	33.9%	2,112	28.6%	2,185	16.1%
Research and development costs	632	11.5%	1,852	21.4%	2,197	18.6%	1,627	22.1%	2,363	17.5%
Depreciation and amortisation expenses	494	9.0%	491	5.7%	488	4.2%	325	4.4%	324	2.4%
General office expenses	847	15.5%	1,766	20.4%	2,442	20.6%	1,612	21.8%	2,149	15.9%
Listing expenses	–	–	–	–	–	–	–	–	4,132	30.5%
Others	1,269	23.2%	1,943	22.3%	2,689	22.7%	1,703	23.1%	2,389	17.6%
Total	5,475	100%	8,666	100%	11,830	100%	7,379	100%	13,542	100%

Staff costs

Staff costs mainly represented the salaries, social insurance expenses and the year-end bonus paid to our directors and staffs of administration department, which amounted to approximately RMB2.2 million, RMB2.6 million, RMB4.0 million, RMB2.1 million and RMB2.2 million and representing approximately 40.8%, 30.2%, 33.9%, 28.6% and 16.1% of our total administrative expenses for the three years ended 31 December 2012 and for the eight months ended 31 August 2012 and 2013 respectively.

Research and development costs

Research and development costs were mainly for (i) improving the efficiency of production process and the productivity of our machinery and equipment; (ii) saving cost and resources; (iii) the development of new products, with a special focus on the production of stone-paper packaging products and (iv) the enhancement of our ability in production technologies and techniques in satisfying a wide range of customer requirements in a cost efficient and profitable manner. These costs accounted for approximately RMB632,000, RMB1.9 million, RMB2.2 million, RMB1.6 million and RMB2.4 million, representing approximately 11.5%, 21.4%, 18.6%, 22.1% and 17.5% of our total administrative expenses for the three years ended 31 December 2012 and for the eight months ended 31 August 2012 and 2013 respectively. No research and development costs were capitalised during the Track Record Period.

Depreciation and amortisation expenses

Depreciation and amortisation expenses were mainly related to the depreciation expenses of our office equipment and properties in Fengxin, Jiangxi Province, the PRC, which accounted for approximately 9.0%, 5.7%, 4.2%, 4.4% and 2.4% of our total administrative expenses for the three years ended 31 December 2012 and for the eight months ended 31 August 2012 and 2013 respectively.

General office expenses

General office expenses were mainly related to the expenses of business trips including travelling, accommodation and other business meetings and trips related expenses incurred by personnel other than sales department. They accounted for approximately 15.5%, 20.4%, 20.6%, 21.8% and 15.9% of our total administrative expenses for the three years ended 31 December 2012 and for the eight months ended 31 August 2012 and 2013 respectively.

Listing expenses

Listing expenses recognised in the profit or loss during the three years ended 31 December 2012 and the eight months ended 31 August 2012 and 2013 were nil, nil, nil, nil and approximately RMB4.1 million respectively.

Others

Others mainly included bank charges, insurance premium, audit fee, legal expenses, telecommunication expenses, utilities for non-production use, local tax expenses and office expenses which in aggregate accounted for approximately 23.2%, 22.3%, 22.7%, 23.1% and 17.6% of our total administrative expenses for the three years ended 31 December 2012 and for the eight months ended 31 August 2012 and 2013 respectively.

Finance costs

During the Track Record Period, finance costs represented interest on bank borrowings.

Income tax expenses

Our effective tax rate may fluctuate as a consequence of: (i) increased or decreased profits taxed at preferential rates based on relevant PRC tax laws and regulations; (ii) certain expenses not deductible for tax purposes; and (iii) certain non-taxable income. See also the sub-section headed "Major factors affecting our Group's results of operations and financial conditions – Level of income tax and preferential tax treatment" in this section above.

Period-to-period analysis of our trading record

Comparison between the eight months ended 31 August 2013 and the eight months ended 31 August 2012

Turnover

Turnover of our Group for the eight months ended 31 August 2013 was approximately RMB218.2 million, representing an increase of approximately RMB58.1 million or approximately 36.3% from approximately RMB160.1 million for the eight months ended 31 August 2012. Such increase in turnover was mainly due to the increase in our sales volume from approximately 55.0 million sq.m. for the eight months ended 31 August 2012 to approximately 78.0 million sq.m. for the eight months ended 31 August 2013, which was driven by increasing demand from existing customers and the new orders placed by new customers.

There was a decrease in the average selling price from approximately RMB2.91 per sq.m. for the eight months ended 31 August 2012 to approximately RMB2.80 per sq.m. for the eight months ended 31 August 2013. However, the effect of increase in our sales volume outweighted the effect of the decrease in average selling price of our products. The adjustment on the average selling price also reflected the decreasing trend of raw material purchase cost to maintain our competitiveness.

Cost of sales

Cost of sales of our Group for the eight months ended 31 August 2013 was approximately RMB168.6 million, representing an increase of approximately RMB40.7 million or approximately 31.8% from approximately RMB127.9 million for the eight months ended 31 August 2012. The increase in our cost of sales was in line with the increase in turnover during the eight months ended 31 August 2013.

Gross profit and gross profit margin

Our gross profit margin for the eight months ended 31 August 2013 was approximately 22.7%, while the gross profit margin was approximately 20.1% for the eight months ended 31 August 2012. The increase in gross profit margin of approximately 2.6% was primarily due to the decrease in our direct labour cost and manufacturing overheads per unit of sales benefited from economies of scale and the decreasing trend of the market price of raw paper and corrugated paperboards. In addition, the increase in the sales portion of offset-printed cartons, which has a higher margin as compared to flexo-printed cartons, from 29.9% of total turnover for the eight months ended 31 August 2012 to 36.2% of total turnover for the eight months ended 31 August 2013 also contributed a higher gross profit margin.

With the increase in both the gross profit margin and the sales volume, the gross profit of our Group for the eight months ended 31 August 2013 was approximately RMB49.6 million, representing an increase of approximately RMB17.4 million or approximately 54.0% from approximately RMB32.2 million for the eight months ended 31 August 2012.

Other revenue and other income

Other revenue of our Group for the eight months ended 31 August 2013 was approximately RMB411,000, while the amount was approximately RMB384,000 for the eight months ended 31 August 2012. The increase in other revenue was mainly contributed by the revenue generated from sales of residual materials. The increase in quantity of residual materials was mainly due to the enlarged scale of production in catering the increased sales order.

Other income of our Group for the eight months ended 31 August 2013 was approximately RMB5.5 million, while the amount was approximately RMB2.2 million for the eight months ended 31 August 2012. Other income was contributed by the tax concession in respect of partial refund of value-added tax and enterprise income tax paid in the PRC offered by the local government. Higher sales and profit before tax, in which value added tax and enterprise income tax were calculated on, for the year has resulted in higher tax concession.

Selling and distribution expenses

Selling and distribution expenses of our Group for the eight months ended 31 August 2013 were approximately RMB9.6 million, representing an increase of approximately RMB2.3 million, or approximately 31.5%, from approximately RMB7.3 million for the eight months ended 31 August 2012. Significant increase in our selling and distribution expenses were primarily due to the increase in distribution and delivery costs during the eight months ended 31 August 2013 of approximately RMB1.3 million. Increase in distribution and delivery costs was mainly attributable to the increase in sales volume and also the increase in number of customers located in different cities or provinces in the PRC.

Administrative expenses

Administrative expenses of our Group for the eight months ended 31 August 2013 were approximately RMB13.5 million, representing an increase of approximately RMB6.1 million or approximately 82.4% from approximately RMB7.4 million for the eight months ended 31 August 2012. The increase in our administrative expenses was mainly due to (i) an increase in research and development costs of approximately RMB736,000 for the investment in technological innovation for our production facilities; (ii) an increase in general office expense of approximately RMB537,000 resulting from an increase in business meetings and trips with our customers and (iii) recognition of listing expenses of approximately RMB4.1 million during the eight months ended 31 August 2013.

Finance costs

Finance costs of our Group for the eight months ended 31 August 2013 were approximately RMB608,000, representing a decrease of approximately RMB152,000, or approximately 20.0%, from approximately RMB760,000 for the eight months ended 31 August 2012. The decrease in our finance costs was mainly attributable to the decrease in average interest rate during the eight months ended 31 August 2013 when compared to that for the eight months ended 31 August 2012.

Income tax expense

Income tax expense of our Group for the eight months ended 31 August 2013 was approximately RMB9.0 million, representing an increase of approximately RMB6.3 million or of approximately 233.3% from approximately RMB2.7 million for the eight months ended 31 August 2012. This increase was mainly due to an increase in our profit before tax during the eight months ended 31 August 2013. Our effective tax rate for the eight months ended 31 August 2013 was approximately 28.2%, as compared to approximately 14.1% for the eight months ended 31 August 2012. The increase in our effective tax rate is primarily attributable to the fact that: (i) the increase in expenses which were non-tax deductible expenses; (ii) the under-provision of enterprise income tax of 2012 was paid in 2013 after the tax clearance upon the completion of the audit in the PRC and (iii) the preferential tax treatment exemption from the enterprise income tax has been ceased since 1 January 2013.

Profit after tax ("Net Profit") and net profit margin

As a consolidated result of the factors described above, our Net Profit for the eight months ended 31 August 2013 increased by approximately RMB6.1 million or approximately 36.5% from approximately RMB16.7 million for the eight months ended 31 August 2012 to approximately RMB22.8 million for the eight months ended 31 August 2013. Net profit margin increased from approximately 10.4% for the eight months ended 31 August 2012 to approximately 10.5% for the eight months ended 31 August 2013.

Comparison between the financial year ended 31 December 2012 and the financial year ended 31 December 2011

Turnover

Turnover of our Group for the year ended 31 December 2012 was approximately RMB280.6 million, representing an increase of approximately RMB86.7 million or approximately 44.7% from approximately RMB193.9 million for the year ended 31 December 2011. Such increase in turnover was mainly due to the increase in our sales volume from approximately 64.6 million sq.m. for the year ended 31 December 2011 to approximately 97.4 million sq.m. for the year ended 31 December 2012, which was driven by increasing demand from existing customers and the new orders placed by new customers.

There was a decrease in the average selling price from approximately RMB3.00 per sq.m. for the year ended 31 December 2011 to approximately RMB2.88 per sq.m. for the year ended 31 December 2012, which reflected the adjustment for decreasing trend of our cost to maintain our competitiveness. However, the effect of increase in our sales volume overweight the effect of the decrease in average selling price of our products.

Cost of sales

Cost of sales of our Group for the year ended 31 December 2012 was approximately RMB221.3 million, representing an increase of approximately RMB63.9 million or approximately 40.6% from approximately RMB157.4 million for the year ended 31 December 2011. The increase in our cost of sales was in line with the increase in our turnover during the year ended 31 December 2012.

Gross profit and gross profit margin

Our gross profit margin for the year ended 31 December 2012 was approximately 21.1%, while the gross profit margin was approximately 18.8% for the year ended 31 December 2011. The increase in gross profit margin of approximately 2.3% was primarily due to the decrease in our direct labour cost and manufacturing overheads per unit of sales benefited from economics of scale and the decreasing trend of the market price of raw paper and corrugated paperboards. In addition, the increase in the sales portion of offset-printed cartons, which has a higher margin as compared to flexo-printed cartons, from 28.7% of total turnover for the year ended 31 December 2011 to 29.8% of total turnover for the year ended 31 December 2012 also contributed a higher gross profit margin.

With the increase in both the gross profit margin and the sales volume, our gross profit of our Group for the year ended 31 December 2012 was approximately RMB59.3 million, representing an increase of approximately RMB22.8 million or approximately 62.5% from approximately RMB36.5 million for the year ended 31 December 2011.

Other revenue and other income

Other revenue of our Group for the year ended 31 December 2012 was approximately RMB837,000, while the amount was approximately RMB591,000 for the year ended 31 December 2011. The increase in other revenue was mainly contributed by the revenue generated from sales of resident materials, the increase in quantity of residual materials was mainly due to the enlarged scale of production in catering the increased sales order.

Other income of our Group for the year ended 31 December 2012 was approximately RMB3.9 million, while the amount was approximately RMB2.3 million for the year ended 31 December 2011. Other income was contributed by the tax concession in respect of partial refund of value-added tax and enterprise income tax paid in the PRC offered by the local government. Higher sales and profit before tax, in which value added tax and enterprise income tax were calculated on, for the year has resulted in higher tax concession.

Selling and distribution expenses

Selling and distribution expenses of our Group for the year ended 31 December 2012 were approximately RMB11.7 million, representing an increase of approximately RMB4.0 million, or approximately 51.9%, from approximately RMB7.7 million for the year ended 31 December 2011. Significant increase in our selling and distribution expenses were primarily due to the increase in distribution and delivery costs and sales commission during the year ended 31 December 2012 to approximately RMB6.3 million and RMB2.3 million respectively from approximately RMB3.7 million and RMB1.5 million during the year ended 31 December 2011. Increase in distribution and delivery costs was mainly attributable to the increase in sales volume and also the increase in number of customers located in different cities or provinces in the PRC.

Administrative expenses

Administrative expenses of our Group for the year ended 31 December 2012 were approximately RMB11.8 million, representing an increase of approximately RMB3.1 million or approximately 35.6% from approximately RMB8.7 million for the year ended 31 December 2011. The increase in our administrative and other expenses was mainly due to (i) an increase in staff cost of approximately RMB1.4 million resulting from an increase in number of employees from administration department and an increase in average monthly salaries and related social insurance expenses; (ii) an increase in research and development costs of approximately RMB345,000 for the investment in technological innovation for our production facilities and (iii) an increase in general office expenses of approximately RMB676,000 resulting from an increase in business meetings and trips with our customers during the year ended 31 December 2012.

Finance costs

Finance costs of our Group for the year ended 31 December 2012 were approximately RMB1.1 million, representing an increase of approximately RMB576,000, or approximately 109.9%, from approximately RMB524,000 for the year ended 31 December 2011. The increase in our finance costs was mainly attributable to the increase in average outstanding amount of bank borrowing during the year ended 31 December 2012 when compared to that for the year ended 31 December 2011.

Income tax expense

Income tax expense of our Group for the year ended 31 December 2012 was approximately RMB5.2 million, representing an increase of approximately RMB2.3 million or of approximately 79.3% from approximately RMB2.9 million for the year ended 31 December 2011. This increase was mainly due to an increase in our profit before tax during the year ended 31 December 2012. Our effective tax rate for the year ended 31 December 2012 was approximately 13.1%, as compared to approximately 12.7% for the year ended 31 December 2011. The increase in our effective tax rate is primarily attributable to the fact that there was an under-provision of enterprise income tax of 2011 was paid in 2012 after the tax clearance upon the completion of the audit in the PRC.

Net Profit and net profit margin

As a consolidated result of the factors described above, our Net Profit for the year ended 31 December 2012 increased by approximately RMB14.6 million or approximately 74.5% from approximately RMB19.6 million for the year ended 31 December 2011 to approximately RMB34.2 million for the year ended 31 December 2012. Net profit margin increased from approximately 10.1% for the year ended 31 December 2011 to approximately 12.2% for the year ended 31 December 2012.

Comparison between the financial year ended 31 December 2011 and the financial year ended 31 December 2010

Turnover

Turnover of our Group for the year ended 31 December 2011 was approximately RMB193.9 million, representing an increase of approximately RMB60.9 million or approximately 45.8% from approximately RMB133.0 million for the year ended 31 December 2010. Such increase in turnover was mainly due to an the increase in our sales volume from approximately 44.4 million sq.m. for the year ended 31 December 2010 to approximately 64.6 million sq.m. for the year ended 31 December 2011, which was driven by increasing demand from existing customers and the new orders placed by new customers.

The increase in sales was also attributable to the increase in the average selling price from RMB2.99 per sq.m. for the year ended 31 December 2010 to RMB3.00 per sq.m. for the year ended 31 December 2011, which reflected the adjustment for increase of our cost to maintain our returns.

Cost of sales

Cost of sales of our Group for the year ended 31 December 2011 was approximately RMB157.4 million, representing an increase of approximately RMB48.6 million or approximately 44.7% from approximately RMB108.8 million for the year ended 31 December 2010. The increase in our cost of sales was in line with the increase in our turnover during the year ended 31 December 2011.

Gross profit and gross profit margin

Our gross profit margin for the year ended 31 December 2011 was approximately 18.8%, while the gross profit margin was approximately 18.2% for the year ended 31 December 2010. The increase in our gross profit margin was primarily due to the decrease in our direct labour cost and manufacturing overheads per unit of sales benefited from economics of scale.

With the increase in both the gross profit margin and the sales volume, our gross profit of our Group for the year ended 31 December 2011 was approximately RMB36.5 million, representing an increase of approximately RMB12.3 million or approximately 50.8% from approximately RMB24.2 million for the year ended 31 December 2010.

Other revenue and other income

Other revenue of our Group for the year ended 31 December 2011 was approximately RMB591,000, while the amount was approximately RMB393,000 for the year ended 31 December 2010. The increase in other revenue was mainly contributed by the revenue generated from sales of residual materials. The increase in quantity of residual materials was mainly due to the enlarged scale of production in catering the increased sales order.

Other income of our Group for the year ended 31 December 2011 was approximately RMB2.3 million, while the amount was approximately RMB1.0 million for the year ended 31 December 2010. Other income was contributed by the tax concession in respect of partial refund of value-added tax and enterprise income tax paid in the PRC offered by the local government. Higher sales and profit before tax, in which value added tax and enterprise income tax were calculated on, for the year has resulted in higher tax concession.

Selling and distribution expenses

Selling and distribution expenses of our Group for the year ended 31 December 2011 were approximately RMB7.7 million, representing an increase of approximately RMB2.7 million, or approximately 54.0%, from approximately RMB5.0 million for the year ended 31 December 2010. Significant increase in our selling and distribution expenses were primarily due to the increase in distribution and delivery costs during the year ended 31 December

2011 of approximately RMB2.0 million. Increase in distribution and delivery costs was mainly attributable to the increase in sales volume and also the increase in number of customers located in different cities or provinces in the PRC.

Administrative expenses

Administrative expenses of our Group for the year ended 31 December 2011 were approximately RMB8.7 million, representing an increase of approximately RMB3.2 million or approximately 58.2% from approximately RMB5.5 million for the year ended 31 December 2010. The increase in our administrative expenses was mainly due to (i) an increase in staff cost of approximately RMB381,000 resulting from an increase in the average monthly salaries and the related social insurance expenses; (ii) an increase in research and development costs of approximately RMB1.2 million for the investment in technological innovation for our production facilities and (iii) an increase in general office expense of approximately RMB919,000 resulting from an increase in business meetings and trips with our customers during the year ended 31 December 2011.

Finance costs

Finance costs of our Group for the year ended 31 December 2011 were approximately RMB524,000, representing an increase of approximately RMB85,000, or approximately 19.4%, from approximately RMB439,000 for the year ended 31 December 2010. The increase in our finance costs was mainly attributable to the increase in bank borrowing in the last quarter of 2011 when compared to the year ended 31 December 2010.

Income tax expense

Income tax expense of our Group for the year ended 31 December 2011 was approximately RMB2.9 million, representing an increase of approximately RMB1.1 million or of approximately 61.1% from approximately RMB1.8 million for the year ended 31 December 2010. This increase was mainly due to an increase in our profit before tax during the year ended 31 December 2011. Our effective tax rate for the year ended 31 December 2011 was approximately 12.7%, as compared to approximately 12.2% for the year ended 31 December 2010. The increase in our effective tax rate is primarily attributable to the fact that there was an under provision of enterprise income tax of 2010 paid in 2011 after the tax clearance upon the completion of the audit in the PRC.

Net Profit and net profit margin

As a consolidated result of the factors described above, our Net Profit for the year ended 31 December 2011 increased by approximately RMB6.7 million or approximately 51.9% from approximately RMB12.9 million for the year ended 31 December 2010 to approximately RMB19.6 million for the year ended 31 December 2011. Net profit margin increased from approximately 9.7% for the year ended 31 December 2010 to approximately 10.1% for the year ended 31 December 2011.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

During the Track Record Period, our Group's principal sources of liquidity and capital resources were cash flow generated from operations and financing activities. Our Group's principal use of cash has been, and is expected to continue to be, our operational costs, and capital expenditure on property, plant and equipment. The following table summarises our cash flow during the Track Record Period:

	Year ended 31 December			Eight months ended 31 August
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash flow				
Net cash generated from operating activities	5,687	5,144	36,217	43,961
Net cash used in investing activities	(5,072)	(748)	(19,860)	(21,895)
Net cash (used in)/generated from financing activities	(435)	6,480	(2,126)	(1,115)
Net increase in cash and cash equivalents	180	10,876	14,231	20,951
Cash and cash equivalents at beginning of the year/period	424	604	11,480	25,711
Cash and cash equivalents at end of the year/period	604	11,480	25,711	46,662

Net cash generated from operating activities

Our cash flow generated from operating activities primarily consists of profit before income tax adjusted for finance costs, interest income, depreciation and amortisation, impairment loss on trade receivables, the effect of changes in working capital such as trade and other receivables, payables and inventories.

Net cash generated from operating activities for the eight months ended 31 August 2013 was approximately RMB44.0 million. The amount was mainly attributable to our profit before income tax of approximately RMB31.8 million from our operations, increase in trade, bills, other payables and accruals of approximately RMB27.2 million, decrease in inventories of approximately RMB9.1 million and partially offset by the tax paid of approximately RMB8.2 million, increase in trade receivables of approximately RMB17.2 million and increase in prepayments and other receivables of approximately RMB1.6 million. Since there was a decreasing trend in the market price of raw paper and corrugated paperboards, our Group intended to maintain a lowest inventories level which is sufficient for our production in order to avoid the impairment loss for the raw paper and corrugated paperboards. The increase in trade receivables as at 31 August 2013 as compared to that as at 31 August 2012 was mainly due to the increase in our pace of collection towards the year end of 2012 for the purpose of maintaining our working capital.

Net cash generated from operating activities for the year ended 31 December 2012 was approximately RMB36.2 million. The amount was mainly attributable to our profit before income tax of approximately RMB39.4 million from our operations, decrease in amount due from Mr. Sun of approximately RMB7.0 million, increase in trade, bills, other payables and accruals of approximately RMB10.1 million. The amount was partially offset by the increase in inventories of approximately RMB3.9 million, increase in trade receivables of approximately RMB17.4 million and tax paid of approximately RMB3.8 million. Our increase in trade, bills, other payables and accruals was mainly attributable to the increase in purchase in the last 2 months to meet the respective increase in sales order for the year ended 31 December 2012. The increase in sales led to an increase in our trade receivables as at 31 December 2012. In order to meet the increase in sales demand, our Group has increased our inventory level of raw material to ensure an adequate supply for our production.

Net cash generated from operating activities for the year ended 31 December 2011 was approximately RMB5.1 million. The amount was mainly attributable to our profit before income tax of approximately RMB22.4 million from our operations, which was offset by the increase in inventories of approximately RMB4.2 million, increase in amount due from Mr. Sun of RMB7.0 million, decrease in amount due to Mr. Sun of approximately RMB6.1 million and tax paid of approximately RMB3.2 million. In order to meet the increase in sales demand, our Group has increased our inventory level of raw material to ensure an adequate supply for our production. The decrease in amount due to Mr. Sun and the increase in amount due from Mr. Sun was due to the settlement of amount due to Mr. Sun and additional cash advance to Mr. Sun during the year.

Net cash generated from operating activities for the year ended 31 December 2010 was approximately RMB5.7 million. The amount was mainly attributable to our profit before income tax of approximately RMB14.7 million from our operations and increase in trade, bills, other payables and accruals of approximately RMB17.9 million. The amount was partially offset by increase in inventories of approximately RMB3.7 million, increase in trade receivables, prepayments and other receivables of approximately RMB25.8 million. Our increase in trade, bills, other payables and accruals was mainly attributable to the increase in purchase in the last two months to meet the respective increase in sales order for the year ended 31 December 2010. The increase in sales led to an increase in our trade receivables as at 31 December 2010. In order to meet the increase in sales demand, our Group has increased our inventory level of raw material to ensure an adequate supply for our production.

Net cash used in investing activities

The major cash outflows from our investing activities during the Track Record Period were our capital expenditures on property, plant and equipment.

Net cash used in investing activities for the eight months ended 31 August 2013 was approximately RMB21.9 million. The amount was mainly attributable to the deposit paid for acquisition of equipment of approximately RMB13.2 million, and the purchase of property, plant and equipment of approximately RMB8.8 million of which approximately RMB7.7 million was attributable to the cost of construction in progress and partially offset by the interest income received of approximately RMB89,000.

Net cash used in investing activities for the year ended 31 December 2012 was approximately RMB19.9 million. The amount was mainly attributable to the purchase of property, plant and equipment of approximately RMB20.0 million of which approximately RMB19.4 million was attributable to the cost for construction in progress and partially offset by the interest income received of approximately RMB100,000.

Net cash used in investing activities for the year ended 31 December 2011 was approximately RMB748,000. The amount was mainly attributable to the purchase of property, plant and equipment of approximately RMB827,000 and partially offset by the interest income received of approximately RMB79,000.

Net cash used in investing activities for the year ended 31 December 2010 was approximately RMB5.1 million which was mainly attributable to the purchase of property, plant and equipment of approximately RMB5.1 million.

Net cash (used in)/generated from financing activities

Our financing activities during the Track Record Period mainly included proceeds from and repayments of bank borrowings.

Net cash used in financing activities for the eight months ended 31 August 2013 was approximately RMB1.1 million. The amount was mainly attributable to the increase in pledged bank deposits of approximately RMB515,000 and the bank borrowings interest paid of approximately RMB608,000.

Net cash used in financing activities for the year ended 31 December 2012 was approximately RMB2.1 million. The amount was mainly attributable to the repayment of bank borrowings of approximately RMB15.0 million, increase in pledged bank deposits of approximately RMB1.1 million, bank borrowings interest paid of approximately RMB1.1 million and partially offset by the proceeds from bank borrowings of approximately RMB15.0 million.

Net cash generated from financing activities for the year ended 31 December 2011 was approximately RMB6.5 million. The amount was mainly attributable to the proceeds from bank borrowings of approximately RMB15.0 million and partially offset by the repayment of bank borrowings of approximately RMB8.0 million and bank borrowings interest paid of approximately RMB524,000.

Net cash used in financing activities for the year ended 31 December 2010 was approximately RMB435,000. The amount was mainly attributable to the repayment of bank borrowings of approximately RMB8.0 million, bank borrowings interest paid of approximately RMB439,000 and partially offset by the proceeds from bank borrowings of approximately RMB8.0 million.

Capital expenditure management

We expect to meet future capital expenditure requirements through our available cash and cash equivalents, cash generated from our operating activities, available banking facilities and the expected net proceeds from the Share Offer. The amount of our capital expenditures during the Track Record Period is shown as follows:

	Year ended 31 December			**Eight months ended 31 August**	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Capital expenditure	5,093	827	19,960	585	8,815

Capital expenditures mainly consist of the addition of property, plant and equipment for the new production facilities and the enhancement of equipment and machinery. The sharp increase during the year ended 31 December 2012 was mainly attributable to the construction cost for the new production block.

The expected capital expenditure for our new production lines accounted for approximately RMB16.7 million and RMB42.3 million during the years ending 31 December 2013 and 2014 respectively.

Working capital position

We had net current assets of approximately RMB1.2 million, RMB23.5 million, RMB41.4 million and RMB44.7 million as at 31 December 2010, 2011, 2012 and 31 August 2013 respectively. Our current assets mainly comprised of inventories, trade receivables and cash and bank balances while our current liabilities mainly included the short-term bank borrowings and trade payables. The increase in our net current assets was primarily driven by an expansion of our business.

We finance our working capital requirements primarily through cash flow from our operating activities and bank borrowings. The net cash generated from our operating activities amounted to approximately RMB5.7 million, RMB5.1 million, RMB36.2 million and RMB44.0 million for the three years ended 31 December 2010, 2011 and 2012 and for the eight months ended 31 August 2013, respectively.

Directors' opinion on the sufficiency of our working capital

Taking into account the financial resources available to us, including internally generated funds, available banking facilities and the estimated net amounts from the Share Offer, our Directors are of the opinion that the working capital available to our Group is sufficient for our present requirements for the next 12 months commencing from the date of the publication of this prospectus.

DESCRIPTION OF CERTAIN COMPONENTS OF STATEMENTS OF FINANCIAL POSITION

NET CURRENT ASSETS

Set forth below is the breakdown of our Group's net current assets:

	At 31 December			At 31 August	At 31 October
	2010	**2011**	**2012**	**2013**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)
Current assets					
Inventories	7,835	12,074	15,934	6,870	11,025
Trade receivables	40,691	41,085	58,355	75,568	87,479
Prepayments and other receivables	84	253	93	1,731	4,020
Amount due from Mr. Sun	–	6,950	–	–	–
Pledged bank deposits	–	–	1,050	1,565	2,415
Cash and bank balances	604	11,480	25,711	46,662	52,111
	49,214	71,842	101,143	132,396	157,050
Current liabilities					
Trade, bills, other payables and accruals	33,103	32,766	42,864	70,047	77,896
Amount due to Mr. Sun	6,050	–	–	–	–
Bank borrowings	8,000	15,000	15,000	15,000	21,200
Tax payables	836	531	1,865	2,677	1,675
	47,989	48,297	59,729	87,724	100,771
Net current assets	1,225	23,545	41,414	44,672	56,279

We maintained a growth in our net current assets as of 31 December 2010, 2011 and 2012 and as of 31 August 2013 which was mainly due to the increasing operating cash flows with expanding of our business. We had net current assets of approximately RMB56.3 million as of 31 October 2013.

Trade receivables, prepayments and other receivables

Set forth below are our trade receivables, prepayments and other receivables balances:–

	At 31 December			At 31 August
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	40,691	41,085	58,355	75,568
Prepayments and other receivables	84	253	93	1,731
	40,775	41,338	58,448	77,299
Debtors' turnover days	65	66	55	64

Debtors' turnover days is calculated based on average trade receivables net of value-added tax payable divided by turnover during the year/period and multiplied by the number of days during the year/period.

Trade receivables primarily represent the balances due from our customers. Depending on factors including the credit rating of our customers, the length of our relationships with them, the historical sales achieved by these customers and the target sales in the forthcoming years, we granted to our customers credit period of 30 to 60 days, following the day of delivery. The main reason for the debtor's turnover days slightly exceed the general credit terms was the relative higher level of accounts receivables at the year end due to the seasonal increase in sales demand during each year end.

Our trade receivable increased from approximately RMB40.7 million as at 31 December 2010 to approximately RMB41.1 million as at 31 December 2011 and further increase to approximately RMB58.4 million as at 31 December 2012. The increase in trade receivable was mainly due to the increase in our sales in the last two months of year 2011 compare to year 2010 and of year 2012 compare to year 2011.

The trade receivable increased from approximately RMB58.4 million as at 31 December 2012 to approximately RMB75.6 million as at 31 August 2013. The increase in trade receivable was mainly due to (i) the increase in sales orders placed by new customers during the eight months ended 31 August 2013; and (ii) the increase in our pace of collection towards the year end of 2012 in order to ensure the settlement of trade receivables to maintain our working capital. As such, our trade receivable as at 31 December 2012 was lower than the balance as at 31 August 2013.

The following is an analysis of trade receivables by age, presented based on the invoice date. The analysis below is net of allowance for doubtful debts:

	At 31 December			At 31 August
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	20,425	21,705	31,318	39,601
31 – 60 days	19,661	18,396	27,037	35,967
61 – 90 days	495	874	–	–
Over 365 days, but less than 720 days	110	–	–	–
More than 720 days	–	110	–	–
	40,691	41,085	58,355	75,568

The following is an analysis of trade receivables past due but not impaired:

	At 31 December			At 31 August
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Over 365 days, but less than 720 days	110	–	–	–
More than 720 days	–	110	–	–
	110	110	–	–

Our debtors' turnover days slightly increased from 65 days for the year ended 31 December 2010 to 66 days for the year ended 31 December 2011 and decreased to 55 days for the year ended 31 December 2012 and then increased to 64 days for the eight months ended 31 August 2013. In general, our debtor's turnover days have maintained stable during the Track Record Period. During the year ended 31 December 2012, our debtors' turnover days slightly dropped as a result of the increase in our pace of collection towards the year end of 2012.

As part of our credit control, our sales team monitors the credit quality of our trade receivables and closely follows up with our customers for any outstanding receivables. In determining impairment losses, we conduct regular reviews of ageing analysis and evaluate collectibles on an individual basis. Our provision for impairment loss on trade receivables as at 31 December 2012 was approximately RMB95,000, representing 0.2% of our trade receivable balances (before provision for doubtful debts). Also, during the Track Record Period, there was no material change in the credit policy of our Group.

Up to 31 October 2013, all of the trade receivables as of 31 August 2013 have been subsequently settled.

Trade, bills, other payables and accruals

	At 31 December			At 31 August
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	30,022	29,340	34,378	60,447
Bills payable	–	–	1,050	1,565
Accruals	2,466	3,270	5,085	7,138
Other payables	615	156	2,351	897
	33,103	32,766	42,864	70,047
Trade creditors' turnover days	62	59	45	58

Trade creditors' turnover days is calculated based on average trade payables net of value-added tax recoverable at the end of the year/period divided by the total cost of sales during the year/period and multiplied by the number of days during the year/period.

Our trade payables primarily consist of outstanding balances due to suppliers for our purchases of raw paper for self-produced paperboards and other materials for printing. Our Group was granted a credit period of 60 days from our suppliers.

Our trade payables decreased from approximately RMB30.0 million as at 31 December 2010 to approximately RMB29.3 million as at 31 December 2011. In order to maintain our trade creditors' turnover fall within the credit range, we slightly accelerated the settlement which led to a decrease in trade payable. The balances were increased to approximately RMB34.4 million as at 31 December 2012, which was mainly attributable to the increase in purchases in the year ended 2012, in order to cope with the increasing turnover of our Group as mentioned above.

Our trade payables increased from approximately RMB34.4 million as at 31 December 2012 to approximately RMB60.4 million as at 31 August 2013. The increase was mainly attributable to the increase in our pace of payment of purchase from our suppliers towards the year end of 2012 as compared to that towards the end of August 2013.

An aged analysis of the trade payables, based on invoice date, is as follows:

	At 31 December			At 31 August
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	16,508	17,860	16,226	31,146
31 – 60 days	13,514	11,480	18,152	29,301
	30,022	29,340	34,378	60,447

Our trade creditors' turnover days decreased from 62 days in 2010 to 59 days in 2011 and 45 days in 2012 and then increased to 58 days for the eight months ended 31 August 2013. The relatively lower trade creditors' turnover days for the year ended 31 December 2012 was primarily attributable to the request of faster payments made to suppliers from which the amount of purchase is large.

During the Track Record Period, there was no material change in the credit period granted by our major suppliers.

Other payables mainly represented the valued-added tax payables while accruals mainly represented the payroll and welfare payables as at each of the end of the reporting periods of the Track Record Period.

Up to 31 October 2013, all of the trade and bills payables as of 31 August 2013 have been subsequently settled.

Inventories

Our inventories comprise of raw materials, work in progress and finished goods. Set forth below are our inventories balances:

	At 31 December			At 31 August
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	6,041	9,274	12,188	4,949
Work in progress	592	1,293	2,382	1,053
Finished goods	1,202	1,507	1,364	868
	7,835	12,074	15,934	6,870
Inventory turnover days	20	23	23	16

Inventory turnover days is calculated based on the average inventories divided by the total cost of sales during the year/period and multiplied by the number of days during the year/period. Average inventories equals the average of inventories at the beginning and the end of the year/period.

The inventory turnover days of our Group increased from 20 days for the year ended 31 December 2010 to 23 days for the year ended 31 December 2011 and remain at 23 days for the year ended 31 December 2012. The inventory turnover days decreased from 23 days for the year ended 31 December 2012 to 16 days for the eight months ended 31 August 2013. Our Group maintained a stable inventory turnover days during the Track Record Period. The relatively lower inventory turnover days as at 31 August 2013 is attributable to the lowering of our safe stock level from the previous range between two weeks and one month to two weeks in 2013.

Our inventories was approximately RMB7.8 million as at 31 December 2010, then increased to approximately RMB12.1 million as at 31 December 2011 and further increased to approximately RMB15.9 million as at 31 December 2012. The increase was mainly attributable to the increase in work in progress from approximately RMB592,000 as at 31 December 2010 to approximately RMB1.3 million as at 31 December 2011 and approximately RMB2.4 million as at 31 December 2012. The increase was mainly due to the increasing demand of our products which more inventories were kept to maintain a stable supply to our customers. In order to meet the increasing demand, our Group has acquired raw materials for producing self-produced corrugated paperboards during the Track Record Period, which amounted to RMB4.8 million, RMB5.6 million and RMB6.3 million as at 31 December 2010, 2011 and 2012, respectively. Subsequently, our inventories dropped to approximately RMB6.9 million as at 31 August 2013 primarily attributable to the change in our safe stock level from the previous range between two weeks and one month to two weeks in 2013.

Up to 31 October 2013, all of the inventory as of 31 August 2013 have been subsequently utilised.

Bank borrowings

Our total bank borrowings increased from approximately RMB8.0 million as at 31 December 2010 to approximately RMB15.0 million as at 31 December 2011. The increased bank borrowings were used for our daily operation working capital. The balance remained unchanged at RMB15.0 million as at 31 December 2012 and 31 August 2013. The bank borrowings were repayable within one year as at 31 December 2010, 2011, 2012 and 31 August 2013.

SUMMARY OF FINANCIAL RATIOS

	At 31 December			At 31 August
	2010	2011	2012	2013
Gearing ratio	106.1%	71.8%	40.1%	12.8%
Return on equity	54.8%	44.8%	43.9%	19.5%*
Return on total assets	14.6%	18.1%	22.2%	11.1%*
Current ratio	1.03	1.49	1.69	1.51
Quick ratio	0.86	1.24	1.43	1.43

* The financial ratios are calculated with the profit for the eight months ended 31 August 2013.

Gearing ratio

Gearing ratio is calculated based on total borrowings divided by the total equity at the end of the respective period. Total borrowings represent the short-term bank borrowings and amount due to immediate holding company as at 31 December 2010, 2011 and 2012 and 31 August 2013 respectively.

The gearing ratio of our Group decreased from approximately 106.1% as at 31 December 2010 to approximately 71.8% as at 31 December 2011, then further decreased to approximately 40.1% as at 31 December 2012 and approximately 12.8% as at 31 August 2013 respectively. The decrease in our gearing ratio was mainly attributable to the general increase in our profit generated and capitalisation of amount due to immediate holding company during the Track Record Period which boosted up the total equity while the short-term bank borrowing remained at RMB15.0 million as at 31 December 2011 and 2012 and 31 August 2013.

Return on equity

Return on equity is calculated by dividing the profit for the year/period by the total equity at the end of the relevant year/period expressed as a percentage.

We were experiencing a decreasing trend of return on equity as we continuously recorded increase in total equity which is principally attributable to the improvement in our profits during the Track Record Period. The particular low return on equity as at 31 August 2013 was mainly attributable to the capitalisation of amount due to immediately holding company in August 2013.

Return on total assets

Return on total assets is calculated by dividing the profit for the year/period by the total asset at the end of the relevant year/period expressed as a percentage.

We were able to maintain an increasing trend of return on asset as we experienced increase in average utilisation rate of the production facility during the year ended 31 December 2010, 2011 and 2012.

Current and quick ratios

Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year/period.

Quick ratio is calculated based on the difference between the total current assets and the inventories divided by the total current liabilities at the end of the year/period.

During the Track Record Period, our current ratio and quick ratio has improved due to the increasing fund generated from our operation with an expansion of sales. The slight decline for current ratio as at 31 August 2013 is partly attributable to the decline in inventory level as a result of the change in safe stock level from the previous range between two weeks and one month to two weeks in 2013.

COMMITMENTS

Capital Commitment

	At 31 December			At 31 August
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction in progress	–	–	5,000	3,000
Property, plant and equipment	–	–	–	1,489
	–	–	5,000	4,489

As at the latest practicable date for disclosure, our capital commitment for construction in progress amounted to approximately RMB4.5 million.

Other commitment

For the year ended 31 December 2011, our Group had entered into an agreement with development entity for five years with an annual charge of RMB600,000, for (i) improving the efficiency of production process and the productivity of our machinery equipment and; (ii) saving cost and resources; (iii) the development of new products, with a special focus on the production of stone-paper packaging products and (iv) the enhancement of our ability in production technologies and techniques in satisfying a wide range of customer requirements in a cost efficient and profitable manner.

INDEBTEDNESS

Borrowing and banking facilities

Our Directors have confirmed that we have not experienced difficulties in meeting obligations and historically we have been able to repay or refinance our bank borrowings as and when they have fallen due. Our Directors are of the view that the recent changes in market interest rates do not have any material adverse impact on our Group's results and financial position.

As at 31 August 2013, short term bank borrowings amounted to approximately RMB15 million. The short term bank borrowings are expected to be funded by cash flow generated from operations and renewed bank loans when they become mature.

At the close of business on 31 October 2013, being the latest practicable date for the purpose of this indebtedness statements, our Group had outstanding short-term bank borrowings of approximately RMB21.2 million which was secured by fixed charges on certain of our Group's assets, including properties, lands and equipment.

The following table sets out our indebtedness as at 31 October 2013:

	At 31 October 2013
	RMB'000
Bank borrowings	21,200
Total	21,200

Our Group's banking facilities are also secured by prepaid lease payments and property, plant and equipment.

As at 31 October 2013, our Group had the following bank facilities:

Lender	**Borrower**	**Nature**	**Aggregate Amount**	**Amount utilised as at 31 October 2013**	**Term**	**Guarantor(s)**	**Type of guarantee**
			(RMB'000)	*(RMB'000)*			
China Construction Bank	Hong Sheng	General banking facilities	22,000	21,200	3 years (from September 2013 to September 2016)	Hong Sheng	Pledged land and buildings

Debt securities

As at the close of business on 31 October 2013, we had no debt securities issued outstanding or authorised or otherwise created but unissued.

Contingent liabilities

As at the Latest Practicable Date, our Group did not have any material contingent liabilities.

Save as aforesaid in section headed "Financial Information – Indebtedness" in this prospectus, our Directors have confirmed that our Group did not have outstanding at the close of business on 31 August 2013 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities. Our Directors have also confirmed there have been no material changes to our indebtedness and contingent liabilities since 31 October 2013.

FINANCIAL RISKS

We are exposed to various types of financial risks in the normal course of business, including credit risk, liquidity risk and interest rate risk.

Credit risk

Our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise the credit risk, the management of our Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken on a timely basis and adequate impairment losses are made for irrecoverable amounts overdue. In this regards, the directors consider that our Group's credit risk is significantly reduced.

Substantially all of our Group's cash and bank balances are mainly deposited in the state controlled PRC banks which the directors assessed the credit risk to be insignificant.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. Our Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements. For further quantitative information, please see note 6 of the Accountants' Report in Appendix I to this prospectus.

Interest rate risk

Our Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Bank borrowings at variable rates expose our Group to cash flow interest rate risk. Our Group's income and operating cash flows are substantially independent of changes in market interest rates. Our Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

DIVIDEND POLICY

During the years ended 31 December 2010, 2011 and 2012 and the eight months ended 31 August 2012 and 2013, our Group did not distribute any dividends to our shareholders.

After completion of the Share Offer, Shareholders will be entitled to receive dividends declared by the Company. Dividend payments are discretionary and will be subject to the recommendation of the Board and approval of the Shareholders in general meetings or, in the case of interim dividends, subject to the approval of the Board in accordance with the Articles. The amount of any dividends to be declared by the Company in a given year in the future will depend on, among others, our Group's results of operations, available cashflows and financial conditions, operating and capital requirements, the amount of distributable profits based on the HKFRS, the Articles, applicable laws and regulations and any other factors that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and agreements that our Group may enter into in the future.

Our Group conducts its core business operations through its operating subsidiaries in the PRC. Our profits available for dividend distributions are therefore dependent on the profits available for distribution from our PRC subsidiaries. Further details can be found in the section headed "Risk Factors" in this prospectus.

In accordance to PRC tax circular (Guoshuihan 2008 112), withholding tax has been imposed on dividends declared in respect of profits earned by the PRC entities from 1 January 2008 onwards.

Our Group has no intention to distribute the profits generated from our PRC subsidiaries in relation to the period from 1 January 2010 to 31 August 2013 in the foreseeable future. Saved for disclosed above, our Directors have confirmed that no further provision has been made for the dividend withholding tax during the Track Record Period.

DISTRIBUTABLE RESERVE

The Company was only incorporated on 12 July 2013. As at the Latest Practicable Date, there was no reserve available for distribution to our Shareholders.

PROPERTY INTERESTS

As at 31 October 2013, our property interests were valued by Grant Sherman, an independent property valuer, and the relevant property valuation report is set out in Appendix III to this prospectus.

The table below shows the reconciliation of property interests of our Group from our audited consolidated financial statement as at 31 August 2013 to the unaudited net asset value of the property interests of our Group as at 31 October 2013:

	Total
	RMB'000
Net book value as of 31 August 2013 (audited)	
Buildings	14,886
Prepaid lease payments	2,515
Less: depreciation and amortization for the two months ended 31 October 2013	(173)
Net book value as of 31 October 2013 (unaudited)	17,228
Add: valuation surplus as of 31 October 2013	4,922
Valuation as of 31 October 2013 as set out in Appendix III to this prospectus	22,150

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purpose only, the following statement of unaudited pro forma adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is prepared to show the effect on the audited net tangible assets of our Group as at 31 August 2013 as if the Share Offer had occurred on 31 August 2013 and is based on the consolidated net tangible assets derived from the audited financial information of our Group as at 31 August 2013, as set out in Appendix I to this prospectus and adjusted as follows.

The unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of our Group.

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as at 31 August 2013	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of our Group**	**Unaudited pro forma adjusted consolidated net tangible assets of our Group per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
		(Note 1)		*(Note 2)*	*(Note 3)*
Based on an Offer Price of HK$0.4 per share	117,113	49,714	166,827	0.21	0.26
Based on an Offer Price of HK$0.6 per share	117,113	77,838	194,951	0.24	0.31

Notes:

(1) The estimated net proceeds from the Share Offer are based on the total number of 200,000,000 Offer Shares and the price range of HK$0.4 and HK$0.6 per share, after deduction of the underwriting fees and related expenses payable by the Company which has not been reflected in the net tangible assets of our Group as at 31 August 2013 and take no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme. The estimated net proceeds for the Share Offer are converted into Renminbi at an exchange rate of HK$1 to RMB0.79, the prevailing exchange rate on 23 August 2013.

(2) The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after the adjustments referred to above and on the basis that 800,000,000 Shares (including the Shares in issue as at 31 August 2013, shares under the Capitalisation Issue and the Share Offer) are in issue and that the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme are not exercised.

(3) The unaudited pro forma adjusted consolidated net tangible assets of our Group per share is converted into Hong Kong Dollar at an exchange rate of approximately RMB0.79 to HK$1, the prevailing exchange rate on 23 August 2013.

(4) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group to reflect any trading results or other transactions of our Group entered into subsequent to 31 August 2013.

OFF BALANCE SHEET TRANSACTIONS

We have not entered into any material off-balance sheet transactions or arrangements as at 31 August 2013.

MATERIAL ADVERSE CHANGE SUBSEQUENT TO 31 AUGUST 2013

Our Directors have confirmed that, except for (i) the estimated listing expenses to be borne by our Group of approximately RMB20.5 million of which approximately RMB4.1 million and approximately RMB7.8 million will be charged to profit or loss for the year ending 31 December 2013 and 2014, respectively; and (ii) the depreciation charges in respect of our capital expenditures on setting up of four new production lines and construction of our new production block for the year ended 31 December 2013 and 2014 which are expected to be approximately RMB325,000 and RMB5.1 million respectively, there have been no material adverse change in the financial and trading position or prospects of our Group since 31 August 2013 and up to the date of the prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Please refer to the subsection headed "Business strategies" under the section headed "Business" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Our Directors believe that the net proceeds to be received by our Company from the Share Offer will raise and strengthen our corporate profile and capital base, and will provide funding for achieving our business expansion plans.

Assuming that the Offer Size Adjustment Option is not exercised and assuming an Offer Price of HK$0.50 per Share (being the mid-point of the estimated range), we estimate that the aggregate net proceeds of the Share Offer to be received by our Company after the deduction of underwriting commission and estimated expenses payable by us will be approximately HK$74.1 million (approximately RMB58.5 million). We currently intend to apply such net proceeds as follow:

(i) Approximately HK$56.7 million (approximately RMB44.8 million), representing approximately 76.5% of the net proceeds from the Share Offer will be used for increasing the production capacity and efficiency by, among other things, setting up four new production lines, of which one is for production of corrugated paperboards (which can also be used for production of stone paperboards), one for manufacture of flexo-printed cartons and two for manufacture of offset-printed cartons (all three lines can also be used for production of stone-paper packaging products) in the Fengxin Plant. The estimated budget for setting up four new production lines is approximately RMB59.0 million, of which approximately RMB44.8 million will be financed by the proceeds from the Share Offer;

(ii) Approximately HK$3.5 million (approximately RMB2.8 million), representing approximately 4.8% of the net proceeds from the Share Offer will be used for enhancing the research and development capabilities of the Group;

(iii) Approximately HK$9.0 million (approximately RMB7.1 million), representing approximately 12.1% of the net proceeds from the Share Offer will be used for the construction of a new production block in the Fengxin Plant; and

(iv) Approximately HK$4.9 million (approximately RMB3.8 million), representing approximately 6.6% of the net proceeds from the Share Offer will be used for our general working capital and other general corporate purposes.

To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purpose on a pro-rata basis.

If the Offer Price is finally determined at the lower end of the Offer Price range, being HK$0.4 per Offer Share, the net proceeds from the Share Offer will be decreased by approximately HK$16.8 million to approximately HK$57.3 million, as compared with the above computation (which is based on the midpoint of the Offer Price range). In such case, our Directors intend to reduce the intended use of proceeds for the above stated purposes on a pro-rata basis, and will finance such shortfall by internal cash resources, and/or additional bank borrowings, as and when appropriate.

In the event that the Offer Size Adjustment Option is exercised in full, and assuming an Offer Price of HK$0.50 per Offer Share (being the mid-point of the stated Offer Price range between HK$0.40 per Offer Share and HK$0.60 per Offer Share), our Group will receive additional net proceeds of approximately HK$14.1 million. We intend to apply the additional net proceeds to the above uses on a pro-rata basis.

To the extent that our net proceeds of the Share Offer and the issue of new Shares under the Offer Size Adjustment Option are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit the net proceeds into interest bearing deposits and/or money market instruments.

PUBLIC OFFER UNDERWRITER

Oriental Patron Securities Limited

PLACING UNDERWRITER

Oriental Patron Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Public Offer Underwriting Agreement (including but not limited to the Offer Price being agreed upon between the Sole Lead Manager and our Company), the Public Offer Underwriter has agreed to subscribe or procure subscribers for the Public Offer Shares which are being offered but are not taken up under the Public Offer on and subject to the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. If the Sole Lead Manager is unable to reach an agreement with our Company on the Offer Price at or before 6:00 p.m. on Wednesday, 8 January 2014, the Share Offer will lapse.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional, and have not been terminated in accordance with its terms.

Grounds for termination

The obligations of the Public Offer Underwriter to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

(A) there develops, occurs, exists or comes into force:

(i) any new law or regulation or any change or development involving a prospective change in existing laws or regulations, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, China, the Cayman Islands, the United States, Canada, any member of the European Union, Japan, Singapore or any other jurisdiction where any member of the Group was incorporated or has a business presence (each a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change or development, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation to, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets), or any monetary or trading settlement system or matters and/or disaster (including, without limitation a 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 devaluation of the Hong Kong dollars or an appreciation of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or

(iii) any change or development in the conditions of local, national or international equity securities or other financial markets; or

(iv) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, epidemic, outbreak of an infectious disease, civil commotion, acts of war, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is declared), acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency or war, riot, public disorder, economic sanctions, acts of God, accident or interruption or delay in transportation in or affecting any Relevant Jurisdiction); or

(v) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

(vi) (A) any moratorium, suspension, limitation or restriction on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Tokyo Stock Exchange; or (B) any general moratorium on commercial banking activities in New York, London, Cayman Islands, Hong Kong, Japan or China declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or

(vii) any change or development involving a prospective change or development in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the Shares; or

(viii) any change or development involving a prospective change on the condition, financial or otherwise, or in the earnings, business affairs, business prospects or trading position of our Group; or

(ix) any executive Director 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 commencement by any regulatory body or organisation of any action against any executive Director or our Group or an announcement by any regulatory body or organisation that it intends to take any such action; or

(xi) a contravention by any member of our Group of the Companies Ordinance or Companies Law or any of the Listing Rules; or

(xii) other than with the approval of the Sole Lead Manager, the issue or requirement to issue by our Company of a supplementary prospectus, Application Forms, preliminary or final offering circular pursuant to the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the sole opinion of the Sole Lead Manager, materially adverse to the marketing for or implementation of the Share Offer; or

(xiii) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group 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 member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group;

and which, in any such case and in the sole opinion of the Sole Lead Manager (in the capacity as the Public Offer Underwriter as well),

(i) is or may or will be or is likely to be materially adverse to, or materially and prejudicially affect, the general affairs or the business or financial or trading or other condition or prospects of our Company or its subsidiaries; or

(ii) has or may have or will have or is likely to have a material adverse effect on the success of the Share Offer or the level of Shares being applied for or accepted or the distribution of Shares; or

(iii) makes or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with or to market the Public Offer and/or the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus and/or for any material part of the Public Offer Underwriting Agreement to be performed or implemented as envisaged; or

(iv) has or will have the effect of making any material part of the Public Offer Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Offer or pursuant to the underwriting thereof,

(B) there has come to the notice of the Sole Lead Manager:

(i) that any statement contained in this prospectus, the Application Forms, the formal notice and any announcements in the agreed form issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) was, has or may become untrue, incorrect or misleading in any material respect, or any forecasts, estimates, expression of opinion, intention or expectation expressed in such documents are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) any matter has arisen or has been discovered which would or might, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or

(iii) any of the Warranties (as defined in the Public Offer Underwriting Agreement) given by the Covenantors (being our Company, our executive Directors and our Controlling Shareholders, as defined in the Public Offer Underwriting Agreement) in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement is (or might when repeated be) untrue or misleading or inaccurate in any material respect; or

(iv) any event, act or omission which gives or may give rise to any liability of the Covenantors (as defined in the Public Offer Underwriting Agreement) or any other indemnifying party pursuant to the indemnities given by the Covenantors under the Public Offer Underwriting Agreement; or

(v) any breach of any of the obligations of the Covenantors (as defined in the Public Offer Underwriting Agreement) or any other indemnifying party under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement, as applicable; or

(vi) any material adverse change or prospective material adverse change in the assets, liabilities, conditions, profits, losses, business, properties, results of operations, in the financial or trading position or prospects or performance of our Company or our subsidiaries; or

(vii) any material litigation or claim being threatened or instigated against our Company or any of its subsidiaries or the Covenantors (as defined in the Public Offer Underwriting Agreement) or any Director; or

(viii) any of the experts named in the paragraph headed "Other Information – Qualification of experts" of Appendix V to this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it, respectively appears; or

(ix) approval for the listing of and permission to deal in the Shares to be issued or sold (including any additional Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option) on the Stock Exchange is refused or not granted, other than subject to customary conditions, on or before the listing approval date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(x) our Company withdraws the Public Offer Documents (as defined in the Public Offer Underwriting Agreement) (and any other documents used in connection with the contemplated subscription our Shares) or the Share Offer,

then the Sole Lead Manager may, in its sole discretion and upon giving notice to our Company, terminate the Public Offer Underwriting Agreement with immediate effect.

Undertakings pursuant to the Listing Rules and the Public Offer Underwriting Agreement

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that our Company will not issue any further Shares or securities convertible into the equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or the securities will be completed within six months from the Listing Date), except under the Share Offer (including the exercise of the Offer Size Adjustment Option) or the Capitalisation Issue or for the circumstances provided under Rule 10.08(1) to Rule 10.08(4) of the Listing Rules.

Our Company has undertaken to each of the Sole Lead Manager (in the capacity as the Sole Bookrunner and the Public Offer Underwriter as well) and the Sole Sponsor that except pursuant to the Share Offer (including the new Shares to be issued pursuant to the Offer Size Adjustment Option), the Capitalisation Issue and any Share Option Scheme of any members of our Group, at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date, our

Company will not without the Sole Lead Manager's prior written consent and unless in compliance with the requirements of the Listing Rules:

(i) offer, pledge, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital or any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital;

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital; or

(iii) offer or agree to enter into, any transaction with the same economic effect described in limb (i) or (ii) above, or agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (i), (ii) or (iii) above whether any of the foregoing transactions described in limb (i) or (ii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise,

and our Company further agrees that, in the event of an issue or disposal of any Shares or any interest therein after the date falling six months from the Listing Date, our Company will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for the Shares.

Nothing in the above undertakings shall (a) restrict our Company's ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of its subsidiaries provided that any such sale, or any enforcement of such pledge, mortgage or charge will not result in such subsidiary ceasing to be a subsidiary (as defined in the Companies Ordinance) of our Company within six months after the Listing Date; or (b) restrict any of our Company's subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary (as defined in the Companies Ordinance) of our Company within six months after the Listing Date.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange that save as pursuant to the note (2) to Rule 10.07(2) of the Listing Rules, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

(a) he or it will not, at any time in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares in respect of which he or it is shown by this prospectus to be the beneficial owner;

(b) he or it will not, at any time during the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it will then cease to be the Controlling Shareholder.

Pursuant to the Public Offer Underwriting Agreement, each of the Controlling Shareholders has undertaken to each of our Company, the Sole Bookrunner, the Sole Lead Manager (in the capacity as the Public Offer Underwriter as well) and the Sole Sponsor or its affiliates acting on its behalf in connection with the Share Offer that save as pursuant to the Share Offer or Note (2) to Rule 10.07(2) of the Listing Rules, without the prior written consent of the Sole Lead Manager:

(a) he or it will not (i) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and (ii) during the period of six months commencing on the date on which the First Six-month Period expires, dispose of or, enter into any agreements of the foregoing transactions in limb (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be one of the Controlling Shareholders of our Company as defined in the Listing Rules;

(b) at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling six months from the Listing Date, he or it will not

(i) offer, pledge, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any share capital of our Company or any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital;

(ii) 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 share capital of our Company; or

(iii) offer or agree to enter into, any transaction with the same economic effect as any transaction described in limb (i) or (ii) above; or agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (i), (ii) or (iii) above, whether any of the foregoing transactions described in limb (i) or (ii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, and each of the Controlling Shareholders further agrees that, in the event of an issue or disposal of any Shares or any interest therein after the date falling six months from Listing Date, he or it will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for the Shares.

Each of the Controlling Shareholders has further undertaken to each of our Company, the Sole Bookrunner, the Sole Lead Manager (in the capacity as the Public Offer Underwriter as well) and the Sole Sponsor that he or it will, at any time within the period commencing on the date of the Public Offer Underwriting Agreement and ending on the date which is 12 months after the Listing Date:

(i) upon any pledge or charge in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any share capital or other securities of the Company or any interests therein beneficially owned by him or it for a bona fide commercial loan, immediately inform the Company and the Sole Lead Manager in writing of such pledge or charge together with the number of Shares or other securities so pledged or charged; and

(ii) upon any indication received by him or it, either verbal or written, from any pledge or chargee that any of the pledged or charged Shares or securities or interests in the Shares or other securities of the Company will be disposed of, immediately inform our Company and the Sole Lead Manager in writing of such indications.

Our Company has further agreed and undertaken to the Sole Bookrunner, the Sole Lead Manager (in the capacity as the Public Offer Underwriter as well) and the Sole Sponsor, that, upon receiving such information in writing from the controlling shareholders, our Company shall, for so long as required by law and the Listing Rules, as soon as practicable, notify the Stock Exchange and make a public disclosure of such information by way of an announcement in accordance with the Listing Rules.

Indemnity

Each of our Company, the executive Directors and the Controlling Shareholders jointly and severally undertakes to the Sole Lead Manager (also in the capacities as the Public Offer Underwriter and the Sole Bookrunner) and the Sole Sponsor to indemnify and hold harmless the Sole Lead Manager (also in the capacities as the Public Offer Underwriter and the Sole Bookrunner) and the Sole Sponsor, for themselves and on trust for each of their respective subsidiaries and affiliates and any of their respective representatives, partners directors, officers, employees, assignees and agents (collectively, the "**Indemnified Parties**" and individually, an "**Indemnified Party**") against, among other things, all losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company of the terms and conditions of the Public Offer provided that such indemnity shall not be available to an Indemnified Party to the extent that such losses have been solely caused by the gross negligence, wilful default, fraud, bad faith or breach of law on the part of the Indemnified Party.

Total commission and expenses

The Public Offer Underwriter will receive an underwriting commission ranging from 3.5% to 6% of the Offer Price of the Public Offer Shares initially offered under the Public Offer (depending on the amount of the aggregate Offer Price), out of which it will pay any subunderwriting commission. For unsubscribed Public Offer Shares reallocated to the Placing, our Company will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Sole Lead Manager.

The aggregate commissions and incentive fees, together with listing fees, the SFC transaction levy and the Stock Exchange trading fee in respect of the new Shares offered by our Company, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to amount to approximately HK$20.5 million (assuming an Offer Price of HK$0.50, which is the midpoint of the indicative Offer Price range of HK$0.40 to HK$0.60 and that the Offer Size Adjustment Option is not exercised) in total and are payable by our Company.

Public Offer Underwriter's interests in our Company

Except as disclosed below and other than its obligations under the Public Offer Underwriting Agreement, as at the Latest Practicable Date, the Public Offer Underwriter is not interested directly or indirectly in any shares or securities in our Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in our Company or any other member of our Group.

Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

Placing

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Sole Lead Manager (in the capacity as the Placing Underwriter as well) on the Price Determination Date on the terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above. Under the Placing Underwriting Agreement, the Placing Underwriter would, subject to certain conditions, agree to procure subscribers for, or failing which to subscribe for itself, the Placing Shares being offered pursuant to the Placing which are not taken up under the Placing.

Under the Placing Underwriting Agreement, our Company will grant to the Sole Lead Manager the Offer Size Adjustment Option, exercisable by the Sole Lead Manager (also in the capacities as the Sole Bookrunner and the Placing Underwriter) at any time during the period from the date of this prospectus to: (i) the second business day prior to the Listing Date (that is on Thursday, 9 January 2014; or (ii) the 30th day from the date of this prospectus, whichever is earlier, in writing, to require our Company to issue up to an aggregate of 30,000,000 additional Shares, representing in aggregate 15% of the Offer Shares initially available under the Share Offer.

THE SHARE OFFER

The Share Offer comprises:–

(i) the Public Offer of 20,000,000 Offer Shares (subject to reallocation) in Hong Kong as described in this section headed "Structure and Conditions of the Share Offer" of the prospectus; and

(ii) the Placing of 180,000,000 Offer Shares (subject to reallocation and Offer Size Adjustment Option) as described in this section headed "Structure and Conditions of the Share Offer" of the prospectus.

Investors may apply for Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for Offer Shares under the Placing, but may not do both.

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue.

PRICING AND ALLOCATION

Offer Price range

The Offer Price will be not more than HK$0.60 per Offer Share and is expected to be not less than HK$0.40 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, 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.

PRICE PAYABLE ON APPLICATION

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK$0.60 (plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee) for each Public Offer Share. If the Offer Price is less than HK$0.60, appropriate refund payments (including 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee attributable to the surplus application monies) will be made to the applicants whose applications are successful. Please refer to the section headed "How to Apply for the Public Offer Shares – Refund of application monies" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Placing Underwriter is soliciting from prospective investors indications of interest in acquiring the Shares under the Placing. Prospective investors will be required to specify the number of the Placing Shares which they would be prepared to acquire either at different prices or at a particular price. This process is known as "book-building".

The Offer Price is expected to be fixed by agreement between the Sole Lead Manager and our Company on the Price Determination Date, when market demand for the Public Offer Shares will be determined. The Price Determination Date is expected to be on or around Monday, 6 January 2014.

If, for any reason, our Company and the Sole Lead Manager are unable to reach agreement on the Offer Price on or before 6:00 p.m. (Hong Kong time) on Wednesday, 8 January 2014, the Share Offer will not proceed.

The Offer Price will not be more than HK$0.60 per Share and is expected to be not less than HK$0.40 per Share unless otherwise announced.

The net proceeds from the Share Offer, assuming the Offer Size Adjustment Option is not exercised, are estimated to be approximately HK$74.1 million based on the Offer Price of HK$0.50 per Share, being the mid-point of the stated range of the Offer Price.

REDUCTION IN OFFER PRICE RANGE

If, based on the level of interest expressed by prospective institutional, professional and individual investors during the book-building process, the Sole Lead Manager considers it appropriate and with the prior written consent of our Company, the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In this case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) and on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.hs-pack.com** notice of the reduction in the indicative Offer Price range. Such notice 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. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATIONS

The final Offer Price, level of applications in the Public Offer, the level of indications of interest in the Placing, and the basis of allocations of the Public Offer Shares are expected to be announced on Friday, 10 January 2014 in The Standard (in English), Hong Kong Economic Times (in Chinese), the website of the Company at **www.hs-pack.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

Results of allocations in the Public Offer including the Hong Kong Identity Card/ Passport/Hong Kong Business Registration Numbers of the successful applicants and the number of Public Offer Shares successfully applied for will be available through a variety of channels as described in the section headed "How to Apply for the Public Offer Shares – Publication of results" in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional on:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer, the Capitalisation Issue and Shares which fall to be allotted and issued upon the exercise of the Offer Size Adjustment Option or the share options which may be granted under the Share Option Scheme in respect of up to 10% of the Shares in issue as at the Listing Date (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

2. Underwriting Agreements

The obligations of the Underwriter under the Underwriting Agreements becoming unconditional. Details of the Underwriting Agreements and grounds for termination are set out in the section headed "Underwriting" of this prospectus. If these conditions are not fulfilled on or before the time and date specified in the Underwriting Agreements or such later date as the Sole Lead Manager may agree with our Company, the Share Offer will lapse and your application money will be refunded to you, without interest, and by post at your own risk. The terms on which your application money will be returned to you are set out under the paragraph headed "Refund of your money" in the relevant Application Forms.

In the meantime, your application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE PUBLIC OFFER

Our Company is initially offering 20,000,000 Shares at the Offer Price under the Public Offer, representing 10% of the total number of Shares being offered under the Share Offer for subscription in Hong Kong, subject to reallocation as mentioned in this section. Applications for the Public Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Applicants for the Public Offer Shares under the Public Offer may not apply for Placing Shares under the Placing. Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The Public Offer will be subject to the conditions stated in the paragraph headed "Conditions of the Share Offer" above.

For allocation purposes only, the number of the Public Offer Shares will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will consist of 10,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) or less. The Public Offer Shares available in pool B will consist of 10,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for Public Offer Shares in the value of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the total initial value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demands in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Public Offer Shares initially available under pool A or pool B will be rejected. Multiple applications or suspected multiple applications within either pool and between pools will also be rejected.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of Shares between the Public Offer and the Placing is subject to reallocation which in turn depends on the level of subscription of the Public Offer. The reallocation will be made on the following basis:

- if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available under the Public Offer will be 60,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Share Offer;

- if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Offer Shares available under the Public Offer will be 80,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Share Offer; and

- if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be reallocated to the Public Offer from the Placing will be increased, so that the total number of Offer Shares available under the Public Offer will be 100,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Share Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Lead Manager. Allocation of the Placing Shares under the Placing will be determined by the Sole Lead Manager 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 and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional, or corporate investors and is intended to result in a distribution of our 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.

OVER-SUBSCRIPTION

Allocation of Public Offer Shares to applicants under the Public Offer will be based solely on the level of valid applications received. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by each applicant. However, this may involve balloting, which would mean that some applicants may be allotted more Shares than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the ballot may not receive any Public Offer Shares.

THE PLACING

The Placing will consist of initially 180,000,000 Shares, representing 90% of the total number of Offer Shares initially available under the Share Offer which will be offered by our Company outside of the U.S. in reliance on Regulation S under the U.S. Securities Act, including to professional, institutional and individual investors.

OFFER SIZE ADJUSTMENT OPTION

Pursuant to the Placing Underwriting Agreement, our Company will grant to the Sole Lead Manager the Offer Size Adjustment Option, which is exercisable by the Sole Lead Manager (in the capacity as the Placing Underwriter as well) at any time during the period from the date of this prospectus to: (i) the second business day prior to the Listing Date (that is on Thursday, 9 January 2014); or (ii) the 30th day from the date of this prospectus, whichever is earlier, in writing, to require our Company to allot and issue up to 30,000,000 additional Shares at the Offer Price, representing 15% of the total number of Shares initially available for subscription under the Share Offer. Any such additional Shares may be issued to cover any excess demand in the Share Offer at the absolute discretion of the Sole Lead Manager.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Lead Manager to meet any excess demand in the Share Offer. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the listing of the Shares on the Stock Exchange and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Share Offer which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.hs-pack.com**.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between 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 licensed securities dealers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. on Monday, 13 January 2014, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 13 January 2014. The Shares will be traded in board lots of 5,000 Shares. The stock code of the Shares is 1439.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form.

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 Lead Manager 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 Public 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 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 Company, the Sole Sponsor and the Sole Bookrunner may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applications may not exceed four for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any our 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 Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 27 December 2013 until 12:00 noon on Thursday, 2 January 2014 from:

(i) the following office of the Sole Bookrunner:

Oriental Patron Securities Limited	27th Floor, Two Exchange Square, Central, Hong Kong

(ii) any of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch:

	Branch Name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Chaiwan Sub-Branch	G/F., 121-121A Wan Tsui Road, Chaiwan
	Wanchai Sub-Branch	G/F., 32-34 Johnston Road
Kowloon	Kowloon Sub-Branch	G/F., 563 Nathan Road
	Tsimshatsui Sub-Branch	Shop 1-3, G/F., 22-28 Mody Road, Tsimshatsui

	Branch Name	Address
	Ngau Tau Kok Sub-Branch	Shop G1 & G2, G/F., Phase I, Amoy Plaza, 77 Ngau Tau Kok Road
New Territories	Shatin Sub-Branch	Shop No.193, Level 3, Lucky Plaza, Shatin
	Market Street Sub-Branch	G/F., 53 Market Street, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 27 December 2013 until 12:00 noon on Thursday, 2 January 2014 from the Depository Counter of HKSCC at 2/F., Infinitus Plaza, 199 Des Voeux Road 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 "Bank of Communications (Nominee) Co. Ltd. – China Packaging Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

27 December 2013	**–**	**9:00 a.m. to 5:00 p.m.**
28 December 2013	**–**	**9:00 a.m. to 1:00 p.m.**
30 December 2013	**–**	**9:00 a.m. to 5:00 p.m.**
31 December 2013	**–**	**9:00 a.m. to 5:00 p.m.**
2 January 2014	**–**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 2 January 2014, the last application day or such later time as described in "Effect of Bad Weather Conditions on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

(i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor, the Sole Bookrunner and/or, the Sole Lead Manager (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any

Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Memorandum and Articles of Association of our Company;

(ii) agree to comply with the Hong Kong Companies Ordinance, the Memorandum and Articles of Association of our Company;

(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 Share Offer in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(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 Placing Shares under the Placing nor participated in the Placing;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter 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 Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriter 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 Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public 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 the Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any 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 have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(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 Lead Manager and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(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; 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; and (ii) you have due authority to sign the Application Form.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked ''For nominees'' you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form, is made for your benefit. 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).*

6. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum indicative 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 in respect of a minimum of 5,000 Public Offer Shares. Each application in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), 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, see the section headed "Structure and Conditions of the Share Offer".

7. EFFECT OF BAD WEATHER CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 2 January 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 2 January 2014 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", an announcement will be made in such event.

8. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications under the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 10 January 2014 in The Standard (in English) and Hong Kong Economic Times (in Chinese), on the Company's website at **www.hs-pack.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 Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.hs-pack.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, 10 January 2014;

- from the website of Tricor Investor Services Limited at **www.tricor.com.hk/ipo/result** with a "search by ID Number/Business Registration Number" function on a 24-hour basis from 8:00 a.m. on Friday, 10 January 2014 to midnight on Thursday, 16 January 2014;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 10 January 2014 to Wednesday, 15 January 2014 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 10 January 2014 to Tuesday, 14 January 2014 at all the receiving bank branches and sub-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 Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

9. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form, you agree that your application 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 the Company.

Your application may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits 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 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 Lead Manager, the Sole Bookrunner 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 Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the 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) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- 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 Sponsor or the Sole Lead Manager or the Sole Bookrunner believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

10. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$0.60 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer – Conditions of the Share Offer" 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 Friday, 10 January 2014.

11. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms 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 Public 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 Public 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 indicative 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 around Friday, 10 January 2014. 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 Monday, 13 January 2014 provided that the Share Offer 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 Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Company's Hong Kong Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 10 January 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 10 January 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 10 January 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated

CCASS Participant's stock account as stated in your Application Form on Friday, 10 January 2014, 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 Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *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 Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 10 January 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

12. 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, prepared for inclusion in this prospectus, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

27 December 2013

The Board of Directors
China Packaging Holdings Development Limited
Oriental Patron Asia Limited

Dear Sirs,

We set out below our report on the financial information of China Packaging Holdings Development Limited (the "Company"), comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Company and its subsidiaries (collectively referred to as the "Group") for each of the years ended 31 December 2010, 2011 and 2012 and for the eight months ended 31 August 2013 (the "Track Record Period"), and the consolidated statements of financial position of the Group as at 31 December 2010, 2011, 2012 and 31 August 2013 and of the Company as at 31 August 2013 together with the notes thereto (the "Financial Information"), and the comparative consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the eight months ended 31 August 2012 (the "Unaudited Comparative Financial Information"), prepared on the basis of presentation set out in Note 4 of Section II below, for inclusion in the prospectus of the Company dated 27 December 2013 (the "Prospectus") in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in Cayman Islands on 12 July 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation") as more fully explained in the section headed "Corporate Reorganisation" in Appendix V to the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group as set out in Note 2 of Section II. The Reorganisation became effective on 13 December 2013.

All companies now comprising the Group have adopted 31 December as their financial year end date. No audited financial statements have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

During the Track Record Period and at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Percentage of attributable equity interest and voting power held by the Company					Principal activities
			At 31 December			At 31 August	At date of of this report	
			2010	2011	2012	2013		
Directly owned								
Rich Kirin Holdings Limited ("Rich Kirin")	British Virgin Island (the "BVI"), 13 June 2011	US$1	N/A	N/A	N/A	N/A	100%	Investment holding
Indirectly owned								
Big Wealth Limited ("Big Wealth")	The BVI 18 November 2005	US$100	100%	100%	100%	100%	100%	Investment holding
鴻聖(江西)彩印包裝實業有限公司 HongSheng (Jiangxi) Color Printing Packaging Co., Ltd* ("HongSheng")	People's Republic of China (the "PRC"), 29 November 2005	HK$20,000,000	100%	100%	100%	100%	100%	Sales of packaging materials

* The English name is for identification only. The official name of the Company is in Chinese.

No audited financial statements have been prepared for Rich Kirin since its date of incorporation as there are no statutory requirements for Rich Kirin to prepare audited financial statements.

No audited financial statements have been prepared for Big Wealth since its date of incorporation as there are no statutory requirements for Big Wealth to prepare audited financial statements.

The statutory audited financial statements of HongSheng for the years ended 31 December 2010, 2011 and 2012 was prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and for the years ended 31 December 2010 and 2011 were audited by 江西華為會計師事務所有限責任公司, certified public accountants registered in the PRC and for the year ended 31 December 2012 was audited by 江西華廈會計師事務所有限公司, certified public accountants registered in the PRC.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the Financial Information for the Track Record Period based on the audited financial statements or unaudited financial statements of the Group, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance. The Financial Information for each of Track Record Period were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The Financial Information set out in this report has been prepared from the unaudited financial statements with no adjustments made thereon.

RESPONSIBILITY OF THE DIRECTORS

The directors of the Company are responsible for the contents of the Prospectus, including the preparation of the Financial Information that gives a true and fair view in accordance with the basis set out in Note 4 of Section II. The directors of the Company are responsible for the preparation of the Financial Information and the Unaudited Comparative Financial Information that give a true and fair view in accordance with HKFRSs and the disclosure requirements of Listing Rules and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information and the Unaudited Comparative Financial Information that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF REPORTING ACCOUNTANTS

For the Financial Information for the Track Record Period, it is our responsibility to form an independent opinion on the Financial Information based on our examination and to report our opinion to you. We examined the relevant audited financial statements or, where appropriate, the relevant unaudited financial statements of the Group for the Track Record Period, and carried out such procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, we have reviewed the Unaudited Comparative Financial Information for which the directors of the Company are responsible, 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 consists principally of making enquiries of the Group's management and applying analytical procedures to the Unaudited Comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Unaudited Comparative Financial Information.

OPINION AND REVIEW CONCLUSION

In our opinion, the Financial Information for the Track Record Period, for the purpose of this report and prepared on the basis of presentation and preparation set out in Note 4 of Section II below, gives a true and fair view of the state of affairs of the Company as at 31 August 2013, the consolidated state of affairs of the Group as at 31 December 2010, 2011 and 2012 and 31 August 2013 and of the consolidated results and consolidated cash flows of the Group for the Track Record Period.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Unaudited Comparative Financial Information is not prepared, in all material respects, in accordance with accounting policies set out in Note 4 of Section II below which are in conformity with HKFRSs.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the year ended 31 December 2010 RMB'000	2011 RMB'000	2012 RMB'000	For the eight months ended 31 August 2012 RMB'000 (Unaudited)	2013 RMB'000
Turnover	8	132,998	193,933	280,553	160,144	218,161
Cost of sales		(108,820)	(157,446)	(221,291)	(127,923)	(168,572)
Gross profit		24,178	36,487	59,262	32,221	49,589
Other revenue	9	393	591	837	384	411
Other income	10	1,019	2,300	3,903	2,204	5,489
Selling and distribution expenses		(5,011)	(7,743)	(11,704)	(7,269)	(9,560)
Administrative expenses		(5,475)	(8,666)	(11,830)	(7,379)	(13,542)
Profit from operating activities		15,104	22,969	40,468	20,161	32,387
Finance costs	13	(439)	(524)	(1,080)	(760)	(608)
Profit before tax	11	14,665	22,445	39,388	19,401	31,779
Income tax expenses	14	(1,786)	(2,852)	(5,166)	(2,728)	(8,971)
Profit for the year/period		12,879	19,593	34,222	16,673	22,808
Other comprehensive income for the year/period, net of tax						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translating foreign operations		645	586	97	18	391
Other comprehensive income for the year/period, net of tax		645	586	97	18	391
Total comprehensive income for the year/period, net of tax		13,524	20,179	34,319	16,691	23,199
Profit attributable to owners of the Company		12,879	19,593	34,222	16,673	22,808
Total comprehensive income attributable to owners of the Company		13,524	20,179	34,319	16,691	23,199
Earnings per share attributable to owners of the Company						
– Basic and diluted (RMB cents)	16	2.15	3.27	5.70	2.78	3.80

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 August
		2010	2011	2012	2013
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*17*	36,635	33,972	50,389	56,817
Prepaid lease payments	*18*	2,614	2,554	2,495	2,455
Deposits paid for acquisition of equipment		–	–	–	13,169
		39,249	36,526	52,884	72,441
Current assets					
Inventories	*19*	7,835	12,074	15,934	6,870
Trade receivables	*20*	40,691	41,085	58,355	75,568
Prepayments and other receivables	*21*	84	253	93	1,731
Amount due from Mr. Sun	*22*	–	6,950	–	–
Pledged bank deposits	*23*	–	–	1,050	1,565
Cash and bank balances	*23*	604	11,480	25,711	46,662
		49,214	71,842	101,143	132,396
Current liabilities					
Trade, bills, other payables and accruals	*24*	33,103	32,766	42,864	70,047
Amount due to Mr. Sun	*25*	6,050	–	–	–
Bank borrowings	*26*	8,000	15,000	15,000	15,000
Tax payables		836	531	1,865	2,677
		47,989	48,297	59,729	87,724
Net current assets		1,225	23,545	41,414	44,672
Total assets less current liabilities		40,474	60,071	94,298	117,113
Non-current liability					
Amount due to immediate holding company	*27*	16,959	16,377	16,285	–
Net assets		23,515	43,694	78,013	117,113
Capital and reserves					
Share capital	*28*	–	–	–	–
Reserves		23,515	43,694	78,013	117,113
Equity attributable to owners of the Company		23,515	43,694	78,013	117,113

STATEMENTS OF FINANCIAL POSITION

		As at 31 August 2013
	Notes	*RMB'000*
Non-current assets		
Interests in subsidiaries	*29*	–
Current assets		
Cash and bank balances		–
Net current assets		–
Total assets less current liabilities		–
Capital and reserves		
Share capital	*28*	–
Reserves		–
Equity attributable to owners of the Company		–

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *RMB'000*	Statutory reserve *RMB'000* *(Note 28(b))*	Exchange reserve *RMB'000* *(Note 28(c))*	Retained profit *RMB'000*	Total *RMB'000*
At 1 January 2010	–	904	976	8,111	9,991
Profit for the year	–	–	–	12,879	12,879
Other comprehensive income for the year	–	–	645	–	645
Total comprehensive income for the year	–	–	645	12,879	13,524
Transfer to statutory reserve	–	1,288	–	(1,288)	–
At 31 December 2010 and 1 January 2011	–	2,192	1,621	19,702	23,515
Profit for the year	–	–	–	19,593	19,593
Other comprehensive income for the year	–	–	586	–	586
Total comprehensive income for the year	–	–	586	19,593	20,179
Transfer to statutory reserve	–	1,979	–	(1,979)	–
At 31 December 2011 and 1 January 2012	–	4,171	2,207	37,316	43,694
Profit for the year	–	–	–	34,222	34,222
Other comprehensive income for the year	–	–	97	–	97
Total comprehensive income for the year	–	–	97	34,222	34,319
Transfer to statutory reserve	–	3,464	–	(3,464)	–
At 31 December 2012	–	7,635	2,304	68,074	78,013

	Share capital *RMB'000*	Statutory reserve *RMB'000* *(Note 28(b))*	Other reserve *RMB'000* *(Note 28(d))*	Exchange reserve *RMB'000* *(Note 28(c))*	Retained profit *RMB'000*	Total *RMB'000*
At 1 January 2012 (audited)	–	4,171	–	2,207	37,316	43,694
Profit for the period (unaudited)	–	–	–	–	16,673	16,673
Other comprehensive income for the period (unaudited)	–	–	–	18	–	18
Total comprehensive income for the period (unaudited)	–	–	–	18	16,673	16,691
At 31 August 2012 (unaudited)	–	4,171	–	2,225	53,989	60,385
At 1 January 2013	–	7,635	–	2,304	68,074	78,013
Profit for the period	–	–	–	–	22,808	22,808
Other comprehensive income for the period	–	–	–	391	–	391
Total comprehensive income for the period	–	–	–	391	22,808	23,199
Effect of reorganisation	–	–	15,901	–	–	15,901
At 31 August 2013	–	7,635	15,901	2,695	90,882	117,113

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December			For the eight months ended 31 August	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
OPERATING ACTIVITIES					
Profit before tax	14,665	22,445	39,388	19,401	31,779
Adjustments for:					
Amortisation of prepaid lease payments	60	60	60	40	40
Depreciation of property, plant and equipment	3,055	3,490	3,543	2,364	2,387
Interest income	(21)	(79)	(100)	(44)	(89)
Impairment loss on trade receivables	–	–	95	–	–
Finance costs	439	524	1,080	760	608
Operating cash flows before movement in working capital	18,198	26,440	44,066	22,521	34,725
(Increase)/decrease in inventories	(3,655)	(4,239)	(3,860)	636	9,064
Increase in trade receivables	(25,829)	(394)	(17,365)	(10,137)	(17,213)
(Increase)/decrease in prepayments and other receivables	(4)	(169)	160	6,976	(1,638)
(Increase)/decrease in amount due from Mr. Sun	–	(6,950)	6,950	–	–
Increase/(decrease) in amount due to Mr. Sun	50	(6,050)	–	–	–
Increase/(decrease) in trade, bills, other payables and accruals	17,878	(337)	10,098	8,756	27,183
Cash generated from operations	6,638	8,301	40,049	28,752	52,121
PRC tax paid	(951)	(3,157)	(3,832)	(2,607)	(8,160)
Net cash generated from operating activities	5,687	5,144	36,217	26,145	43,961

	For the year ended 31 December			For the eight months ended 31 August	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
INVESTING ACTIVITIES					
Interest received	21	79	100	44	89
Deposit paid for acquisition of equipment	–	–	–	–	(13,169)
Purchase of property, plant and equipment	(5,093)	(827)	(19,960)	(585)	(8,815)
Net cash used in investing activities	(5,072)	(748)	(19,860)	(541)	(21,895)
FINANCING ACTIVITIES					
Decrease in amount due to a shareholder	(16,955)	–	–	–	–
Increase in amount due to immediate holding company	16,959	4	4	–	8
Proceeds from bank borrowings	8,000	15,000	15,000	–	–
Repayments of bank borrowings	(8,000)	(8,000)	(15,000)	–	–
(Increase)/decrease in pledged bank deposits	–	–	(1,050)	–	(515)
Bank borrowings interest paid	(439)	(524)	(1,080)	(760)	(608)
Net cash (used in)/generated from financing activities	(435)	6,480	(2,126)	(760)	(1,115)
Net increase in cash and cash equivalents	180	10,876	14,231	24,844	20,951
Cash and cash equivalents at the beginning of the year/period	424	604	11,480	11,480	25,711
Cash and cash equivalents at the end of the year/period	604	11,480	25,711	36,324	46,662

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Corporate information

The Company was incorporated in Cayman Islands on 12 July 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands. The principal place of business of the Company is located at Unit 2, 7th Floor, Wah Hing Commercial Building, 283 Lockhart Road, Wanchai, Hong Kong.

The Company acts as investment holding company, the principal activities of its subsidiaries are stated in note 29.

The Financial Information was presented in Renminbi, which is the Company's presentation currency and the functional currency of the principal operating subsidiary of the Group. The functional currency of the Company is Hong Kong dollars. The directors consider that choosing Renminbi as the presentation currency best suits the needs of the shareholders and investors.

2. REORGANISATION

In preparation for the listing of the Group's shares on the Main Board of the Stock Exchange, the Group underwent the Reorganisation, as a result of which the Group became a holding company of the subsidiaries comprising the Group. The Reorganisation included the following principal steps:

(i) Rich Kirin was incorporated in the BVI on 13 June 2013 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00 each. On 12 July 2013, one share was allotted and issued as fully paid to the Company.

(ii) The Company was incorporated on 12 July 2013 and on the same date one nil-paid subscriber share of HK$0.01 was transferred to Novel Blaze Limited ("Novel Blaze"). On 26 August 2013, Novel Blaze credited and fully paid up the nil-paid subscriber share of HK$0.01.

(iii) On 26 August 2013, a loan due to Sino Hi-Tech Printing and Packing Limited ("Sino Hi-Tech") from Big Wealth in an aggregate sum of approximately HK$20,045,000 was capitalised by the allotment and issue of 99 shares of Big Wealth to Sino Hi-Tech at an aggregate subscription price of approximately HK$20,045,000 and to set off the said subscription price pro tanto approximately HK$20,045,000 in full.

(iv) On 26 August 2013, the Company, through Rich Kirin, acquired the entire issued share capital of Big Wealth from Sino Hi-Tech, in consideration of which, the Company allotted and issued 77 shares to Novel Blaze, 5 shares to Zhen Xing Holdings Limited ("Zhen Xing"), 5 shares to Celestial Key Investment Limited ("Celestial Key") and 12 shares to Profit Rocket Limited ("Profit Rocket"). Upon completion of the above transfer and allotments, the Company was owned as to 78% by Novel Blaze, 5% by Zhen Xing, 5% by Celestial Key and 12% by Profit Rocket.

(v) On 13 December 2013, the authorised share capital of the Company was increased from HK$380,000 to HK$80,000,000 by the creation of a further 7,962,000,000 shares.

(vi) Upon completion of the Reorganisation, the Company became the holding company of the Group.

Upon the completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Percentage of attributable equity interest and voting power held by the Company At 31 December 2010	2011	2012	At 31 August 2013	At date of this report	Principal activities
Directly owned								
Rich Kirin	The BVI, 13 June 2011	US$1	N/A	N/A	N/A	N/A	100%	Investment holding
Indirectly owned								
Big Wealth	The BVI, 18 November 2005	US$100	100%	100%	100%	100%	100%	Investment holding
HongSheng	The PRC, 29 November 2005	HK$20,000,000	100%	100%	100%	100%	100%	Sales of packaging materials

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information, the Group has consistently applied Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and the related Interpretations ("HK(IFRIC) – Int") (herein collectively referred to as the "HKFRSs") issued by the HKICPA which are effective for the accounting period beginning on 1 January 2013. For the purposes of preparing and presenting the Financial Information of the Track Record Period, the Group has consistently adopted all these new and revised HKFRSs ("New HKFRSs") throughout the Track Record Period.

The Company has not early applied the following New HKFRSs which are relevant to the Group that have been issued but are not yet effective.

HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets[1]
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRS 7 and HKFR9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10, HKFRS 12 and HKFRS 27 (Amendments)	Investment Entities[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 will have no material impact on the Group's financial performance and positions.

Amendments to HKFRS 7 and HKAS 32 – *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 – *Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets*

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, an entity may not apply those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

The directors anticipate that the application of these amendments to HKAS 36 will have no material impact on the Group's financial performance and positions.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*

The *Investment Entities* amendments apply to a particular class of business that qualify as investment entities. The term 'investment entity' refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The directors anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011) will have no material impact on the Group's financial performance and positions.

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Similar relief will be included in HKFRS 9.

The amendments will be effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. Earlier application is permitted.

The directors anticipate that the application of these amendments to HKAS 39 will have no material impact on the Group's financial performance and positions.

HK (IFRIC) – Int 21 *Levies*

HK (IFRIC) 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC) 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

The directors anticipate that the adoption of HK (IFRIC) 21 will have no material impact on the Group's financial performance and positions.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform to HKFRSs and included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the disclosures requirement of the Hong Kong Companies Ordinance. The Financial Information has been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

(i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 *Employee Benefits* respectively;

(ii) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

(iii) assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Merger accounting for common control combination

The Financial Information incorporate the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of 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 statement of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealized gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost 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 recognized as an expense in the period in which they are incurred.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of non-controlling interests are accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction. Total comprehensive income and expenses of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue excludes value added tax and is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

Items included in the consolidated financial statements of each of the companies now comprising the Group are measured using the currency of the primary environment in which the companies operate (the "functional currency").

In preparing the Financial Information of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi ("RMB")) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. 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 jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of foreign currency translation reserve.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Borrowing costs

Borrowing costs are 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property and equipment, less their residual values over their estimated useful lives, using straight-line method.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

	Estimated residual value rates	Useful lives
Building	5%	20 years
Machinery	5%	10 years
Computer and office equipment	5%	5 years
Motor vehicles	5%	5 years

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, amount due from Mr. Sun, pledged bank deposits and cash and cash balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, 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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including trade, bills, other payables and accruals, bank borrowings, amount due to Mr. Sun and amount due to immediate holding company) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derecognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Company derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and bank balances

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted to use.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Related parties transactions

A party is considered to be related to the Group if:

(1) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(2) An entity is related to the Group if any of the following condition applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsorship employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in Note 4, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next year, are discussed below:

Income taxes

The Company is subject to PRC income taxes. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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 (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. FINANCIAL INSTRUMENTS

Financial instruments by category

The carrying amount of each of the categories of financial instruments as at the end of the reporting period is as follows:

	As at 31 December			As at 31 August
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loan and receivables				
– trade receivables	40,691	41,085	58,355	75,568
– amount due from Mr. Sun	–	6,950	–	–
– pledged bank deposits	–	–	1,050	1,565
– cash and bank balances	604	11,480	25,711	46,662
	41,295	59,515	85,116	123,795
Financial liabilities				
At amortised cost				
– trade, bills, other payables and accruals	33,103	32,766	42,864	70,047
– bank borrowings	8,000	15,000	15,000	15,000
– amount due to Mr. Sun	6,050	–	–	–
– amount due to immediate holding company	16,959	16,377	16,285	–
	64,112	64,143	74,149	85,047

Financial risk management objective and policies

The Company's major financial instruments include trade receivables, amount due from/to Mr. Sun, pledged bank deposits, cash and bank balances, trade, bills, other payables and accruals, bank borrowings and amount due to immediate holding company. The details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group has concentration of credit risk as 33%, 34%, 31% and 30% of total trade receivables represented amounts due from the Group's largest five customers for the years ended 31 December 2010, 2011 and 2012 and the eight months ended 31 August 2013 respectively. The management is of the view that these trade debtors of the Group have good trade record without default history and consider that the trade receivable from these customers is recoverable.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken on a timely basis and adequate impairment losses are made for irrecoverable amounts overdue. In this regards, the directors consider that the Group's credit risk is significantly reduced.

Substantially all of the Group's cash and bank balances are mainly deposited in the state controlled PRC banks which the directors assessed the credit risk to be insignificant.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

The Group's financial assets and financial liabilities are analysed into relevant maturity groupings based on the remaining period at the respective end of the reporting periods to the contractual maturity date, using the contractual undiscounted cash flows, as follows:

	Weighted average interest rate	Carrying amount	On demand	Within 1 year	Over 1 year	Total undiscounted cash flows
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2010						
Financial assets						
Trade receivables	–	40,691	605	40,086	–	40,691
Cash and bank balances	–	604	604	–	–	604
		41,295	1,209	40,086	–	41,295
Financial liabilities						
Trade, bills, other payables and accruals	–	33,103	–	33,103	–	33,103
Amount due to Mr. Sun	–	6,050	6,050	–	–	6,050
Bank borrowings	5.841	8,000	–	8,000	–	8,000
Amount due to immediate holding company	–	16,959	–	–	16,959	16,959
		64,112	6,050	41,103	16,959	64,112

	Weighted average interest rate	Carrying amount	On demand	Within 1 year	Over 1 year	Total undiscounted cash flows
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2011						
Financial assets						
Trade receivables	–	41,085	110	40,975	–	41,085
Amount due from Mr. Sun	–	6,950	6,950	–	–	6,950
Cash and bank balances	–	11,480	11,480	–	–	11,480
		59,515	18,540	40,975	–	59,515
Financial liabilities						
Trade, bills, other payables and accruals	–	32,766	–	32,766	–	32,766
Bank borrowings	7.544	15,000	–	15,000	–	15,000
Amount due to immediate holding company	–	16,377	–	–	16,377	16,377
		64,143	–	47,766	16,377	64,143

	Weighted average interest rate	Carrying amount	On demand	Within 1 year	Over 1 year	Total undiscounted cash flows
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2012						
Financial assets						
Trade receivables	–	58,355	–	58,355	–	58,355
Pledged bank deposits	–	1,050	–	1,050	–	1,050
Cash and bank balances	–	25,711	25,711	–	–	25,711
		85,116	25,711	59,405	–	85,116
Financial liabilities						
Trade, bills, other payables and accruals	–	42,864	–	42,864	–	42,864
Bank borrowings	6.000	15,000	–	15,000	–	15,000
Amount due to immediate holding company	–	16,285	–	–	16,285	16,285
		74,149	–	57,864	16,285	74,149

	Weighted average interest rate	Carrying amount	On demand	Within 1 year	Over 1 year	Total undiscounted cash flows
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 August 2013						
Financial assets						
Trade receivables	–	75,568	–	75,568	–	75,568
Pledged bank deposits		1,565	–	1,565	–	1,565
Cash and bank balances	–	46,662	46,662	–	–	46,662
		123,795	46,662	77,133	–	123,795
Financial liabilities						
Trade, bills, other payables and accruals	–	70,047	–	70,047	–	70,047
Bank borrowings	6.000	15,000	–	15,000	–	15,000
		85,047	–	85,047	–	85,047

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

Regarding the cash flow interest rate risk, the sensitivity analysis set out below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For variable rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the three years ended 31 December 2010, 2011 and 2012 and eight months ended 31 August 2012 and 2013 would decrease/increase by approximately RMB38,000, RMB48,000, RMB75,000, RMB51,000 (unaudited) and RMB51,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The main operations of the Group were in the PRC and most of the transactions were denominated in RMB. The Company did not use any derivative financial instruments to hedge for its foreign exchange risk exposure during the Track Record Period.

The foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In terms of the Group's revenue structure, a majority of the business transactions are denominated in RMB, and the proportion of foreign currency transactions are not significant to the Group.

The directors consider that the currency risk of the Group's operations is immaterial due to the relatively low proportion of the Group's foreign currency denominated assets, liabilities, income and expense, as compared to the Group's total assets, liabilities, income and expense. Hence, no further analysis is presented.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable at the end of each reporting period.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Group's statements of financial position approximate to their fair values.

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

There were no transfer between Level 1 and 2 in the Track Record Period.

Capital risk management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

The directors monitor capital using a gearing ratio, which is total debts divided by total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods are as follows:

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total debts *(note)*	24,959	31,377	31,285	15,000
Total equity	23,515	43,694	78,013	117,113
Gearing ratio	106.1%	71.8%	40.1%	12.8%

Note: Total debts comprise of bank borrowings (note 26) and amount due to immediate holding company (note 27) respectively.

7. OPERATING SEGMENT

The Group currently operates in one operating segment which is the sales of paper-based packing products. The chief operating decision makers who allocates resources and assesses performance based on the results in the Track Record Period for the entire business comprehensively. Accordingly, the Group does not present separately segment information.

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales in the Track Record Period.

During the Track Record Period, all revenue is derived from customers in the PRC and all the non-current assets of the Group are located the PRC.

Included in revenue arising from sales of paper-based packing products for the years ended 31 December 2010, 2011 and 2012 and eight months ended 31 August 2012 and 2013 of approximately RMB10,512,000, RMB14,401,000, RMB23,316,000, RMB12,822,000 (unaudited) and RMB13,519,000 respectively which arose from sales to the Group's largest single customer. No other single customers contributed 10% or more to the Group's revenue for the years ended 31 December 2010, 2011 and 2012 and eight months ended 31 August 2012 and 2013.

8. TURNOVER

Turnover represents the net amounts received and receivable for goods sold, net of discounts and excludes value added tax.

An analysis of the Group's turnover is as follows:

	For the year ended 31 December			For the eight months ended 31 August	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Flexo-printed cartons	92,421	138,184	197,086	112,278	139,235
Offset-printed cartons					
– Traditional paper-based cartons	40,577	55,749	83,467	47,866	78,881
– Stone-paper based cartons	–	–	–	–	45
	132,998	193,933	280,553	160,144	218,161

9. OTHER REVENUE

	For the year ended 31 December			For the eight months ended 31 August	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Sales of residual materials	372	512	737	340	322
Bank interest income	21	79	100	44	89
	393	591	837	384	411

10. OTHER INCOME

	For the year ended 31 December			For the eight months ended 31 August	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Government subsidies *(Note a)*	–	–	610	–	–
Tax concession *(Note b)*	1,018	2,300	3,290	2,204	5,489
Sundry income	1	–	3	–	–
	1,019	2,300	3,903	2,204	5,489

Notes:

(a) Government subsidies represent the financial subsidies given by the local government to encourage the Group's operation in the PRC.

(b) Tax concession represents another kind of government subsidiary given by the local government with reference to the amount of value-added tax, land use tax and enterprise income tax paid in the PRC.

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	For the year ended 31 December			For the eight months ended 31 August	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Staff costs:					
Employee benefit expense (including directors' remuneration *(Note 12)*):					
Wages and salaries	8,588	10,997	13,422	8,039	9,666
Retirement benefit schemes contributions	784	1,297	1,510	1,005	1,427
	9,372	12,294	14,932	9,044	11,093
Other items:					
Cost of inventories sold	108,820	157,446	221,291	127,923	168,572
Depreciation of property, plant and equipment *(Note 17)*	3,055	3,490	3,543	2,364	2,387
Auditors' remuneration	6	8	10	10	11
Amortisation of prepaid lease payments *(Note 18)*	60	60	60	40	40
Impairment loss on trade receivables	–	–	95	–	–
Research and development costs	632	1,852	2,197	1,627	2,363

12. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS

(a) Directors' emoluments

Details of directors' emoluments are as follows:

	For the year ended 31 December			For the eight months ended 31 August	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	575	892	961	250	373
Retirement benefit schemes contributions	3	5	6	4	6
Total	578	897	967	254	379

(b) Independent non-executive directors' emoluments

The fees paid to independent non-executive directors during the Track Record Period were as follows:

	For the year ended 31 December			For the eight months ended 31 August	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Liu Da Jin	–	–	–	–	–
Ma Yiu Ho, Peter	–	–	–	–	–
Wu Ping	–	–	–	–	–
	–	–	–	–	–

(c) Executive directors' emoluments

	Fees	**Salaries, allowances and other benefits in kind**	**Retirement benefit scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2010				
Mr. Sun	–	440	–	440
Hu Li Yu	–	–	–	–
Chen Wei Wei	–	135	3	138
	–	575	3	578
For the year ended 31 December 2011				
Mr. Sun	–	700	–	700
Hu Li Yu	–	24	–	24
Chen Wei Wei	–	168	5	173
	–	892	5	897
For the year ended 31 December 2012				
Mr. Sun	–	720	–	720
Hu Li Yu	–	48	–	48
Chen Wei Wei	–	193	6	199
	–	961	6	967

	Fees	Salaries, allowances and other benefits in kind	Retirement benefit scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the eight months ended 31 August 2012 (unaudited)				
Mr. Sun	–	100	–	100
Hu Li Yu	–	32	–	32
Chen Wei Wei	–	118	4	122
	–	250	4	254
For the eight months ended 31 August 2013				
Mr. Sun	–	190	–	190
Hu Li Yu	–	32	–	32
Chen Wei Wei	–	151	6	157
	–	373	6	379

The Group does not have any chief executive officer during the Track Record Period.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

(d) Five highest paid employees

The five highest paid employees of the Group during the Track Record Period are analysed as follows:

	For the year ended 31 December			For the eight months ended 31 August	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Directors	578	873	919	222	347
Non-directors	438	666	1,008	632	731
	1,016	1,539	1,927	854	1,078

Details of the remuneration of the non-director, being the five highest paid employees during the Track Record Period are as follows:

	For the year ended 31 December			For the eight months ended 31 August	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, allowances and benefits in kind	428	656	1,002	628	725
Retirement benefit schemes contributions	10	10	6	4	6
	438	666	1,008	632	731

The number of these non-directors, being the five highest paid employees whose remuneration fell within the following band is as follows:

	For the year ended 31 December			For the eight months ended 31 August	
	2010	**2011**	**2012**	**2012**	**2013**
				(Unaudited)	
Nil to HK$1,000,000	3	3	3	3	3

Included in the five highest paid employees, the number of senior management (being the non-directors employees) whose remuneration fell within the following band is as follows:

	For the year ended 31 December			For the eight months ended 31 August	
	2010	**2011**	**2012**	**2012**	**2013**
				(Unaudited)	
Nil to HK$1,000,000	1	1	1	1	1

Note: The band was denominated in Hong Kong Dollars ("HK$") and the remunerations of the respective employees was translated at the average rate of RMB to HK$ for each year/period for the disclosure purpose.

During the Track Record Period, no emoluments were paid by the Group to the non-directors, being the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the non-directors, highest paid employees waived or agreed to waive any emoluments during the Track Record Period.

13. FINANCE COSTS

	For the year ended 31 December			For the eight months ended 31 August	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest expenses on bank borrowings wholly repayable within one year	439	524	1,080	760	608

14. TAXATION

	For the year ended 31 December			For the eight months ended 31 August	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
PRC Enterprise Income Tax					
Current tax	1,786	2,658	4,753	2,315	8,293
Under provision in prior year	–	194	413	413	678
Total income tax recognised in profit or loss	1,786	2,852	5,166	2,728	8,971

No deferred tax has been provided for as there were no material temporary differences.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period. No Hong Kong profits tax is provided for as the Group does not have any assessable profit from the Group's operation located in Hong Kong.

The PRC subsidiary is subject to the PRC Enterprise Income Tax at 25% during the Track Record Period. Pursuant to the then relevant laws and regulations in the PRC, the qualified PRC subsidiary was entitled to exemption from PRC income tax for two years commencing from its first profit-making year of operation and thereafter it will be entitled to a 50% relief from PRC enterprise income tax for the following three years. The first profit-making year of the PRC subsidiary was the statutory financial year ended 31 December 2008.

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	For the year ended 31 December						For the eight months ended 31 August			
	2010		2011		2012		2012		2013	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Profit before tax	14,665		22,445		39,388		19,401		31,779	
Tax at PRC Enterprise Income Tax rate of 25%	3,667	25.0	5,612	25.0	9,848	25.0	4,850	25.0	7,945	25.0
Preferential income tax treatments	(1,786)	(12.2)	(2,658)	(11.8)	(4,753)	(12.1)	(2,316)	(11.9)	–	–
Tax effect of income not taxable for tax purpose	(95)	(0.6)	(296)	(1.4)	(342)	(0.9)	(219)	(1.1)	(748)	(2.4)
Tax effect of expenses not deductible for tax purpose	–	–	–	–	–	–	–	–	1,096	3.4
Under provision in prior year/period	–	–	194	0.9	413	1.1	413	2.1	678	2.2
Tax charge for the year/period	1,786	12.2	2,852	12.7	5,166	13.1	2,728	14.1	8,971	28.2

15. DIVIDENDS

No dividends was paid or declared during the Track Record Period.

16. EARNINGS PER SHARE

The calculation of basic earnings per share for the Track Record Period is based on the profit attributable to owners of the Company for the Track Record Period and on the assumptions that 100 issued ordinary shares and 599,999,900 ordinary shares to be issued pursuant to the capitalisation issue, comprising 600,000,000 shares in issue as at the date of this prospectus as described in the section headed "Share Capital" to the Prospectus, as if the shares were outstanding throughout the entire Track Record Period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the Track Record Period.

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Machinery	Computer and office equipment	Motor vehicles	Buildings	Construction-in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2010	19,875	166	372	20,593	–	41,006
Additions	4,988	105	–	–	–	5,093
At 31 December 2010 and 1 January 2011	24,863	271	372	20,593	–	46,099
Additions	414	225	188	–	–	827
At 31 December 2011 and 1 January 2012	25,277	496	560	20,593	–	46,926
Additions	546	39	–	–	19,375	19,960
At 31 December 2012 and 1 January 2013	25,823	535	560	20,593	19,375	66,886
Additions	1,064	16	–	–	7,735	8,815
At 31 August 2013	26,887	551	560	20,593	27,110	75,701
Accumulated depreciation						
At 1 January 2010	3,960	99	229	2,121	–	6,409
Charge for the year	1,972	34	71	978	–	3,055
At 31 December 2010 and 1 January 2011	5,932	133	300	3,099	–	9,464
Charge for the year	2,369	67	76	978	–	3,490
At 31 December 2011 and 1 January 2012	8,301	200	376	4,077	–	12,954
Charge for the year	2,445	74	46	978	–	3,543
At 31 December 2012 and 1 January 2013	10,746	274	422	5,055	–	16,497
Charge for the period	1,663	48	24	652	–	2,387
At 31 August 2013	12,409	322	446	5,707	–	18,884
Carrying amounts						
At 31 December 2010	18,931	138	72	17,494	–	36,635
At 31 December 2011	16,976	296	184	16,516	–	33,972
At 31 December 2012	15,077	261	138	15,538	19,375	50,389
At 31 August 2013	14,478	229	114	14,886	27,110	56,817

Assets pledged as security

Buildings with a carrying amount of approximately RMB17,494,000, RMB16,516,000, RMB15,538,000 and RMB14,886,000 as at 31 December 2010, 2011 and 2012 and 31 August 2013 have been pledged to secure bank borrowings (Note 26) granted to the Group.

18. PREPAID LEASE PAYMENTS

Prepaid lease payments represent prepayment by the Group for the land use rights located in the PRC which are held on leases for 50 years.

	As at 31 December			As at 31 August
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed for reporting purposes as:				
Current assets (included in prepayments)	60	60	60	60
Non-current assets	2,614	2,554	2,495	2,455
	2,674	2,614	2,555	2,515

Amortisation on prepaid lease payments of approximately RMB60,000, RMB60,000, RMB60,000, RMB40,000 (unaudited) and RMB40,000 have been charged to the administrative expenses in profit or loss for the years ended 31 December 2010, 2011 and 2012 and for the eight months ended 31 August 2012 and 2013 respectively.

Prepaid lease payments with a carrying amount of approximately RMB2,674,000, RMB2,614,000, RMB2,555,000 and RMB2,515,000 as at 31 December 2010, 2011 and 2012 and 31 August 2013 have been pledged to secure bank borrowings (Note 26) granted to the Group.

19. INVENTORIES

The Group

	As at 31 December			As at 31 August
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	6,041	9,274	12,188	4,949
Work in progress	592	1,293	2,382	1,053
Finished goods	1,202	1,507	1,364	868
	7,835	12,074	15,934	6,870

20. TRADE RECEIVABLES

The Group

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	40,691	41,085	58,450	75,568
Less: Provision for impairment loss on trade receivables	–	–	(95)	–
	40,691	41,085	58,355	75,568

The following is an analysis of trade receivables by age, presented based on the invoice date. The analysis below is net of allowance for doubtful debts:

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	20,425	21,705	31,318	39,601
31 – 60 days	19,661	18,396	27,037	35,967
61 – 90 days	495	874	–	–
Over 365 days, but less than 720 days	110	–	–	–
More than 720 days	–	110	–	–
	40,691	41,085	58,355	75,568

The average credit period on sales of goods is 60 days. No interest is charged on trade receivables for the first 60 days from the date of the invoice. Thereafter, penalty may be charged at 3% per day on the outstanding balance over the granted credit period. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Company does not hold any collaterals or other credit enhancements over these balances.

Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Of the trade receivables balance as at 31 December 2010, 2011, 2012 and 31 August 2013, approximately RMB3,411,000, RMB2,238,000, RMB6,644,000 and RMB5,178,000 is due from the group's largest customer. At 31 December 2010, 2011, 2012 and 31 August 2013, the number of customers who represent more than 5% of the total balance of trade receivables is 5, 5, 4 and 5 respectively and amounted to approximately RMB13,527,000, RMB13,968,000, RMB18,121,000 and RMB22,780,000 in total respectively.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due as at 31 December 2010, 2011, 2012 and 31 August 2013 which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

The following is an analysis of trade receivables past due but not impaired.

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Over 365 days, but less than 720 days	110	–	–	–
More than 720 days	–	110	–	–
	110	110	–	–

Movement in the allowance for doubtful debts

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the year/period	–	–	–	95
Impairment losses recognised on trade receivables	–	–	95	–
Amount written off during the year/period as uncollectible	–	–	–	(95)
Balance at end of year/period	–	–	95	–

Aged of impaired trade receivables

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Over 365 days, but less than 720 days	–	–	45	–
More than 720 days	–	–	50	–
	–	–	95	–

21. PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid lease payments	60	60	60	60
Prepayments and other receivables	24	193	33	1,671
	84	253	93	1,731

22. AMOUNT DUE FROM MR. SUN

The Group

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Sun	–	6,950	–	–

The amount due from Mr. Sun was unsecured, interest-free and recoverable on demand.

The maximum amounts due from Mr. Sun outstanding during the years ended 31 December 2010, 2011 and 2012 and the eight months ended 31 August 2013 were approximately nil, RMB6,950,000, nil and nil respectively.

23. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES

Pledged bank deposits represent deposits pledged to banks to secure bills payables granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bills payables (Note 24).

The cash and bank balances as at 31 December 2010, 2011 and 2012 and at 31 August 2013 were all denominated in RMB and are subject to the foreign exchange control restrictions imposed by the government of the PRC.

Bank balances carry interest at market rates per annum are approximately 0.36%, 0.36% to 0.5%, 0.35% to 0.44%, 0.5% and 0.35% for the years ended 31 December 2010, 2011 and 2012 and eight months ended 31 August 2012 and 2013 respectively.

24. TRADE, BILLS, OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	30,022	29,340	34,378	60,447
Bills payable	–	–	1,050	1,565
Accruals	2,466	3,270	5,085	7,138
Other payables	615	156	2,351	897
	33,103	32,766	42,864	70,047

An aged analysis of the trade payables, based on invoice date, is as follows:

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	16,508	17,860	16,226	31,146
31 – 60 days	13,514	11,480	18,152	29,301
	30,022	29,340	34,378	60,447

The average credit period on purchases of certain goods is 60 days. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

As at 31 December 2012 and 31 August 2013, the bill payables of approximately RMB1,050,000 and RMB1,565,000 was secured by the bank deposits respectively (Note 23).

25. AMOUNT DUE TO MR. SUN

The Group

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Sun	6,050	–	–	–

The amount due to Mr. Sun was unsecured, interest-free and repayable on demand.

26. BANK BORROWINGS

The Group

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured	8,000	15,000	15,000	15,000

The short-term bank loans were repayable within one year from the end of the reporting period.

The ranges of effective interest rates (which are equal to the contracted interest rates) on bank borrowings are as follows:

	As at 31 December			As at 31 August
	2010	2011	2012	2013
Floating rate	5.31% to 5.841%	5.31% to 7.544%	6.0% to 7.544%	6.0%
Fixed rate	N/A	N/A	6.0%	6.0%

27. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

Amount due to immediate holding company is unsecured, interest free and no fixed terms of repayment. The immediate holding company confirmed that it will not demand for repayment within the next twelve months after the reporting period. Such amount was fully capitalised pursuant to the Reorganisation.

28. CAPITAL AND RESERVES

(a) Share capital

The Group

For the purpose of the presentation of the consolidated statements of financial position, the balance of share capital as at 31 December 2010, 2011 and 2012 represents the issued share capital of Big Wealth prior to the completion of Reorganisation.

As at 31 August 2013, the share capital represents the issued share capital of the Company.

The Company

(i) The Company was incorporated on 12 July 2013 in the Cayman Islands under the Companies Law, as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Following its incorporation, one subscriber's share of HK$0.01 was allotted and issued as fully paid and was transferred to Novel Blaze.

(ii) On 26 August 2013, Novel Blaze credited and fully paid up the nil-paid subscriber share of HK$0.01.

(iii) On 26 August 2013, the Company, through Rich Kirin, acquired the entire issued share capital of Big Wealth from Sino Hi-Tech, in consideration of which, the Company allotted and issued 77 shares to Novel Blaze, 5 shares to Zhen Xing, 5 shares to Celestial Key and 12 shares to Profit Rocket.

(iv) As at 31 August 2013, the authorised share capital of the Company was 38,000,000 shares of HK$0.01 each and the issued share capital of the Company was 100 shares of HK0.01 each, which was allotted and issued as fully paid.

(b) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiary established in the PRC are required to provide for PRC statutory reserve, by way of transfer 10% of the profit after taxation to the statutory reserve until such reserve reaches 50% of the registered Capital of the PRC Subsidiary. Subject to the certain restrictions set out in the Company Law of the PRC, part of the statutory reserve may converted to increase paid-up capital/issued capital of the PRC subsidiary, provided that the remaining balance after capitalisation is not less than 25% of the registered capital. The statutory reserve of the PRC subsidiary was RMB2,192,000, RMB4,171,000, RMB7,635,000 and RMB7,635,000 as at 31 December 2010, 2011, 2012 and 31 August 2013 respectively.

(c) Exchange reserve

Exchange reserve comprise all foreign exchange difference arising from the translation of the financial statements of operations that have functional currency other than RMB which are dealt with in accordance with the accounting policies as set out in Note 4.

(d) Other reserve

Other reserve represented the difference between the Group's share of nominal value of the paid-up capital of the subsidiary acquired over the Group's cost of acquisition of the subsidiary under common control upon Reorganisation as detailed in Note 2.

29. INTERESTS IN SUBSIDIARIES

Details of the Company's subsidiaries, all of which are wholly owned by the Company, as at 31 December 2010, 2011 and 2012 and 31 August 2013 are as follows:

Name of subsidiaries	Incorporation establishment and operation	Issued share capital/ registered capital at the date of this report	Percentage of attributable equity interest and voting power held by the Company — As at 31 December 2010	2011	2012	As at 31 August 2013	As the date of this report	Principal activities
Rich Kirin	The BVI, 13 June 2013	US$1	N/A	N/A	N/A	N/A	100%	Investment holding
Big Wealth	The BVI, 18 November 2005	US$100	100%	100%	100%	100%	100%	Investment holding
HongSheng	The PRC, 29 November 2005	HK$20,000,000	100%	100%	100%	100%	100%	Sales of packing materials

30. PLEDGED ASSETS

Assets with the following carrying amounts have been pledged to secure bank borrowings (Note 26) and bill payable (Note 24) of the Group.

	As at 31 December 2010	2011	2012	As at 31 August 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings *(Note 17)*	17,494	16,516	15,538	14,886
Prepaid lease payments *(Note 18)*	2,674	2,614	2,555	2,515
Pledged bank deposits *(Note 23)*	–	–	1,050	1,565
	20,168	19,130	19,143	18,966

31. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Prospectus, the Group had entered into the following related party transactions, which in the opinion of the directors of the Company, were carried out on normal commercial terms and in the ordinary course of the Group.

(a) Compensation of key management personnel of the Group, including director's remuneration as detailed in Note 12 above.

	For the year ended 31 December 2010	2011	2012	For the eight months ended 31 August 2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	743	1,073	1,543	599	616
Retirement benefit schemes contributions	7	10	12	8	18
Total	750	1,083	1,555	607	634

32. COMMITMENTS

Capital commitment

	As at 31 December			As at 31 August
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction-in-progress	–	–	5,000	3,000
Property, plant and equipment	–	–	–	1,489
	–	–	5,000	4,489

Other commitment

For the year ended 31 December 2011, the Group had entered into an agreement with development entity for five years with an annual charge of RMB600,000, for (i) improving the efficiency of production process and the productivity of our machinery equipment and; (ii) saving cost and resources; (iii) the development of new products, with a special focus on the production of stone-paper packaging products and (iv) the enhancement of our ability in production technologies and techniques in satisfying a wide range of customer requirements in a cost efficient and profitable manner.

33. NON-CASH TRANSACTION

During the eight months ended 31 August 2013, the amount due to immediate holding company was settled through the issuance of shares of Big Wealth during the process of Reorganisation.

III. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Prospectus, the Group's major subsequent events included the followings:

(a) Pursuant to written resolutions of the Existing Shareholders of the Company passed on 13 December 2013:

(i) the authorised share capital of the Company was increased from HK$380,000 to HK$80,000,000 by the creation of an additional 7,962,000,000 Shares ranking pari passu with the existing Shares in all respects.

(ii) conditional on the conditions as set out in the section headed "Structure and Conditions of the Share Offer" of this prospectus:

(1) the Share Offer and the Offer Size Adjustment Option were approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares which may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option; and

(2) the share premium account of our Company was approved to be credited as a result of the issue of the Offer Shares pursuant to the Share Offer; and conditional on the share premium account of our

Company being credited as a result of the issue of Offer Shares pursuant to the Share Offer, an amount of HK$5,999,999 (then standing to the credit of the share premium account of our Company) be capitalised and applied in full at par value of a total of 599,999,900 Shares for allotment and issue to the following Shareholders of record as at 13 December 2013 in the following manner *pro rata* to their current holdings:

Shareholder	**No. of Shares to be issued**
Novel Blaze	467,999,900
Celestial Key	72,000,000
Profit Rocket	30,000,000
Zhen Xing	30,000,000
	599,999,900

(3) conditional further on the Listing Committee of The Stock Exchange granting approval of the listing of a permission to deal in the Shares to be issued pursuant to the Share Option Scheme, the Share Option Scheme was approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme;

(4) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of shares upon the exercise of any subscription rights attached to any warrants of the Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of the subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of the Company in lieu of the whole or part of a dividend on shares in accordance with the articles of association of the Company or a specific authority granted by the shareholders in general meeting, shares with a total nominal value not (1) exceeding 20% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options

which may be granted under the Share Option Scheme); and (2) the aggregate nominal value of shares repurchased under the Repurchase Mandate as defined in paragraph (v) below, such mandate to remain in effect until whichever is the earliest of:

– the conclusion of the next annual general meeting of the Company;

– the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles of Association or any applicable laws of the Cayman Islands; or

– the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate; and

(5) a general unconditional mandate (the "Repurchase Mandate") was given to the Directors to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the 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 of the total nominal value of the share capital of the Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest of:

– the conclusion of the next annual general meeting of the Company;

– the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles of Association or any applicable laws of the Cayman Islands; or

– the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate.

(iii) the new articles of association of the Company were conditionally approved and adopted.

(b) The Company's independent non-executive directors, Mr. Liu Da Jin, Mr. Ma Yiu Ho, Peter and Mr. Wu Ping were appointed on 13 December 2013.

(c) On 24 October 2013, the Company entered into a co-operation agreement with the School of Printing and Packaging of Wuhan University related to the technological research and development on the innovative applications of stone-paper in packaging. Please refer to "Business" section to this Prospectus for details.

(d) On 24 October 2013, the Company entered into an internship agreement with. Wuhan University whereby Wuhan University can set up an internship base in Fengxin Plant. Please refer to "Business" section to this Prospectus for details.

(e) On 4 December 2013, the Company changed its name from "China Environmental Packaging New Energy Limited" to "China Packaging Holdings Development Limited".

(f) On 17 December 2013, the Company entered into a tenancy agreement with an independent third party as landlord to which the Company agreed to lease an office premise situated at Unit 2, 7th Floor, Wah Hing Commercial Building, 283 Lockhart Road, Hong Kong.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 August 2013.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number.: P05029

Hong Kong

The information set forth in this appendix does not form part of the accountants' report prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountants' report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set forth here to illustrate the effect of the Share Offer on our net tangible assets as of 31 August 2013 as if it had taken place on 31 August 2013.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature it may not give a true picture of our consolidated net tangible assets as of 31 August 2013 as derived from our consolidated financial statements set forth in the accountants' report in Appendix I, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the accountants' report as set forth in Appendix I to this prospectus.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2013	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
		(Note 1)		*(Note 2)*	*(Note 3)*
Based on the Offer Price of HK$0.4 per share	117,113	49,714	166,827	0.21	0.26
Based on the Offer Price of HK$0.6 per share	117,113	77,838	194,951	0.24	0.31

Notes:

1. The estimated net proceeds from the Share Offer are based on the total number of 200,000,000 Offer Shares and the price range of HK$0.4 and HK$0.6 per share, after deduction of underwriting fees and related expenses payable by the Company which has not been reflected in the net tangible assets of our Group as at 31 August 2013 and take no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme. The estimated net proceeds from the Share offer are converted into Renminbi at an exchange rate of HK$1 to RMB0.79, the prevailing exchange rate on 23 August 2013.

2. The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after the adjustments referred to above and on the basis that 800,000,000 shares (including shares in issue as at 31 August 2013, shares under the Capitalization Issue and the Share Offer) are in issue and that the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme are not exercised.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group per share is converted into Hong Kong Dollar at an exchange rate of approximately RMB0.79 to HK$1, the prevailing exchange rate on 23 August 2013.

4. No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 August 2013.

B. LETTER FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus, in connection with the unaudited pro forma financial information.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

27 December 2013

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN INVESTMENT CIRCULAR

TO THE DIRECTORS OF CHINA PACKAGING HOLDINGS DEVELOPMENT LIMITED

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of China Packaging Holdings Development 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 pro forma net tangible assets statement as at 31 August 2013, and related notes as set out on pages II-1 to II-2 of the prospectus (the "Prospectus") dated 27 December 2013 issued by the Company. The applicable criteria on the basis of which the directors have complied the Unaudited Pro Forma Financial Information are described in Appendix II of the prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed placing and public offer (the "**Share Offer**") on the Group's consolidated net tangible assets as at 31 August 2013 as if the Share Offer had taken place at 31 August 2013. As part of this process, information about the Group's consolidated net tangible assets has been extracted by the directors from the Group's financial statements for the eight months ended 31 August 2013, on which an accountants' report has been published.

Directors' Responsibilities 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").

Reporting Accountants' 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 (HKSAE) 3420, 'Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus', issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform 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 the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 August 2013 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 accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, 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 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.

Yours faithfully,

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong

The following is the text of letter and valuation certificates, prepared for the purpose of incorporation in this prospectus, received from Grant Sherman Appraisal Limited, an independent property valuer, in connection with their valuation as at 31 October 2013 of the property interest held by the Group in the People's Republic of China.

GRANT SHERMAN

Unit 1005, 10/F., AXA Centre,
151 Gloucester Road,
Wanchai,
Hong Kong

27 December 2013

The Directors
China Packaging Holdings Development Limited
Hong Sheng Industrial Park,
Fengxin Fengtian Development District,
Fengxin County,
Yichun City,
Jiangxi Province,
the People's Republic of China

Dear Sirs,

In accordance with your instructions for us to value the property interest to be held by China Packaging Holdings Development Limited (the "Company") and its subsidiaries (together referred to as the "Group") in the People's Republic of China ("the PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest as at the 31 October 2013 ("date of valuation") for the purpose of incorporation into the prospectus issued by the Group on the date hereof.

Our valuation is our opinion of the market value of the property interest where we would define market value as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the property interest, we have adopted a combination of the market and replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the lands respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price in Fengxin County, Yichun City and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their replacement costs. The replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparables sales. The approach is subject to adequate potential profitability of the business.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the values of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

We have been provided with copies of extracts of title documents relating to the property in the PRC. However, we have not caused title searches to be made for the property interests at the relevant government bureaus in the PRC and we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest in the PRC, we have relied on the legal opinion ("the PRC legal opinion") provided by the Group's PRC legal adviser, Jingtian & Gongcheng.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the property and other relevant matter. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and have no reason to suspect that any material information has been withheld. All documents have been used for reference only. We consider that we have been provided with sufficient information to reach an informed view.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are approximations only. No on-site measurement has been taken.

We have inspected the exteriors and, where possible, the interiors of the property, in the course of our inspection, we did not note any serious defects. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services.

We have not carried out investigation to determine the suitability of the ground conditions or the services for any property developments to be erected thereon. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. Moreover, it is assumed that the utilization of the land and improvements will be within the boundaries of the sites held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exits, unless noted in the valuation certificate.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In valuing the property interest, we have fully complied with the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate adopted in valuing the property interest in the PRC as at 31 October 2013 was HK$1: RMB0.7901. There has been no significant fluctuation in the exchange rate for this currency against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith the valuation certificate.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED
Lawrence Chan Ka Wah
MRICS MHKIS RPS(GP) MHIREA
Director
Real Estate Group

Note: Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong institute of Surveyors and Registered Professional Surveyors in the General Practice Section, who has over 10 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim.

VALUATION CERTIFICATE

Property interests held by the Group for owner's occupation in the PRC

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2013 *(see note 3)*
The land parcels, buildings and structures and construction in progress located at Fengtian Industrial Area, Fengxin County, Yichun City, Jiangxi Province, the PRC	The property comprises 2 adjoining land parcels, various single to 5-storey buildings and structures completed in between 2006 and 2010 erected thereon together with construction in progress ("Phase II") The total site area and total gross floor area of the property are approximately 66,140 sq.m. and 17,534.36 sq.m. respectively. According to the Construction Land Planning Permit, the estimated total gross floor area of Phase II of the property is approximately 15,490 sq.m. and is estimated to be completed in first quarter of 2014. As advised by the Company, Phase II of the property will be subject to further development. The land use rights of the property were granted for various terms with the latest expiry date on 21 September 2055 for industrial use.	The property was occupied by the Group for industrial, office and ancillary uses as at the Valuation Date. Phase II of the property was under construction as at the date of valuation.	RMB22,150,000 (equivalent to approximately HK$28,030,000) **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 31 October 2013** RMB22,150,000 (equivalent to approximately HK$28,030,000)

Notes:

1. Pursuant to two State-owned Land Use Certificates (Document No.: Feng Guo Yong (2005) Nos. A1050323 and A1050354), the land use rights of the property with site areas of approximately 33,300 sq.m. and 32,840 sq.m. respectively were granted to Hong Sheng (Jiangxi) Color Printing Packaging Co., Ltd. for 50 years expiring on 18 March 2055 and 21 September 2055 respectively for industrial use.

2. Pursuant to five Building Ownership Certificates (Document Nos.: Feng Fang Quan Zhen Feng Zi Nos. 013484, 016445, 010623 and Feng Fang Quan Zhen Feng Xin Zi Nos. 20100845 and 20110108), the ownership of the buildings of the property with a total gross floor area of approximately 17,534.36 sq.m. are vested in Hong Sheng (Jiangxi) Color Printing Packaging Co., Ltd. The particulars are summarized as below:

Usage	**Approximate Gross Floor Area** *(sq.m.)*	**No. of Storey**	**Building Ownership Certificates** *(Document Nos.)*
Factory	4,945.23	1	Feng Fang Quan Zhen Feng Zi No. 013484
Boiler Room	123.46	1	Feng Fang Quan Zhen Feng Zi No. 013484
Electricity Room	76.93	1	Feng Fang Quan Zhen Feng Zi No. 013484
Factory	3,313.19	1	Feng Fang Quan Zhen Feng Zi No. 016445
Composite	2,791.88	4	Feng Fang Quan Zhen Feng Zi No. 010623
Factory	3,069.72	1	Feng Fang Quan Zhen Feng Xin Zi No. 20110108
Storeroom	554.78	1	Feng Fang Quan Zhen Feng Xin Zi No. 20110108
Office	2,659.17	5	Feng Fang Quan Zhen Feng Xin Zi No. 20100845
Total	**17,534.36**		

3. According to the information provided by the Group, as at date of valuation, Phase II of the property was under construction. The estimated total development cost (including construction cost) of Phase II is RMB40,000,000 and the total development cost (including the construction cost) incurred as at date of valuation is about RMB31,170,415. The total development cost of RMB31,170,415 (including the construction cost) incurred as at date of valuation is excluded in the market value.

4. The property was inspected by Mr Lawrence Chan Ka Wah (MRICS MHKIS RPS(GP) MHIREA) on 2 July 2013, the property was occupied by the Group for industrial, office and ancillary uses and the external condition of the property is reasonable. Phase II of the property was under construction as at date of valuation.

5. The property is situated at the north east side of Feng Tian Avenue, which is a newly developed industrial area concentrated with low-rise plants for light industries. The property is accessible by bus and taxi which is about an hour driving distance to Nanchang Changbei International Airport.

6. As advised by the Group, Hong Sheng (Jiangxi) Color Printing Packaging Co., Ltd. is a wholly-foreign owned enterprise established in the PRC and an indirectly wholly-owned subsidiary of the Company.

7. Pursuant to a Mortgage Agreement (Document No.: Feng Gong Liu Di (2011) 028) entered into between Hong Sheng (Jiangxi) Color Printing Packaging Co., Ltd. ("Mortgagor") and China Construction Bank, Fengxin Branch ("Mortgagee"), the land use rights of the property stated in Note 1 and the buildings stated in Note 2 are subject to a maximum loan amount of RMB 15,000,000 for a term commencing from 7 November 2011 and expiring on 7 November 2014.

8. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Jingtian & Gongcheng, which contains, inter alia, the following information:

   (a) The land parcels stated in Note 1 above with a total site area of approximately 66,140 sq.m. and building stated in Note 2 above with a total gross floor area of approximately 17,534.36 sq.m. were held by Hong Sheng (Jiangxi) Color Printing Packaging Co., Ltd.;

   (b) The land parcels and the buildings stated in Notes 1 and 2 are subject to a Mortgage Agreement (Document No.: Feng Gong Liu Di (2011) 028) entered into between Hong Sheng (Jiangxi) Color Printing Packaging Co., Ltd. and China Construction Bank, Fengxin Branch;

(c) Subject to the written consent from the Mortgagee, Hong Sheng (Jiangxi) Printing & Packaging Company Limited is entitled to transfer, lease, mortgage, and occupy these two land parcels stated in Note 1 and the buildings stated in Note 2 of the property;

(d) The major legal documents obtained as summarized below:

1.	State-owned Land Use Certificates	Yes
2.	Building Ownership Certificates	Yes
3.	Construction Land Planning Permit	Yes
4.	Construction Work Commencement Permit	Yes
5.	Construction Work Planning Permit	Yes

9. In the course of our valuation of the land portion of the property, we have adopted direct comparison approach, reference has been made to the sales evidence as available to us in the locality. The sales evidence are summarized as below:

Location	**Site Area** *(sq.m.)*	**Consideration** *(RMB)*	**Unit rate**	**Date of transaction**	**Use**
The South of Mingzhu Avenue, Fengxin Industrial Area, Fengxin County, Yichun City, Jiangxi Province, the PRC	12,027	725,000	60	25 January 2013	Industrial
The Right Portion of Fenggan Expressway, Fengxin County, Yichun City, Jiangxi Province, the PRC	42,100	2,530,000	60	18 January 2013	Industrial
Chian Huanxi Village, Fengxin County, Yichun City, Jiangxi Province, the PRC	6,667	402,500	60	15 October 2012	Industrial
The junction between the west of Yuanqu 10th Road and the north of Fuda Road, Fengxin Industrial Area, Fengxin County, Yichun City, Jiangxi Province, the PRC	57,953	3,479,000	60	22 August 2012	Industrial
The junction between the east of Yuanqu 9th Road and the south of Guangyuan Road, Fengxin Industrial Area, Fengxin County, Yichun City, Jiangxi Province, the PRC	26,893	1,614,000	60	22 August 2012	Industrial
The junction between the west of Yuanqu 1st Road and the north of Xingye Road, Fengxin Industrial Area, Fengxin County, Jiangxi Province, the PRC	17,360	1,043,000	60	22 August 2012	Industrial

The sales evidence above are the industrial land parcels located in the same county of the subject property and transacted within 2 years from the date of valuation.

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 company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 July 2013 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that 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) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 13 December. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and 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). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not 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

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, 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 Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any 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 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.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, 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 of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, 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, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for 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 associate(s) has 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 contract or arrangement 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 associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his 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; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only 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 held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such 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 may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed 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. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period 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 may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) 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;

(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.

The board may from time to time 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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, 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.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think 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 an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of 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 thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue 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 will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The 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) Special resolution-majority required

Pursuant to 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, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), 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 shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts 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 property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office 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 accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall 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 ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that 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 and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed 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 transferee in any case in which it thinks fit, in its discretion, 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 in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon 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 transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse 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 incentive scheme for employees 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 recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept 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 registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the 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 requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, 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.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

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 but 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 according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend 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. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest 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, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their 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 moneys 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.

All dividends or bonuses 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 or bonuses unclaimed for six years after having been declared may be forfeited by the board and 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.

(n) 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls 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). A call may be made payable either in one lump sum or by installments. 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 twenty per cent. (20%) per annum as the board may agree to accept 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 monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating 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, notwithstanding, 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) 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, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles 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.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) 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, 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, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the 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. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (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 year period, 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 Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (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.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. 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 authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The 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 (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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 business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes 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

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, 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.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association 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 section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the 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 paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of 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.

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.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 30 July 2013.

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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the 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.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, 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 the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up 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. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

(q) 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, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation and registration under Part XI of the Companies Ordinance

Our Company was incorporated as an exempted company in the Cayman Islands under the Companies Law on 12 July 2013. Our Company was formerly known as China Environmental Packaging New Energy Limited（中國環保包裝新能源有限公司）and changed our name to China Packaging Holdings Development Limited（中華包裝控股發展有限公司）with the Registrar of Companies in the Cayman Islands on 4 December 2013 and with the Registrar of Companies in Hong Kong on 17 December 2013. Our Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established our principal place of business in Hong Kong at Unit 2, 7th Floor, Wah Hing Commercial Building, 283 Lockhart Road, Wanchai, Hong Kong and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 30 September 2013, with Mr. Hu Chung Ming appointed as the authorised representative of our Company for acceptance of service of process in Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to the Companies Law. Its constitution comprises the Memorandum of Association and Articles of Association. A summary of various provisions of the Memorandum of Association and Articles of Association and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

(a) The authorised share capital of our Company as at the date of its incorporation was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Following its incorporation, one subscriber's share of HK$0.01 was allotted and issued as fully paid to Codan Trust Company (Cayman) Limited. On 12 July 2013, the one share of HK$0.01 was transferred to Novel Blaze.

(b) Pursuant to written resolutions of our Existing Shareholders passed on 13 December 2013, the authorised share capital of our Company was increased from HK$380,000 to HK$80,000,000 by the creation of a further 7,962,000,000 Shares.

(c) Immediately following the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK$8,000,000 divided into 800,000,000 Shares fully paid or credited as fully paid and 7,200,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(d) Save as aforesaid, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of our Existing Shareholders passed on 13 December 2013

Pursuant to the written resolutions of our Existing Shareholders passed on 13 December 2013:

(a) the authorised share capital of our Company was increased from HK$380,000 to HK$80,000,000 by the creation of an additional 7,962,000,000 Shares ranking pari passu with the existing Shares in all respects;

(b) conditional on the conditions as set out in the section headed "Structure and Conditions of the Share Offer" of this prospectus:

(i) the Share Offer and the Offer Size Adjustment Option were approved and our Directors were authorised to allot and issue the Offer Shares and Shares which may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option;

(ii) the share premium account of our Company was approved to be credited as a result of the issue of the Offer Shares pursuant to the Share Offer; and conditional on the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Share Offer, an amount of HK$5,999,999 (then standing to the credit of the share premium account of our Company) be capitalised and applied in full at par value of a total of 599,999,900 Shares for allotment and issue to the following Shareholders of record as at 13 December 2013 in the following manner *pro rata* to their current holdings:

Shareholder	**No. of Shares to be issued**
Novel Blaze	467,999,900
Celestial Key	72,000,000
Profit Rocket	30,000,000
Zhen Xing	30,000,000
	599,999,900

(iii) conditional further on the Listing Committee granting approval of the listing of a permission to deal in the Shares to be issued pursuant to the Share Option Scheme, the Share Option Scheme was approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme;

(iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by our Shareholders in general meeting, Shares with a total nominal value not exceeding (1) 20% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme); and (2) the aggregate nominal value of Shares repurchased under the Repurchase Mandate as defined in paragraph (v) below, such mandate to remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of the Cayman Islands; or

(3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate; and

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase 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 such number of Shares as will represent up to 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of the Cayman Islands; or

(3) the passing of an ordinary resolution of our Shareholders in a general meeting revoking, varying or renewing such mandate.

(c) the new articles of association of our Company were conditionally approved and adopted.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. Following the Reorganisation, our Company became the holding company of our Group.

A diagram showing our Group structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the Share Offer (assuming that the Offer Size Adjustment Option is not exercised and no Share has been allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) is set out in the section headed "History and Development – Corporate reorganisation" of this prospectus.

Details of the Reorganisation undertaken are as follows:

(a) Big Wealth

(i) Big Wealth was incorporated under the laws of the BVI on 18 November 2005 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, of which one share was allotted and issued to Mr. Sun.

(ii) On 1 September 2010, one share of US$1.00 was transferred from Mr. Sun to Sino Hi-Tech.

(iii) On 26 August 2013, a loan due to Sino Hi-Tech from Big Wealth in an aggregate sum of HK$20,044,672.2 was capitalised by the allotment and issue of 99 shares of Big Wealth to Sino Hi-Tech at an aggregate subscription price of HK$20,044,672.2 and to set off the said subscription price pro tanto HK$20,044,672.2 in full.

(iv) On 26 August 2013, our Company, through Rich Kirin, acquired the entire issued share capital of Big Wealth from Sino Hi-Tech, in consideration of which, our Company allotted and issued 77 shares to Novel Blaze, 5 shares to Zhen Xing, 5 shares to Celestial Key and 12 shares to Profit Rocket.

(b) Rich Kirin

(i) Rich Kirin was incorporated under the laws of the BVI on 13 June 2013 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00 each.

(ii) On 12 July 2013, one share was allotted and issued as fully paid to our Company.

(c) Our Company

(i) Our Company was incorporated on 12 July 2013 and on the same date one nil-paid subscriber share of HK$0.01 was transferred to Novel Blaze.

(ii) On 26 August 2013, Novel Blaze credited and fully paid up the nil-paid subscriber share of HK$0.01.

(iii) On 26 August 2013, our Company, through Rich Kirin, acquired the entire issued share capital of Big Wealth from Sino Hi-Tech, in consideration of which, our Company allotted and issued 77 shares to Novel Blaze, 5 shares to Zhen Xing, 5 shares to Celestial Key and 12 shares to Profit Rocket.

(iv) On 13 December 2013, the authorised share capital of our Company was increased from HK$380,000 to HK$80,000,000 by the creation of a further 7,962,000,000 Shares.

5. Changes in share capital of subsidiaries of our Company

Our subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. In addition to the alterations mentioned in the section headed "Further information about our Company and our subsidiaries – Corporate reorganisation" in this Appendix, the following alterations in the share capital of each of our subsidiaries took place during the two years immediately preceding the date of this prospectus:

(a) Rich Kirin was incorporated under the laws of the BVI on 13 June 2013 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00.

(b) Big Wealth was incorporated under the laws of the BVI on 18 November 2005 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each.

(c) Hong Sheng was incorporated under the laws of the PRC on 29 November 2005 with a registered capital of HK$20,000,000.

Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

Save as set out above, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of our own securities

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

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the 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 (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by our Existing Shareholders on 13 December 2013, a general mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer. The general mandate will expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(ii) Source of funds

Any repurchases must be financed out of funds legally available for such purpose in accordance with the memorandum and articles of association of our Company and any applicable laws of the Cayman Islands.

(iii) Trading restrictions

A company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the Stock Exchange or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on the Stock Exchange if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) Status of repurchased securities

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares may be held as treasury shares or treated as cancelled and, if so cancelled, the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

Any securities repurchase programme is required to be suspended after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of a company's interim report, a company may not purchase its securities on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(vi) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:00 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Connected parties

Under the Listing Rules, a company shall not knowingly repurchase shares from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell his shares to the company.

(b) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the Listing, could accordingly result in up to 80,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force. On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, there might be a material adverse impact on the working capital and/or gearing position of our Group (as compared with the position disclosed in this prospectus). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(c) Reasons for repurchases

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

(d) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our memorandum and articles of association and the applicable laws and regulations of the Cayman Islands. A listed company is prohibited from repurchasing 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 law, any repurchases by our Company may be made out of profits of our Company or from sums standing to the credit of the share premium account of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorised by the articles of association of our Company and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company, or if authorised by our Articles of Association and subject to the Companies Law, out of capital.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the memorandum and the articles of association of our Company and the applicable laws of the Cayman Islands.

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

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

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

7. Summary of material contracts

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

(a) the Public Offer Underwriting Agreement;

(b) a deed of indemnity dated 13 December 2013 and entered into by the Controlling Shareholders in favour of our Group; and

(c) the Non-competition Deed.

8. Intellectual property rights

(a) Trademarks

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

No.	Trademark	Place of registration	Registration number	Name of registrant *(Notes)*	Class	Expiry date
1.		PRC	8370656	Hong Sheng	1	6 November 2021
2.		PRC	8370720	Hong Sheng	3	27 November 2021
3.		PRC	8370796	Hong Sheng	5	20 February 2022
4.		PRC	8370885	Hong Sheng	7	27 November 2021
5.		PRC	8370915	Hong Sheng	21	20 June 2021
6.		PRC	8370946	Hong Sheng	24	13 July 2021
7.		PRC	8371000	Hong Sheng	34	27 January 2022
8.		PRC	8371014	Hong Sheng	36	27 October 2021
9.		PRC	8371038	Hong Sheng	39	20 June 2021

Notes:

Class 1: Chemicals used in industry, science and photography, as well as in agriculture, horticulture and forestry; unprocessed artificial resins, unprocessed plastics; manures; fire extinguishing compositions; tempering and soldering preparations; chemical substances for preserving foodstuffs; tanning substances; adhesives used in industry.

Class 3: Bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps; perfumery, essential oils, cosmetics, hair lotions; dentifrices.

Class 5: Pharmaceutical and veterinary preparations; sanitary preparations for medical purposes; dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.

Class 7: Machines and machine tools; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); agricultural implements other than hand-operated; incubators for eggs.

Class 21: Household or kitchen utensils and containers; combs and sponges; brushes (except paint brushes); brush-making materials; articles for cleaning purposes; steelwool; unworked or semi-worked glass (except glass used in building); glassware, porcelain and earthenware not included in other classes.

Class 24: Textiles and textile goods, not included in other classes; bed and table covers.

Class 34: Tobacco; smokers' articles; matches.

Class 36: Insurance; financial affairs; monetary affairs; real estate affairs.

Class 39 Transport; packaging and storage of goods; travel arrangement.

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

No.	Trademark	Place of registration	Registration number	Class (*Notes*)	Date of application	Name of applicant
1.		Hong Kong	302717866	1, 3, 5, 7, 16, 21, 24, 34, 35, 36, 39, 40, 41, and 42	27 August 2013	Hong Sheng

Notes:

Class 1: Albuminized paper; industrial chemicals; chemical intensifiers for paper; reagent paper; sensitized paper; fax paper; adhesives for wallpaper; paper pulp; photographic paper; blueprint paper.

Class 3: Wallpaper cleaning preparations; polishing paper; abrasive paper; emery paper; laundry preparations; cosmetic kits; tissues impregnated with cosmetic lotions; dentifrice; incense; cosmetics for animals; vanilla oil.

Class 5: Paper for mustard plasters; depuratives; medicines for veterinary purposes; mothproofing preparations; sanitary napkins; tissues impregnated with pharmaceutical lotions; disinfectant wipes, surgical cloth; surgical tissues; adhesives for dentures.

Class 7: Papermaking machines; paper pulp pump; sanitary towel producing equipment; printing plates; printing presses; typographic machines; printing machines; three colour blank machines; making type tools; packaging machines; wrapping machines; diggers machines; excavators.

Class 16:	Paper, cardboard and goods made from these materials, not included in other classes; printed matter; corrugated board; cardboard articles; cartons; boxes of cardboard; boxes of paper; bags of paper; packing paper; printed publications; prospectuses; advertisement boards of paper; advertisement boards of cardboard; stickers stationery; non-drying adhesive paper; non-drying adhesive labels.
Class 21:	Paper plates; trays for domestic purposes, of paper; kitchen containers; cups of paper or plastic; napkin holders; works of art, of crystal; cosmetic utensils; thermally insulated containers for food; pads for cleaning; tea services tableware.
Class 24:	Banners; door curtains.
Class 34:	Tobacco; cigar cases; cigarette cases; pipe cleaners for tobacco pipes; lighters for smokers; cigarette filters; cigarette paper; absorbent paper for tobacco pipes; match boxes; books of cigarette papers.
Class 35:	Retail, wholesale and distributorship services of paper, cardboard and goods made from these materials, printed matter, corrugated board, cardboard articles, cartons, boxes of cardboard, boxes of paper, bags of paper, packing paper, printed publications, prospectuses, advertisement boards of paper, advertisement boards of cardboard, stickers stationery, non-drying adhesive paper and non-drying adhesive labels; advertisement design; publication of publicity texts.
Class 36:	Brokerage; guarantees; factoring.
Class 39:	Packaging of goods; wrapping of goods; freight forwarding; transport brokerage; freight shipping of goods; car transport; vehicle rental; storage of goods; physical storage of electronically-stored data or documents; parcel delivery; sightseeing tourism.
Class 40:	Printing; colour printing; paper finishing; paper treating; bookbinding.
Class 41:	Publication of books; publication of texts, other than publicity texts.
Class 42:	Packaging design; graphic arts designing.

(b) Domain names

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

Domain name *(Note)*	**Registrant**	**Registration date**	**Expiry date**
www.hs-pack.com	Hong Sheng	21 November 2009	21 November 2014
www.hspack-bu.com	Hong Sheng	11 July 2013	11 July 2014
www.hs-pack.com.cn	Hong Sheng	21 November 2009	21 November 2014
www.hs-pack.cn	Hong Sheng	21 November 2009	21 November 2014
www.hs-pack.net	Hong Sheng	21 November 2009	21 November 2015

Note: Information contained in the website does not form part of this prospectus.

(c) Patents

As at the Latest Practicable Date, our Group had acquired the following two invention patents from Wuhan University:

Patent Number	**Patent Title**	**Assignment Effective Date**	**Consideration Paid**
ZL201110069105.9	Stone-paper Honeycomb Paperboards and its Production Method（石頭紙蜂窩紙板及其制造方法）	24 July 2013	RMB130,000
ZL201110069124.1	A Kind of Stone-paper Corrugated Paperboards and its Production Method（一種石頭紙瓦楞紙板及其制造方法）	24 July 2013	RMB130,000

As at the Latest Practicable Date, our Group had obtained the following 15 utility model patents in the PRC:

Patent Number	Patent Title	Date of Application	Expiry Date
ZL201120477150.3	Computerised Single-layer Corrugated paper Collecting Device (單層瓦楞紙數控收紙裝置)	25 November 2011	24 November 2021
ZL201120477151.8	Corrugator Site Control System (紙板生產線現場控制系統)	25 November 2011	24 November 2021
ZL201120481426.5	Multiple-layers Corrugator (多層瓦楞紙板生產線)	28 November 2011	27 November 2021
ZL201120516617.0	Slotting wheel of Corrugator and Cutter Control Device (紙板線壓線輪和切刀控制裝置)	13 December 2011	12 December 2021
ZL201120477149.0	A Kind of Improved Die-cutting Device (一種改進的模切機)	25 November 2011	24 November 2021
ZL201120477156.0	Printing-slotting Machine Connecting Transportation Device (印刷/開槽機連接輸送結構)	25 November 2011	24 November 2021
ZL201120477157.5	A Kind of Improved Steam Emission Device (一種改進的汽水排放裝置)	25 November 2011	24 November 2021
ZL201120477218.8	A Kind of Two-way Blade Cutting Device (一種雙向模切裝置)	25 November 2011	24 November 2021
ZL201120477154.1	Width Adjustable Folder Gluer Device (可調寬幅糊箱裝置)	25 November 2011	24 November 2021
ZL201120477135.9	Compressed Air Central Gas Supply Device (壓縮空氣集中供氣裝置)	25 November 2011	24 November 2021
ZL201120477212.0	A Kind of Adjustable Brushing Glue Device (一種可調刷膠裝置)	25 November 2011	24 November 2021
ZL 201120477144.8	On-Site Recycling and Packaging of Waste Paper Device (現場廢紙回收打包的裝置)	25 November 2011	24 November 2021
ZL201120477213.5	Pressure boosting Device for Offset Press (膠印機氣壓助力裝置)	25 November 2011	24 November 2021
ZL201120477159.4	A Kind of Brush Removal Device for Printing Press Paper Powder (一種印刷機紙面噴粉刷除裝置)	25 November 2011	24 November 2021
ZL201120477170.0	Auxiliary Connecting Device for Carton Packaging (紙箱打包輔助連接裝置)	25 November 2011	24 November 2021

As at the Latest Practicable Date, our Group had applied for registration of the following 11 patents (including two invention patents, two utility model patents and seven design patents):

Two Invention Patent Applications:	**Application Date:**
A Kind of Stone-paper Printing Technology Invention (一種石頭紙印刷工藝發明)	16 July 2013
Newly Structured Stone-Paper corrugated Paperboards and its Production Method (新型結構石頭紙瓦楞紙及其生產線和方法)	01 June 2013

Two Utility Model Patent Applications	**Application Date:**
Stone-paper Corrugated Paper (石頭瓦楞紙)	01 June 2013
A Kind of Compound Corrugated Paperboards (一種複合瓦楞紙板)	01 June 2013

Seven Design Patent Applications:	**Application Date:**
Packaging box (File 001) (包裝盒(文件夾-001)	17 July 2013
Packaging box (File 002) (包裝盒(文件夾-002)	17 July 2013
Packaging box (Moon cake box-001) (包裝盒(月餅盒-001)	17 July 2013
Packaging box (Moon cake box-002) (包裝盒(月餅盒-002)	17 July 2013
Packaging box (Gift box-001) (包裝盒(禮品盒-001)	17 July 2013
Packaging box (Gift box-002) (包裝盒(禮品盒-002)	17 July 2013
Packaging box (Tea box-001) (包裝盒(茶葉盒-001)	17 July 2013

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

C. FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF

9. Directors

(a) Disclosure of interests of Directors

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer without taking into account the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or the options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), 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 Appendix 10 of the Listing Rules, will be as follows:

Long position in Shares

Name of Directors	Company/ name of associated corporation	Capacity	Number and class of securities	Approximate percentage of issued share capital
Mr. Sun	Our Company	Interest of a controlled corporation	468,000,000 Shares *(Note)*	58.5%
	Novel Blaze	Beneficial owner	1 share of US$1.00 each	100%

Note: These Shares are registered in the name of Novel Blaze, the entire issued share capital of which is wholly and beneficially owned by Mr. Sun. Under the SFO, Mr. Sun is deemed to be interested in all the Shares registered in the name of Novel Blaze.

(b) Particulars of service contracts

Each of Mr. Chen Wei Wei, Ms. Hu Li Yu and Mr. Sun, being all the executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter. Commencing from the Listing Date, each of our executive Directors is entitled to an initial annual salary set out below, such salary to be reviewed annually by our Board and the remuneration committee of our Company. In addition, each of our executive Directors is entitled to such discretionary management bonus by reference to the consolidated net profits of our Group after taxation and minority interest but before extraordinary items as our Board and the remuneration committee of our Company may approve, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, management bonus and other benefits payable to him/her. The current basic annual salary of our executive Directors are as follows:

Name	**Amount**
	(RMB)
Mr. Chen Wei Wei	420,000
Ms. Hu Li Yu	300,000
Mr. Sun	360,000

Each of Mr. Liu Da Jin, Mr. Ma Yiu Ho, Peter and Mr. Wu Ping, being all our independent non-executive Directors, has entered into a letter of appointment with our Company on 13 December 2013. Each letter of appointment is for an initial term commencing on the date of the letter of appointment and shall continue thereafter subject to a maximum of three years unless terminated by either party giving at least one month's notice in writing. Commencing from the Listing Date, the annual director's fee of our independent non-executive Directors are as follows:

Name	**Amount**
	(HK$)
Mr. Liu Da Jin	100,000
Mr. Ma Yiu Ho, Peter	150,000
Mr. Wu Ping	100,000

Save as disclosed above, none of our Directors has or is proposed to enter into a service contract/letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

Our Company's policies concerning remuneration of executive Directors are:

(i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;

(ii) non-cash benefits may be provided to our Directors under their remuneration package; and

(iii) our executive Directors may be granted, at the discretion of the Board, share options of our Company, as part of the remuneration package.

An aggregate sum of approximately RMB578,000, RMB897,000, RMB967,000 and RMB379,000 was paid to our Directors as remuneration and benefits in kind by our Group for the years ended 31 December 2010, 2011 and 2012 and the eight months ended 31 August 2013 respectively. Further information in respect of our Directors' remuneration is set out in note 12 of the Accountants' Report set out in Appendix I to this prospectus.

An aggregate sum of approximately HK$2,400,000 will be paid to our Directors as remuneration and benefits in kind by our Group for the year ending 31 December 2014 under the arrangements in force at the date of this prospectus excluding management bonus.

10. Substantial shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be taken up under the Share Offer or any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme, the following persons/entities will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name	Capacity	Number of Shares held	Percentage of shareholding
Novel Blaze	Beneficial owner	468,000,000	58.5%
Mr. Sun	Interest in a controlled corporation	468,000,000 *(Note)*	58.5%

Note: These Shares are registered in the name of Novel Blaze, the entire issued share capital of which is wholly and beneficially owned by Mr. Sun. Under the SFO, Mr. Sun is deemed to be interested in all the Shares registered in the name of Novel Blaze.

11. Related Party Transaction

Our Group has not entered into the related party transaction within the two years immediately preceding the date of this prospectus as mentioned in note II of the Accountants' Report set out in Appendix I to this prospectus.

12. Disclaimers

Save as disclosed in this document, as at the Latest Practicable Date:

(a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option or any options which have been or may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Share Offer will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either 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 the general meetings of our Company or any other members of our Group;

(b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules once the Shares are listed on the Stock Exchange;

(c) none of our Directors nor the experts named in the paragraph headed "Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, 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;

(d) 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; and

(e) none of the experts named in the paragraph headed "Qualifications 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.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our Existing Shareholders on 13 December 2013.

For the purpose of this section, unless the context otherwise requires:

"Board"	means our board of Directors from time to time or a duly authorised committee thereof;
"Eligible Person"	means any full-time or part-time employee of our Company or any member of our Group, including any executive directors, non-executive directors and independent non-executive directors, advisors, consultants of our Group;
"Option"	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
"Option Period"	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant;
"Other Schemes"	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
"Participant"	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
"Shareholders"	means shareholders of our Company from time to time;
"Subsidiary"	means a company which is for the time being and from time to time a subsidiary (within the meaning of section 2 of the Companies Ordinance) of our Company, whether incorporated in Hong Kong or elsewhere; and
"Trading Day"	means a day on which trading of Shares take place on the Stock Exchange.

(a) Purpose of the Share Option Scheme

The Share Option Scheme enables our Company to grant Options to the Eligible Persons as incentives or rewards for their contributions to our Group.

(b) Who may join

Our Board may, at its absolute discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted.

(c) Grant of Option

Any grant of Options must not be made after inside information has come to our knowledge until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Listing Rules), and (b) the deadline for our Company to publish an announcement of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement. Our Directors may not grant any Option to an Eligible Person who is our Director during the periods or times in which directors of the listed issuer are prohibited from dealing in shares pursuant to Appendix 10 prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his associates abstaining from voting, our Company may make a further grant of Options to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, our Company must send a circular to the Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

(d) Price of Shares

The subscription price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share. For the purpose of calculating the subscription price, in the event that on the date of grant, our Company has been listed for less than five Trading Days, the new issue price per Share under the initial public offerings of Shares in connection with such listing shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) Maximum number of Shares

(i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that the Options lapsed in accordance with the terms of the Shares Option Scheme or Other Schemes will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 800,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 80,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.

(ii) Subject to the approval of Shareholders in general meeting, our Company may refresh the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. In relation to the Shareholders' approval referred to in this paragraph (ii), our Company shall send a circular to the Shareholders containing the information required by the Listing Rules.

(iii) Subject to the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specifically identified by our Company before such

Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our Company shall send a circular to its Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the Listing Rules.

(iv) Notwithstanding the foregoing, our Company may not grant any Options if the 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 Other Schemes exceeds 30% of the Shares in issue from time to time.

(f) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the administration of our Board whose decision as to all matters arising from or in relation to the Share Option Scheme as its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties to the Share Option Scheme.

(g) Rights are personal to grantee

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

(h) Rights on death

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options in full (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares (without fractional entitlements) subject to the Options so far as unexercised, and/or the subscription price.

Except alterations made on a capitalisation issue, any alteration to the number of Shares which is the subject of the Option and the subscription price shall be conditional on the auditors of our Company or an independent financial adviser appointed by our Company confirming in writing to our Board that the alteration is made on the basis that the proportion of the issued share capital of our Company to which a Participant is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration. No such alteration shall be made to the effect of which would be to enable any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any Option in full being increased.

(j) Rights on take-over

If a general offer (whether by way of takeover offer, repurchase offer or scheme of arrangement or otherwise in like manner) has been made to all the Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, "acting in concert" shall have the meaning ascribed to it under the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong as amended from time to time.

(k) Rights on a compromise or arrangement

(i) If an application is made to the court (otherwise than where our Company is being voluntarily wound up), pursuant to the Companies Law or the Companies Ordinance, in connection with a proposed compromise or arrangement between our Company and our creditors (or any class of them) or between our Company and our Shareholders (or any class of them), a Participant may by notice in writing to our Company, within a period of 21 days after the date of such application, exercise his or her outstanding Option in full extent or to the extent specified in such note. Upon the compromise or arrangement becoming effective, all Options shall lapse except insofar as exercised. Notice of the application referred to herein and the effect thereof shall be given by our Company to all Participants as soon as practicable.

(ii) In the event of a notice being given by our Company to our Shareholders to convene a general meeting for the purpose of approving a resolution to voluntarily wind up our Company when our Company is solvent, our Company shall on the day of such notice to each Shareholder or as soon as practicable, give notice thereof to all Participants. Thereupon each

Participant shall be entitled to exercise all or any of his or her outstanding Options at any time no later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon 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 referred to above, allot and issue the relevant Shares to the Participant credited as fully paid.

(l) Lapse of Option

An Option shall lapse forthwith and not 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) subject to paragraphs (f) and (p), the expiry of the Option Period;

(iii) the first anniversary of the death of the Participant;

(iv) the commencement of the winding up of the Company;

(v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;

(vi) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the expiry of a period of three months from the date of the Participant ceasing to be an employee or director of such member of our Group by reason of:

(1) his or her retirement on or after attaining normal retirement age or, with the express consent of the Board in writing for the purpose of this sub-paragraph, at a younger age;

(2) ill health or disability recognised as such expressly by our Board in writing for the purpose of this sub-paragraph;

(3) the company by which he or she is employed and/or of which he or she is a director (if not our Company) ceasing to be a subsidiary of our Company;

(4) expiry of his or her employment contract or vacation of his or her office with such member of our Group such contract or office is not immediately extended or renewed; or

(5) at the discretion of our Board, any reason other than death or the reasons described in sub-paragraph (iv) or (v)(1) to (4);

(vii) the expiry of any period referred to in paragraph (k) above, provided that in the case of paragraph (k)(i), all Options granted shall lapse upon the proposed compromise or arrangement becoming effective; and

(viii) the date the Participant commits any breach of the provisions of paragraph (g).

(m) Ranking of Shares

Shares allotted and issued upon the exercise of an Option will be subject to our Company's articles of association as amended from time to time and will rank pari passu in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date, of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment or issue.

(n) Cancellation of Options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing. In the event that our Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(o) Period of Share Option Scheme

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(p) Alteration to and termination of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except that, (a) any alteration to the advantage of the Participants or the Eligible Persons (as the case may be) relating to matters contained in Chapter 17 of the Listing Rules; and (b) any material alteration to the terms and conditions of the Scheme or any change to the terms of Options granted, except where the alterations take effect automatically under the existing terms of the Scheme, shall first be approved by the Shareholders in general meeting (with the Eligible Persons, the Participants and their associates abstaining from voting) provided that if the proposed alteration shall adversely affect any Options granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the consent or sanction of the Participants in accordance with the terms of the Share Option Scheme.

Our Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to the Shareholders seeking approval for the new scheme to be established after such termination.

(q) Granting of Options to a director, chief executive or substantial shareholder of our Company or any of their associates

Where Options are proposed to be granted to a director, chief executive or Substantial Shareholder of our Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a Substantial Shareholder or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK$5 million, then the proposed grant of Options must be approved by the Shareholders. All connected persons of our Company must abstain from voting at such general meeting. The circular must contain the information required under Rule 17.04(3) of the Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a Substantial Shareholder, an independent non-executive Director or any of their respective associates.

The circular must contain the following:

(i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the subscription price;

(ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders as to voting; and

(iii) all other information as required by the Listing Rules.

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the Listing Rules) set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive.

(r) Performance Target

The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

(s) Conditions of Share Option Scheme

The Share Option Scheme is conditional on (i) the passing of a written resolution to adopt the Share Option Scheme by all our Existing Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of Options.

As at the Latest Practicable Date, no Options have been granted or agreed to be granted by our Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options granted under Share Option Scheme.

E. OTHER INFORMATION

14. Tax and other indemnities

Each of the Controlling Shareholders (collectively, the "**Indemnifiers**") has entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) (being the material contract referred to in item (b) of the paragraph headed "Summary of material contracts" above) to provide indemnities on a joint and several basis in respect of, among other matters:

(a) any taxation (including tax penalty, if any) falling on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date on which the Share Offer becomes unconditional or any event, act or omission occurring or deemed to occur on or before such date whether alone or in conjunction with any other event, act, omission or circumstance whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company; and

(b) any expenses, fees, compensations or other liabilities arising from any legal proceedings in relation to Mr. Sun Jiangrong and his companies, the Hong Kong Proceedings, any legal proceedings disclosed in this prospectus and all the replies submitted to the Stock Exchange in relation to the application for Listing ("Replies"), and any false statements made in this prospectus and the Replies in relation to any legal proceedings as mentioned above; and

(c) any withholding taxes and/or other relevant taxes and payments payable to any relevant PRC Tax authority and/or other relevant PRC authorities pursuant to the requirements of the Circular 698 due to Rich Kirin's acquisition of Big Wealth in August 2013.

The Indemnifiers will however, not be liable under the deed of indemnity for any claim of taxation where (a) provision has been made for such taxation in the audited combined accounts of our Company or the audited accounts of any member of our Group for any period up to 31 August 2013 (the "**Accounts**"); (b) the taxation arises or is incurred as a result of a retrospective change in law and/or a retrospective increase of tax rates coming into force after the date on which the Share Offer becomes unconditional; (c) such claim for taxation or liability would not have arisen but for any act or omission of, or transaction by any member of our Group voluntarily effected (other than pursuant to a legally binding commitment created on or before the date on which the Share Offer becomes unconditional) without the prior written consent or agreement of Indemnifiers; or (d) provision or reserve made for such taxation in the Accounts is established to be an over-provision or an excessive reserve.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands or the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

15. Litigation

Neither our Company nor any of our subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

16. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme.

17. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company will appoint the Sole Sponsor as its compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

18. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately US$8,000 and are payable by our Company.

19. Promoters

Our Company has no promoter.

20. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
Oriental Patron Asia Limited	Licenced to carry on type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities under the SFO, being the sole sponsor to the Share Offer
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Grant Sherman Appraisal Limited	Property Valuer

Name	Qualification
Jingtian & Gongcheng Law Firm	Qualified PRC legal advisers
Stevenson, Wong & Co.	Hong Kong legal advisers
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law

21. Consents of experts

Each of Oriental Patron Asia Limited, HLB Hodgson Impey Cheng Limited, Grant Sherman Appraisal Limited, Jingtian & Gongcheng Law Firm, Stevenson, Wong & Co and Conyers Dill & Pearman (Cayman) Limited has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included in this prospectus the form and context in which they respectively appear.

22. 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 penalty provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

23. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years 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 fully or partly paid either for cash or for a consideration other than cash;

  (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

(b) 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.

(c) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.

(d) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 August 2013 (being the date to which the latest audited consolidated financial statements of our Group were made up).

(e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus.

(f) None of Oriental Patron Asia Limited, HLB Hodgson Impey Cheng Limited, Grant Sherman Appraisal Limited, Jingtian & Gongcheng Law Firm, Stevenson, Wong & Co and Conyers Dill & Pearman (Cayman) Limited:

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

(g) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(h) Our Company has no outstanding convertible debt securities.

(i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

24. Bilingual Prospectus

Pursuant to Rule 19.36(5) of the Listing Rules and section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time as each place where this prospectus is distributed by or on behalf of our Company.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to in the paragraph headed "Consents of experts" in Appendix V to this prospectus, copies of the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix V to this prospectus and a copy of each of the **WHITE** and **YELLOW** Application Forms.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Stevenson, Wong & Co., 4th and 5th Floors and 1602, Central Tower, No. 28 Queen's Road Central, 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 memorandum and articles of association of our Company;

(b) the Accountants' Report of our Group prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this prospectus;

(c) such audited statutory financial statements as have been prepared for the companies comprising our Group for each of the three years ended 31 December 2010, 2011 and 2012 and for the eight months ended 31 August 2013;

(d) the report on unaudited pro forma financial information of our Group prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II to this prospectus;

(e) the letter prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of the Companies Law referred to in Appendix IV to this prospectus;

(f) the Companies Law;

(g) the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix V to this prospectus;

(h) the service contracts referred to in the paragraph headed "Particulars of service contracts" in Appendix V to this prospectus;

(i) the rules of the Share Option Scheme;

(j) the written consents referred to in the paragraph headed "Consents of experts" in Appendix V to this prospectus;

(k) the legal opinions prepared by Jingtian & Gongcheng Law Firm, the PRC Legal Advisers, in respect of certain aspects of our Group and its property interest;

(l) the legal opinions issued by Stevenson, Wong & Co., the Hong Kong Legal Advisers in respect of certain statements referred to in this prospectus; and

(m) the letter and valuation certificate relating to the property interest of our Group prepared by Grant Sherman Appraisal Limited, the texts of which are set out in Appendix III to this prospectus.

China Packaging Holdings Development Limited

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