

Infinity Chemical Holdings Company Limited 星謙化工控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 640

PLACING AND PUBLIC OFFER

Joint Sponsors



Joint Bookrunners



IMPORTANT

If you are in any doubt about this prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional advisers.

Infinity Chemical Holdings Company Limited

星謙化工控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING AND PUBLIC OFFER

Number of Offer Shares : 125,000,000 Shares
Number of Public Offer Shares : 12,500,000 Shares (subject to re-allocation)
Number of Placing Shares : 112,500,000 Shares (subject to re-allocation)
Offer Price : Not more than HK\$0.75 per Offer Share, and expected to be not less than HK\$0.585 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%)
Par value : HK\$0.01 per Share
Stock code : 640

Joint Sponsors



Joint Bookrunners and Joint Lead Managers



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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by an agreement between the Joint Bookrunners (on behalf of the Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be at or around 5:00 p.m. (Hong Kong Time) on or about Tuesday, 3 August 2010 or such later date as may be agreed between the parties, and in any event no later than Wednesday, 4 August 2010. The Offer Price will be not more than HK\$0.75 per Offer Share and is currently expected to be not less than HK\$0.585 per Offer Share, unless otherwise announced. Applicants for the Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.75 for each Offer Share together with 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee, subject to refund if the Offer Price as finally determined is lower than HK\$0.75.

If, for whatever reason, the Offer Price is not agreed on or before Wednesday, 4 August 2010 between the Company and the Joint Bookrunners (on behalf of the Underwriters), the Share Offer will lapse and will not proceed.

The obligations of the Underwriters under the Underwriting Agreements to subscribe for, and/or to procure applicants for the subscription for, the Offer Shares, are subject to termination by the Joint Bookrunners (on behalf of the Underwriters), if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

29 July 2010

EXPECTED TIMETABLE ^(Note 1)

An announcement will be issued in Hong Kong to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) if there is any change to the following expected timetable.

Latest time to complete electronic applications under HK eIPO White Form service through the designated website www.hkeipo.hk ^(Note 2)	11:30 a.m. on Tuesday, 3 August 2010
Application lists of the Public Offer open ^(Note 2)	11:45 a.m. on Tuesday, 3 August 2010
Latest time to lodge WHITE and YELLOW Application Forms.....	12:00 noon on Tuesday, 3 August 2010
Latest time for giving Electronic Application Instructions to HKSCC ^(Note 3)	12:00 noon on Tuesday, 3 August 2010
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s) ^(Note 4)	12:00 noon on Tuesday, 3 August 2010
Application lists of the Public Offer close.....	12:00 noon on Tuesday, 3 August 2010
Expected Price Determination Date ^(Note 5)	at or before 5:00 p.m. on Tuesday, 3 August 2010
Announcement of the final Offer Price, indication of the levels of interest in the Placing, the basis of allocation and the results of applications of the Public Offer Shares to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) on or before	Wednesday, 11 August 2010

EXPECTED TIMETABLE ^(Note 1)

Announcement of the results of allocations (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels including the Company's website at www.infinitychemical.com, the website of the Stock Exchange at www.hkex.com.hk and the website of Tricor Investor Services Limited at www.tricor.com.hk/ipo/result as described under the paragraph headed "Publication of results" in the section headed "How to apply for the Public Offer Shares" in this prospectus on or before. Wednesday, 11 August 2010

Despatch/collection of e-Auto Refund payment instructions and refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before ^(Notes 6, 7 & 9) Wednesday, 11 August 2010

Despatch/collection of Share certificates on or before ^(Notes 6, 7 & 8) Wednesday, 11 August 2010

Dealings in the Shares on the Stock Exchange expected to commence on. Thursday, 12 August 2010

Notes:

1. All times refer to Hong Kong local times and dates.
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 Tuesday, 3 August 2010, the application lists will not open and close on that day. See the paragraph headed "Effect of bad weather on the opening of the application lists" under the section headed "How to apply for the Public Offer Shares" in this prospectus.
3. Applicants who apply for the Public Offer Shares by giving Electronic Application Instructions to HKSCC should refer to the section headed "How to apply for the Public Offer Shares – How to apply by giving Electronic Application Instructions to HKSCC" in this prospectus.
4. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
5. The Price Determination Date is expected to be at or before 5:00 p.m. on Tuesday, 3 August 2010 (Hong Kong time) and in any event no later than Wednesday, 4 August 2010. If, for any reason, the Offer Price is not agreed on or before Wednesday, 4 August 2010 between the Company and the Joint Bookrunners (on behalf of the Underwriters), the Share Offer will not proceed and will lapse accordingly.
6. Share certificates for the Public Offer Shares are expected to be issued on or before Wednesday, 11 August 2010 but will only become valid certificates of title at 8:00 a.m. on Thursday, 12 August 2010 if (i) the Share Offer has become unconditional in all respects; and (ii) the Public Offer Underwriting Agreement has not been terminated in accordance with its terms.

EXPECTED TIMETABLE (Note 1)

7. If you have applied on **WHITE** Application Form or through **HK eIPO White Form** service for 1,000,000 Public Offer Shares or more and you have indicated in your Application Form that you wish to collect your refund cheque (where relevant) and share certificate (where relevant) personally, you may collect your refund cheque (where relevant) and your share certificate (where relevant) from the Company's Hong Kong branch share registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 August 2010 or any other day that the Company publishes in the newspaper as the date of despatch of share certificates/e-Auto Refund payment instructions/refund cheques. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Company's Hong Kong branch share registrar. If you have applied on **YELLOW** Application Form for 1,000,000 Public Offer Shares or more, you may collect your refund cheque, if any, in person but may not elect to collect your share certificate personally, which will be deposited into CCASS for the credit of your designated CCASS participants' stock accounts or CCASS investor participants' stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
8. Uncollected share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, you should refer to the paragraph headed "Despatch/collection of share certificates, e-Auto Refund payment instructions and refund cheques" under the section headed "How to apply for the Public Offer Shares" in this prospectus.
9. e-Auto Refund payment instructions/refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.75 per Offer Share.

For details of the structure of the Share Offer, including its conditions, please refer to the section headed "Structure of the Share Offer" in this prospectus.

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IMPORTANT NOTICE TO INVESTOR

This prospectus is issued by the Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by the Company, the Joint Sponsors, the Joint Bookrunners, any of the Underwriters, any of their respective directors or officers, or any other person or party involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

The Group is principally engaged in the production, sale and development of adhesives and primers and the distribution of hardeners, which are widely used by the Group’s customers in the process of footwear manufacturing in the PRC and Vietnam. During the Track Record Period, the geographical breakdown of the Group’s turnover is shown as follows:

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
PRC	156,427	71.7	201,197	69.9	172,012	64.3	63,601	66.7	50,508	57.9
Vietnam	61,700	28.3	86,611	30.1	95,567	35.7	31,697	33.3	36,712	42.1
Total	<u>218,127</u>	<u>100.0</u>	<u>287,808</u>	<u>100.0</u>	<u>267,579</u>	<u>100.0</u>	<u>95,298</u>	<u>100.0</u>	<u>87,220</u>	<u>100.0</u>

Adhesives are used for bonding all components of footwear including outsoles, insoles and uppers. Primers are used in the pretreatment of footwear components prior to the application of adhesives. Hardeners, being a curing agent, are used by mixing with adhesive for controlling or promoting the curing action of adhesive. The Directors believe that adhesives, primers and hardeners, being key production materials for footwears, are applied in different stages during the footwear manufacturing process, and the quality of which may have critical influence on the quality of footwears.

SUMMARY

The breakdown of the Group's turnover during the Track Record Period by product types is shown as follows:

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Adhesives	116,567	53.4	161,852	56.3	150,973	56.4	52,242	54.8	48,994	56.2
Primers	54,883	25.2	71,081	24.7	68,741	25.7	24,470	25.7	24,251	27.8
Hardeners	44,752	20.5	49,918	17.3	44,862	16.8	17,707	18.6	13,631	15.6
Others (<i>Note</i>)	1,925	0.9	4,957	1.7	3,003	1.1	879	0.9	344	0.4
Total	218,127	100.0	287,808	100.0	267,579	100.0	95,298	100.0	87,220	100.0

Note: Sale of raw materials, and sale of adhesives and primers produced and sold by the Group under OEM basis.

The breakdown of the Group's turnover during the Track Record Period by product brands is shown as follows:

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
“ZHONG BU”	171,450	78.6	232,933	80.9	219,714	82.1	76,712	80.5	73,245	84.0
“IRODUR”	44,752	20.5	49,918	17.4	44,862	16.8	17,707	18.6	13,631	15.6
Others (<i>Note</i>)	1,925	0.9	4,957	1.7	3,003	1.1	879	0.9	344	0.4
Total	218,127	100.0	287,808	100.0	267,579	100.0	95,298	100.0	87,220	100.0

Note: Sale of raw materials, and sale of adhesives and primers produced and sold by the Group under OEM basis.

During the Track Record Period, except for the adhesives and primers produced and sold by the Group under OEM basis, the Group marketed and sold its adhesives and primers under its own brand “Zhong Bu” (“中部”). The Directors believe that such brand is well recognized by its customers. Most of the Group's customers are footwear manufacturers engaged in the production of footwears for footwear suppliers. Pou Chen Group, the largest customer of the Group during the Track Record Period, has more than 17 years of business relationship with the Group.

SUMMARY

The Directors consider that it is a common practice in the footwear manufacturing industry that most of the footwear suppliers will provide their respective footwear manufacturers with an internal list of approved production material suppliers and only limited number of footwear suppliers will have formal approval notification issued to production material suppliers for such recognition. As at the Latest Practicable Date, the Group had received formal approval notifications from three footwear suppliers in approving the Group as one of the approved adhesive material suppliers. The Directors understand that in general, each such approved internal list contains around five adhesive material suppliers. Except for such recognition process performed by the footwear suppliers, there is no direct business dealing between the Group and the footwear suppliers.

The Group also produces and sells adhesives and primers under brands of third parties on OEM basis to customers in the PRC. Such customers resell the adhesives and primers under their own brands. The revenue derived from those customers represents less than 1% of the Group's total turnover during the Track Record Period. The following table shows a breakdown of the Group's turnover during the Track Record Period by customer types:

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Footwear										
manufacturer	204,255	93.6	259,665	90.2	247,171	92.4	85,750	90.0	81,023	92.9
PRC distributor ⁽¹⁾	13,872	6.4	25,863	9.0	19,660	7.3	9,167	9.6	5,877	6.7
Others ⁽²⁾	-	-	2,280	0.8	748	0.3	381	0.4	320	0.4
Total	218,127	100.0	287,808	100.0	267,579	100.0	95,298	100.0	87,220	100.0

Notes:

- This refers to the sale to the PRC distributor which has entered into a distribution agreement with Group for the distribution of the Group's adhesive and primer under the Group's own brand "Zhong Bu" and hardener under third party's brand "IRODUR" hardener products in the PRC. Details of which are set out under the paragraph headed "Customers" under the section headed "Business" in this prospectus.
- Production and sale of adhesive related products on OEM basis for footwear adhesive manufacturers.

The Group has entered into a technical support agreement with No-Tape Japan for the provision of technical assistance by No-Tape Japan to the research and development of the Group. For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, the royalty fee paid by the Group to No-Tape Japan accounted for approximately HK\$2.29 million, HK\$3.34 million, HK\$3.31 million and HK\$0.96 million respectively, and (i) the turnover attributable to the products solely developed by the methodologies and formulas provided by No-Tape Japan accounted for approximately 42.6%, 21.5%, 4.5% and 6.7% of the Group's total turnover respectively; and (ii) the turnover of the Group attributable to the products jointly developed by the Group and No-Tape Japan accounted for

SUMMARY

approximately nil, 23.9%, 42.9% and 54.4% of the Group's total turnover respectively. Details of the technical support agreement between the Group and No-Tape Japan and the royalty fee paid to No-Tape Japan are set out in the paragraph headed "Research and development" in the section headed "Business" in this prospectus.

The Group is an exclusive distributor of a series of hardener products namely "IRODUR" in Hong Kong, Macau, the PRC, Taiwan and Vietnam, which is described more particularly in the paragraph headed "Suppliers" in the section headed "Business" in this prospectus. Revenue derived from the distribution of "IRODUR" hardener products accounted for approximately 20.5%, 17.3%, 16.8% and 15.6% of the Group's total turnover for each of the three years ended 30 September 2009 and the four months ended 31 January 2010 respectively. The Group's distribution right of "IRODUR" hardener products is derived from various distribution agreements. Pursuant to such agreements, the supplier of "IRODUR" hardener products has the right to terminate the distribution agreements by giving notice to the Group in the event of any breach of any provision of the distribution agreements which have not been remedied by the Group within 30 days after notification.

In early 2009, the Group successfully developed its Vulcanized Shoes Adhesive Related Products, a new product specifically developed for the manufacture of vulcanized shoes, being a new market in the footwear adhesive industry to the Group. In such regard, the Directors believe that the Vulcanized Shoes Adhesive Related Products will have room to compete in the vulcanized shoes market and provide the Group with new business opportunity. In anticipation of such business opportunity, the Group plans to focus on the development and marketing of its Vulcanized Shoes Adhesive Related Products and expansion of its production facilities and marketing and technical services team in this regard.

To the Directors' best knowledge and understanding, the application of the traditional adhesive products on the production of vulcanized shoes is not satisfactory, and in the past, the vulcanized shoes manufacturers used their self-refined solvent-based adhesives on the production of vulcanized shoes, which cannot meet all the requirements of the production of vulcanized shoes neither. Currently the Vulcanized Shoes Adhesive Related Products can meet the requirements of the production of vulcanized shoes, and it is water-based in nature and environmental friendly. In view of the above, the Directors consider that there is no direct competition between Traditional Adhesive Related Products and Vulcanized Shoes Adhesive Related Products. Details of the Directors' view on the characteristics of the market of Vulcanized Shoes Adhesive Related Products are set out in the paragraph headed "Strategies and future plans – Promotion of Vulcanized Shoes Adhesive Related Products" under the section headed "Business" in this prospectus.

As at the Latest Practicable Date, the Group had applied for registration of patent in relation to the Group's self-developed Vulcanized Shoes Adhesive Related Products in the PRC, Bangladesh, Vietnam and Indonesia. Save for such patent applications, no patent has been granted to the Group and no other patent application has been made as at the Latest Practicable Date.

SUMMARY

PRODUCTION OUTPUT AND CAPACITY

The following table shows the breakdown of the Group's output volume by products during the Track Record Period:

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%
Adhesives	7,999.1	74.1	10,197.0	75.2	9,406.3	74.1	2,472	65.2	2,422	65.2
Primers	2,487.0	23.0	3,057.8	22.5	2,921.3	23.0	1,121	29.5	1,166	31.4
Hardeners	305.2	2.8	307.5	2.3	369.6	2.9	159	4.2	117	3.1
Others	2.4	0.0	2.9	0.0	1.0	0.0	42	1.1	11	0.3
Total	10,793.7	100.0	13,565.2	100.0	12,698.2	100.0	3,794	100.0	3,716	100.0

As at the Latest Practicable Date, the Group had two operating production plants located in the PRC (namely, the Zhongshan Production Plant and the Zhuhai Production Plant) and one operating production plant located in Vietnam (namely, the Existing Vietnam Production Plant).

The annual production capacity and utilisation rate of each of the existing production plants of the Group during the Track Record Period are shown as follows:

	Product type	Year ended 30 September						Four months ended 31 January	
		2007		2008		2009		2010	
		Production capacity ⁽¹⁾	Utilisation rate	Production capacity ⁽¹⁾	Utilisation rate	Production capacity ⁽¹⁾	Utilisation rate	Production capacity ⁽²⁾	Utilisation rate
		tonnes	%	tonnes	%	tonnes	%	tonnes	%
Zhongshan Production Plant	Adhesives	3,041	99	3,041	92	3,041	93	1,014	81
	Primers	2,281	42	2,281	38	2,281	40	760	37
Zhuhai Production Plant	Adhesives	4,807	87	6,705	100	8,526	100	2,966	92
	Primers	1,457	107 ⁽³⁾	2,610	77	4,807	45	1,672	42
Existing Vietnam Production Plant	Adhesives	3,041	76	3,041	104 ⁽³⁾	3,041	94	1,014	124 ⁽³⁾
	Primers	2,281	27	2,281	42	2,281	44	760	59

Notes:

- (1) As regards the production capacity of the Zhongshan Production Plant and the Existing Vietnam Production Plant for the three years ended 30 September 2009, the annual production capacity is calculated based on 16 working hours per day, 22 working days per month, and operation for 12 months per year. As regards the production capacity of the Zhuhai Production Plant for the three years ended 30 September 2009, the annual production capacity is calculated based on 16 working hours per day, 22 working days per month, and operation for 11.5 months per year (with 0.5 month suspension for annual maintenance).
- (2) As regards the production capacity of the Zhongshan Production Plant and the Existing Vietnam Production Plant for the four months ended 31 January 2010, the production capacity is calculated based on 16 working hours per day, 22 working days per month, and operation for such four months. As regards the production capacity of the Zhuhai Production Plant for the four months ended 31 January 2010, the production capacity is calculated based on 16 working hours per day and 22 working days per month, taking into account the additional production equipment purchased by the Group.
- (3) Utilisation rate over 100% represented over-time operation of the production plant.

SUMMARY

The Group's existing production plants in the PRC are mainly for the production of adhesives and primers to cater for the demand of its customers located in the PRC, while the Group's existing production plant in Vietnam is mainly for the processing of adhesives and primers. In order to expand the production capacity, the Group is in the process of establishing new production plants in the PRC, Vietnam and Bangladesh which are located in the proximity to its customers. Upon the operation commencement of the new production plants in the PRC and Vietnam, the operation of the existing production plants in the PRC and Vietnam will cease. Details of the Group's relocation plan are set out in the paragraph headed "Production facilities – Relocation of existing production plants" in the section headed "Business" in this prospectus. The following table illustrates the progressive expansion plan for the production capacity of the Group. The annual production capacity of the Traditional Adhesive Related Products and the Vulcanized Shoes Adhesive Related Products to be provided by the new production facilities of the Group in the PRC, Vietnam and Bangladesh set out below is subject to change depending on the actual demand for the Group's different products.

Annual production capacity/planned annual production capacity⁽²⁾ of the Group

	As at the Latest Practicable Date ⁽¹⁾ Production capacity <i>tonnes</i>	Upon commencement of the new production plant in Bangladesh in October 2010 Production capacity <i>tonnes</i>	Upon commencement of the Nansha Production Plant in Nansha, the PRC ⁽³⁾ Phase 1 in March 2011 Production capacity <i>tonnes</i>		Phase 2 in September 2011 Production capacity <i>tonnes</i>	Upon commencement of the New Vietnam Production Plant in Vietnam ⁽⁴⁾ in September 2011 Production capacity <i>tonnes</i>
Adhesive						
– Traditional	14,050	15,750	16,742	16,742	16,742	18,100
– Vulcanized shoes	560	760	4,600	9,000	9,000	9,280
	<u>14,610</u>	<u>16,510</u>	<u>21,342</u>	<u>25,742</u>	<u>25,742</u>	<u>27,380</u>
Primer						
– Traditional	8,879	9,059	8,861	8,861	8,861	7,850
– Vulcanized shoes	490	510	370	670	670	800
	<u>9,369</u>	<u>9,569</u>	<u>9,231</u>	<u>9,531</u>	<u>9,531</u>	<u>8,650</u>
TOTAL	<u>23,979</u>	<u>26,079</u>	<u>30,573</u>	<u>35,273</u>	<u>35,273</u>	<u>36,030</u>

Notes:

- The calculation of the Group's production capacity as at the Latest Practicable Date is the annualised production capacity of the Group for the four months ended 31 January 2010 above as set out in the paragraph headed "Production facilities – Expanded production facilities" under the section headed "Business" in this prospectus (taking into account the 0.5 month suspension of operation for annual maintenance of the Zhuhai Production Plant).
- The planned annual production capacity refers to the expected annual production capacity to be provided by the expanded production facilities of the Group in the PRC, Vietnam and Bangladesh, details of which are set out in the paragraph headed "Production facilities – Expanded production facilities" under the section headed "Business" in this prospectus.

SUMMARY

3. Upon commencement of the operation of the Nansha Production Plant, the Zhuhai Production Plant and the Zhongshan Production Plant will cease their operation. As such, the production capacity of each of the Zhuhai Production Plant and the Zhongshan Production Plant is excluded.
4. Upon commencement of the operation of the New Vietnam Production Plant, the Existing Vietnam Production Plant will cease its operation. As such, the production capacity of the Existing Vietnam Production Plant is excluded.

Details of the production capacity of the Group during the Track Record Period are set out in the paragraph headed “Current production facilities” under the section headed “Business” in this prospectus.

According to the Adhesive Industry Report, the growth of the footwear adhesive industry is estimated to be approximately 5% and 8% in 2010 and 2011 respectively. The Group has planned to focus its expansion plan on increasing its market share in footwear adhesive market and promoting sales of the Vulcanized Shoes Adhesive Related Products. It is the Group’s future plan that the majority of increase in production capacity is to cater for the market demand of Vulcanized Shoes Adhesive Related Products. Although the sale of Vulcanized Shoes Adhesive Related Products only amounted to approximately HK\$6.1 million (unaudited) and the sales volume was only approximately 160 tonnes for the eight months ended 31 May 2010, the Directors are of the view that the expansion of production capacity to capture the demand for Vulcanized Shoes Adhesive Related Products is reasonable, given the characteristics of the adhesive for vulcanized shoes manufacturing market. The sale of Vulcanized Shoes Adhesive Related Products for the eight months ended 31 May 2010 amounted to approximately HK\$6.1 million (unaudited) and approximately 160 tonnes, the ASP of Vulcanized Shoes Adhesive Related Products was approximately HK\$38.7 per kilogram, which was higher than the ASP of Traditional Adhesive Related Products of approximately HK\$18.0 per kilogram for the same period. Details of the business opportunity of Vulcanized Shoes Adhesive Related Products are set out in the paragraph headed “Strategies and future plans” under the section headed “Future plans and use of proceeds” in this prospectus.

As at the Latest Practicable Date, certain customers of the Group had indicated their projected purchase orders of approximately HK\$18.6 million (equivalent to approximately 466 tonnes) for the Vulcanized Shoes Adhesive Related Products for the year ending 30 September 2010, representing approximately 44.4% of the Group’s planned production capacity of Vulcanized Shoes Adhesive Related Products for the year ending 30 September 2010.

The expansion plan of the Group’s production facilities is subject to the market demand for the Group’s products and its current utilisation rate of the production capacity. Should the Group scale down its expansion plan and/or should there be any material changes in the expansion plan, the Company will make an announcement pursuant to Chapter 13 of the Listing Rules, and the unutilised net proceeds from the Share Offer originally planned for the expansion of production facilities will be applied towards the expansion of the Group’s marketing, technical services assistance, research and development capability. Furthermore, the Company will update the progress of its expansion plan in its interim and annual reports after the Listing.

The Group plans to finance the estimated capital expenditure of HK\$64.3 million in expansion of production facilities by the net proceeds of HK\$46.0 million from the Share Offer, a short term bank loan of HK\$4 million obtained in March 2010, and internal resources. Details of the expansion plan of the Group are set out in the paragraph headed “Production facilities – Expanded production facilities” under the section headed “Business” in this prospectus.

SUMMARY

The Directors expect that the operation of the first phase of the Nansha Production Plant will commence in March 2011 and all existing movable equipment of the Zhuhai Production Plant and the Zhongshan Production Plant will be relocated to the Nansha Production Plant. Hence, the useful life for such equipment would not be affected. However, the useful life of the existing immovable assets of the Zhuhai Production Plant, including land and buildings, and leasehold improvements would be shortened to March 2011 as such assets cannot be relocated. The expected annual depreciation after taking into account the land where Zhuhai Production Plant situated is expected to be approximately HK\$7.2 million after relocation, which represents an increase in annual depreciation of approximately HK\$6 million. Thus, the profitability of the Group for the year ending 30 September 2010 and 2011 is expected to be adversely affected as a result.

Apart from the cost of relocation, the possible loss of deposit of RMB500,000 (equivalent to approximately HK\$568,000) in respect of the lease relating to the Zhongshan Production Plant, rental payment for the remaining term of the tenancy agreement for the Existing Vietnam Production Plant, estimated severance payment of approximately HK\$204,000 and the possible financial and taxation impact mentioned above, the Directors are not aware of any material adverse impact to the Group's operation and financial conditions which will be caused by the proposed relocation of production facilities.

Details of the expected cost due to relocation are set out in the paragraph headed "Production facilities – Relocation of existing production plants" under the section headed "Business" in this prospectus.

COMPETITIVE STRENGTHS

The Directors attribute that the Group's historical success to date and future prospects are underpinned by following combination of competitive strengths:

- Well established relationships with major customers
- Strong research and development capability
- Specific product features satisfying specific customers' needs
- Experienced marketing and technical service team with value added services
- Recognised brand namely "**Zhong Bu**"
- Strong quality management
- Extensive experience in footwear adhesive industry of the management team

SUMMARY

STRATEGIES AND FUTURE PLANS

The principal goal of the Group is to become a leading and professional manufacturer of chemical products specialized in footwear adhesive industry by leveraging on its competitive edge. The Group aims to achieve this goal by implementing the following strategies:

- Proximity to customers
- Promotion of “*Zhong Bu*” (“中部”) to footwear suppliers
- Promotion of Vulcanized Shoes Adhesive Related Products
- Expansion of domestic market in the PRC
- Expansion of production facilities
- Increase in market share

Barring unforeseen circumstances, the total annual production capacity of the Group will be gradually increased until year 2011 in accordance with the Group’s expansion plan. The Directors believe that the following factors may lead to an increase in the demand of the Group’s products to support the Group’s expansion plan in the production capacity:

1. business opportunities for the Vulcanized Shoes Adhesive Related Products, details of which are set out in the paragraph headed “Strategies and future plans – Promotion of Vulcanized Shoes Adhesive Related Products” under the section headed “Business” in this prospectus;
2. leveraging on the relationship with its existing customers with a view to increasing its market share in the PRC and Vietnam;
3. expansion of domestic sales business of the PRC distributor, being one of the top five customers of the Group during the Track Record Period, by expanding its business from Chengdu, Sichuan Province, the PRC to other cities in the PRC such as Qingdao, Shandong Province, the PRC and additional source of income from sales of Vulcanized Shoes Adhesive Related Products through this PRC distributor;
4. expected growth of the footwear industry in Vietnam based on its historical performance of footwear industry, which may lead to an increase in demand for footwear adhesive (relevant industry information of Vietnam is set out in the section headed “Industry overview” in this prospectus); and
5. establishment of the Group’s presence in the footwear adhesive industry in Bangladesh, being a new market of the Group where certain of the major customers of the Group established their production plants and commence their production of footwear (relevant industry information of Bangladesh is set out in the section headed “Industry overview” in this prospectus).

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table presents a summary of the Group's combined statements of comprehensive income for each of the three financial years ended 30 September 2009 and the four months ended 31 January 2010.

Combined statements of comprehensive income

	Year ended 30 September			Four months ended 31 January	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2009 HK\$'000	2010 HK\$'000
				(unaudited)	
Turnover	218,127	287,808	267,579	95,298	87,220
Cost of goods sold	<u>(177,522)</u>	<u>(240,525)</u>	<u>(202,505)</u>	<u>(78,327)</u>	<u>(66,228)</u>
Gross profit	40,605	47,283	65,074	16,971	20,992
Other income	3,070	3,655	3,880	3,311	804
Changes in fair value of investment properties	1,425	5,517	(3,970)	–	320
Selling and distribution costs	(6,357)	(8,246)	(10,318)	(3,915)	(3,139)
Administrative expenses	(16,977)	(16,141)	(20,601)	(8,385)	(8,542)
Other expenses	–	–	–	–	(4,914)
Interest on bank borrowings wholly repayable within five years	<u>(1,647)</u>	<u>(2,731)</u>	<u>(1,988)</u>	<u>(936)</u>	<u>(481)</u>
Profit before taxation	20,119	29,337	32,077	7,046	5,040
Taxation	<u>(224)</u>	<u>(753)</u>	<u>(1,380)</u>	<u>(694)</u>	<u>(354)</u>
Profit for the year/period attributable to the owners of the Company	19,895	28,584	30,697	6,352	4,686
Other comprehensive income					
– exchange differences arising on translation of foreign operations	<u>1,518</u>	<u>2,763</u>	<u>(332)</u>	<u>(348)</u>	<u>(188)</u>
Total comprehensive income for the year/period attributable to the owners of the Company	<u>21,413</u>	<u>31,347</u>	<u>30,365</u>	<u>6,004</u>	<u>4,498</u>
Earnings per Share –					
Basic (Note)	<u>5.3 cents</u>	<u>7.6 cents</u>	<u>8.2 cents</u>	<u>1.7 cents</u>	<u>1.2 cents</u>

Note: The calculation of the basic earnings per Share for the Track Record Period is based on the combined profit attributable to the owners of the Company for each of the relevant year/period, and on the 375,000,000 Shares, comprising 2,000 Shares in issue as at the date of this prospectus and 374,998,000 Shares to be issued pursuant to the Capitalisation Issue, in issue during such periods on the assumption that the Reorganisation and the Capitalisation Issue have become effective on 1 October 2006.

SUMMARY

STATISTICS OF THE SHARE OFFER

The following table shows the expected market capitalisation and unaudited pro forma adjusted net tangible assets per Offer Share based on an Offer Price of HK\$0.585 and HK\$0.75 per Offer Share respectively, without taking into account the special dividend of HK\$35 million payout. The adjusted net tangible assets per Offer Share will be approximately HK\$0.28 and HK\$0.32 based on an Offer Price of HK\$0.585 and HK\$0.75 respectively, if taking into account the dividend payout of HK\$35 million (*note 3*).

	Based on an Offer Price of	
	HK\$0.585 per	HK\$0.75 per
	Offer Share	Offer Share
Expected market capitalisation (<i>note 1</i>)	HK\$292.5	HK\$375.0
	million	million
Unaudited pro forma adjusted net tangible assets per Offer Share (<i>note 2</i>)	HK\$0.35	HK\$0.39

Notes:

1. The calculation of market capitalisation is based on the multiple of the Offer Price and 500,000,000 Shares expected to be in issue immediately following the Share Offer and the Capitalisation Issue, but takes no account of any Shares which may fall to be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased under the general mandates granted to the Directors for the allotment and issue or repurchase of Shares as referred to in the paragraph headed "Written resolutions of all Shareholders" in Appendix V to this prospectus.
2. The unaudited pro forma adjusted net tangible assets per Share as at 31 January 2010 has been arrived at after making the adjustments set out under the paragraph headed "Unaudited pro forma adjusted net tangible assets" in the section headed "Financial Information" in this prospectus and on the basis of a total of 500,000,000 Shares in issue and to be issued as mentioned herein.
3. The Group conditionally declared a special dividend of HK\$35 million on 19 March 2010 to Mr. Jeong, being the registered shareholder of certain members of the Group as at 9 June 2009, which dividend is expected to be paid by the Group's internal resources prior to the Listing.

USE OF PROCEEDS

The net proceeds from the Share Offer, after deducting underwriting commission and estimated total expenses paid and payable by the Group in connection thereto, are estimated to be approximately HK\$62.3 million, which is calculated based on an Offer Price of HK\$0.6675 per Share, being the mid-point of the proposed Offer Price ranged from HK\$0.585 to HK\$0.75 per Share. The Group intends to use such proceeds as follows:

1. approximately HK\$46.0 million for the expansion of the Group's production capacity including the construction of factory and procurement of the relevant equipment. The Group intends to allocate approximately HK\$35.0 million, HK\$5.5 million and HK\$5.5 million for the expansion of production facilities located in the PRC, Vietnam and Bangladesh respectively, details of which are set out in the paragraph headed "Production facilities – Expanded production facilities" in the section headed "Business" in this prospectus;

SUMMARY

2. approximately HK\$5.0 million for the investment in the Group's research and development team, including the expenses for the relevant equipment and consumables as well as the payroll for research and development projects, which include the improvement of product quality and development of new products applicable on different footwear materials for other footwear;
3. approximately HK\$5.0 million for the expansion of the marketing and technical service team of the Group to cope with the Group's expansion plan in the PRC, Vietnam and Bangladesh; and
4. the balance of HK\$6.3 million for the working capital and other general corporate purposes.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Share Offer will increase or decrease by approximately HK\$10.1 million, respectively. In this regard, the Group will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds of the Share Offer are estimated to be approximately HK\$52.2 million, which will be used for the expansion of production capacity and shortfall of approximately HK\$10.1 million will be financed by either bank loan or internal resources.

To the extent that the net proceeds of the Share Offer are not immediately applied towards the above purposes, it is the Group's present intention that such net proceeds will be deposited into interest-bearing accounts with licensed banks and/or financial institutions in Hong Kong and/or Macau.

The Group will issue an announcement in Hong Kong if there is any material change in the use of proceeds described above.

SPECIAL DIVIDEND

Having considered the past contribution of Mr. Jeong to the Group, the Group conditionally declared a special dividend of HK\$35 million on 19 March 2010 to Mr. Jeong, being the registered shareholder of certain members of the Group as at 9 June 2009, which dividend is expected to be paid by the Group's internal resources prior to the Listing.

SUMMARY

DIVIDEND POLICY

The Shareholders will be entitled to receive dividends the Company declares. The amount to be paid will be at the discretion of the Directors and will depend upon the Group's future operations and earnings, capital requirements and surplus, general financial conditions and other factors which the Directors consider to be relevant. Furthermore, the Controlling Shareholders will be able to influence the dividend policy of the Group.

Subject to the above factors, the Directors plan to distribute regular dividends after the Listing. The Directors intend to distribute approximately 20% of the profits attributable to owners of the Company of a year as dividends. Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividend in such manner or declare and pay any dividend at all.

SHARE OPTION SCHEME

The Group has conditionally adopted the Share Option Scheme to motivate the employees to optimize their performance and contributions to the future success of the Group and/or to reward them for their past contribution, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and or whose contribution are or will be beneficial to the performance, growth or success of the Group. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

RISK FACTORS

Risks relating to the Group's business

- Insufficient market demand to support the expansion of production capacity
- The Group's business operations are subject to significant operational risks and other unforeseen risks that may not be fully covered by insurance policies or at all
- Reliance on the technical assistance from No-Tape Japan
- The possible termination of the distribution agreements in respect of hardener products may adversely affect the Group's financial performance and profitability
- The Group may anticipate unexpected difficulties in achieving its expansion plans
- The development plan may be affected by the shortfall of funds when the Offer Price is fixed at the low-end of the proposed Offer Price range
- The Group's business is highly reliant on the footwear industry and may be adversely affected if the footwear manufacturing industry plunges

SUMMARY

- Lagged effect from footwear manufacturing industry
- Prospects of Vulcanized Shoes Adhesive Related Products
- The Group's purchase of raw material is reliant on several major suppliers. Any change of the status of those suppliers may adversely affect the Group
- The Group may experience shortage in supply of raw materials
- The price of raw materials may fluctuate
- The Group has potential taxation liability in relation to PRC enterprise income tax
- The Group has not obtained land use right certificate in respect of a leased property in Vietnam, which may constitute a restriction on fund raising ability of Vietnam Centresin
- Change in the land use of the leased property in Zhongshan, the PRC
- Significant portion of the revenue of the Group depends on a limited number of customers, and the Group anticipates such dependence may continue in the near future
- If the Group is unable to retain its key management, its growth and future success may be impaired and its financial condition could be adversely affected
- The Group's success is highly reliant on its experienced staff, and the resignation of its experienced staff may adversely affect the Group
- Sales may be affected by seasonality
- Some of the Group's subsidiaries are enjoying the preferential tax policies from the respective governments. The Group's profitability may be adversely affected after the end of the preferential tax treatment
- The intellectual property of the Group may not be protected adequately, which could adversely affect the business operation
- Import tax may adversely affect the Group's profitability
- Fluctuations in exchange rates could adversely affect the Group's profitability
- An outbreak of avian influenza, H1N1 influenza A, a recurrence of SARS or any other similar epidemic may, directly or indirectly, adversely affect the Group's operating results and the market price of the Shares

SUMMARY

Risks relating to the PRC

- Changes in the economic, political and social conditions in the PRC and policies adopted by the PRC Government may adversely affect the Group's business, growth strategies, financial condition and results of operations
- The Group's business in the PRC is subject to the PRC legal system
- The operating cost of the business in the PRC may increase due to the provision of staff benefits as required by the PRC Government
- The business operations of the Group in the PRC may be adversely affected by the environmental and workplace safety regulations
- Various permits and licenses are required for the operation of the Group's business and for the production and/or trading of chemicals in the PRC. The loss or failure to renew any or all of these licenses and permits could adversely affect the Group's business and operations
- The Group's business, reputation and products may be affected by product liability claims, litigation, complaints or adverse publicity in relation to the Group's products

Risks relating to Vietnam

- Changes in the economic, political and legal environment of Vietnam may adversely affect the business, operating results and financial condition of the Group
- The change of the foreign exchange regulations of Vietnam can materially affect the Group's financial conditions and results of operations
- Limited remaining term of lease in relation to the Existing Vietnam Production Plant
- Limited term of ownership over the New Vietnam Production Plant
- Contribution to part of the charter capital of Vietnam Centresin remains outstanding
- Failure to relocate the head office of Vietnam Centresin constitutes a breach of the terms of the investment certificate

Risk relating to Bangladesh

- The Group has no experience in Bangladesh and it is a new market for the Group. The unanticipated events related to the operation in new markets may adversely affect the Group.

SUMMARY

Risks relating to the Share Offer

- There was no prior public market for the Shares and the liquidity and market price of the Shares following the Share Offer may be volatile
- Concentrated ownership and the Controlling Shareholders may exert substantial influence over the Group and may not act in the best interests of the independent Shareholders
- There may be dilution of shareholding as a result of issue of new Shares or equity linked securities
- The accuracy of the statistics and industry information is not guaranteed

DEFINITIONS

In this prospectus, the following expressions have the following meaning unless the context otherwise requires.

“Adhesive Industry Report”	the research report regarding the development of footwear adhesive industry in the PRC issued by 千訊(北京)信息諮詢有限公司 (Beijing Qianxun Consulting Co., Ltd.), an independent market research service provider, in November 2009
“All Reach”	All Reach Investments Limited, a company incorporated in BVI with limited liability on 2 December 2009, an investment holding company held by Mr. Jeong
“Ally Link”	Ally Link Investments Limited, a company incorporated in BVI with limited liability on 19 January 2010, an indirect wholly-owned subsidiary of the Company
“Application Form(s)”	WHITE Application Form(s), and/or YELLOW Application Form(s), and/or GREEN Application Form(s) or, where the context so requires, any of them to be used in relation to the Public Offer
“Articles” or “Articles of Association”	the articles of association of the Company adopted on 26 March 2010, a summary of which is set out in Appendix IV to this prospectus
“associate”	has the meaning ascribed thereto under the Listing Rules
“ASP”	average selling price
“Bangladesh”	the People’s Republic of Bangladesh
“Bangladesh Centresin”	Zhong Bu Centresin (Bangladesh) Company Ltd., a company incorporated in Bangladesh with limited liability on 15 January 2009 and an indirect wholly-owned subsidiary of the Company
“BDT”	Taka, the lawful currency of Bangladesh
“Benino”	Benino Corporation, a company incorporated in the BVI with limited liability on 31 October 2003 and an indirect wholly-owned subsidiary of the Company
“Board”	the board of directors of the Company

DEFINITIONS

“Bracorp”	Bracorp Consulting Inc., a company incorporated in the BVI with limited liability on 19 June 2002 and an indirect wholly-owned subsidiary of the Company
“Business Day”	a day (excluding Saturday, Sunday or public or statutory holiday in Hong Kong and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made upon the capitalisation of part of the share premium account of the Company referred to in the paragraph headed “Written resolutions of all Shareholders” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person or persons admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company”	Infinity Chemical Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability on 15 December 2009
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, in the context of the Company, means All Reach and Mr. Jeong
“Director(s)”	the director(s) of the Company
“Electronic Application Instruction(s)”	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Public Offer Shares
“Existing Vietnam Production Plant”	the production plant in Vietnam currently operated by Vietnam Centresin as more particularly described in the paragraph headed “Production facilities – Current production facilities” in the section headed “Business” in this prospectus
“First Shanghai”	First Shanghai Securities Limited, a licensed corporation for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in schedule 5 to the SFO and one of the Joint Bookrunners
“GDP”	gross domestic product
“Great Oasis”	Great Oasis International Limited, a company incorporated in BVI with limited liability on 5 September 2002 and an indirect wholly-owned subsidiary of the Company
“Greenfield”	Greenfield Company Limited (青草一人有限公司 (in Chinese) and Greenfield Sociedade Unipessoal Limitada (in Portuguese)), a company incorporated in Macau with limited liability on 27 May 1997 and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Group”	the Company and its subsidiaries, or any of them or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company or, where the context otherwise specifies or so requires in respect of financial or accounting information, the Company and its subsidiaries
“Hai Tong Capital”	Hai Tong Capital (HK) Limited, a licensed corporation for type 6 (advising on corporate finance) regulated activities as set out in schedule 5 to SFO and one of the Joint Sponsors to the Listing
“HK eIPO White Form”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form service provider, www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by the Company, as specified on the designated website www.hkeipo.hk
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”, “HK\$”, “HKD” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“ICL”	Infinity Company Limited (星謙有限公司 (in Chinese) and Companhia Infinity Limitada (in Portuguese)), a company incorporated in Macau with limited liability on 19 January 2005 and beneficially owned by Mr. Jeong
“Indemnifiers”	collectively, All Reach, Mr. Jeong and Mrs. Jeong
“Independent Third Party”	a person or company who or which is not connected with any of the directors, the chief executive or a substantial shareholder of the Company or any of its subsidiaries

DEFINITIONS

“IRODUR”	a trade name of a hardener or cross-linker manufactured by Huntsman Corporation
“ISH”	Iao Son Hong Paint Company Limited (友信行有限公司 (in Chinese) and Iao Son Hong Tinta e Vernizes, Limitada (in Portuguese)), a company incorporated in Macau with limited liability on 20 July 1990 and an indirect wholly-owned subsidiary of the Company
“Joint Bookrunners”	SinoPac, First Shanghai and Sun Hung Kai
“Joint Sponsors”	SinoPac and Hai Tong Capital
“Keen Castle”	Keen Castle Limited, a company incorporated in the BVI with limited liability on 2 July 2008 and a wholly-owned subsidiary of the Company
“Latest Practicable Date”	22 July 2010, being the latest practicable date for ascertaining certain information in this prospectus prior to its publication
“Listing”	the listing and the commencement of dealings of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date on which the Shares first commence trading on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Macau Centresin”	Zhong Bu (Centresin) Adhesive & Chemical Co. Ltd. (中部樹脂化工一人有限公司 (in Chinese) and Centresin-Adesivos e Quimicos Sociedade Unipessoal Limitada (in Portuguese)), a company incorporated in Macau on 13 August 2007 and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Macson”	Macson Company Limited (信諾一人有限公司 (in Chinese) and Macson Sociedade Unipessoal Limitada (in Portuguese)), a company incorporated in Macau with limited liability on 14 July 1997 and an indirect wholly-owned subsidiary of the Company
“Main Board”	the Stock Market operated by the Stock Exchange (excluding the options market) which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr. Jeong”	Mr. Jeong Un, an executive Director and a Controlling Shareholder
“Mrs. Jeong”	Ms. Chan Sut Kuan, the spouse of Mr. Jeong. Under the laws of Macau, the regime of matrimonial property of Mr. Jeong and Mrs. Jeong is community (共同財產制)
“Nansha Production Plant”	the planned production plant in Nansha, the PRC to be operated by Zhong Bu Centresin (GZ) as more particularly described in the paragraph headed “Production facilities – Expanded production facilities” in the section headed “Business” in this prospectus
“New Vietnam Production Plant”	the planned production plant in Vietnam to be operated by Vietnam Centresin as more particularly described in the paragraph headed “Production facilities – Expanded production facilities” in the section headed “Business” in this prospectus
“No-Tape Japan”	No-Tape Industrial Co. Ltd., a renowned chemical science company based in Japan, principally engaged in manufacture and sale of adhesives
“NTD”	New Taiwan Dollars, the lawful currency of Taiwan

DEFINITIONS

“Offer Price”	the final price per Offer Share (exclusive of brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%) which will be not more than HK\$0.75 and is expected to be not less than HK\$0.585, at which the Offer Shares are to be issued pursuant to the Share Offer, to be determined in the manner described in the paragraph headed “Determining the Offer Price” in the section headed “Structure of the Share Offer” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters with professional, institutional and other investors at the Offer Price as further described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Shares”	the 112,500,000 new Shares being offered at the Offer Price pursuant to the Placing, subject to re-allocation
“Placing Underwriters”	several underwriters of the Placing led by the Joint Bookrunners, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional underwriting agreement expected to be entered into on or around the Price Determination Date between the Company, the executive Directors, the Controlling Shareholders, the Joint Sponsors, the Joint Bookrunners and the Placing Underwriters in relation to the underwriting of the Placing Shares
“Pou Chen Group”	Pou Chen Corporation and its subsidiaries, or any of them, including Yue Yuen Industrial (Holdings) Limited, being the largest customer of the Group during the Track Record Period
“PRC”, “China” or “Mainland China”	the People’s Republic of China excluding, for the purposes of this prospectus only, Hong Kong, Macau and Taiwan

DEFINITIONS

“PRC Government”	the central government of the PRC including all government departments (including provincial, municipal and other regional or local government entities) and organisations thereof or, as the context requires, any of them
“Price Determination Agreement”	the agreement expected to be entered into between the Company and the Joint Bookrunners at or before the Price Determination Date to record the final Offer Price
“Price Determination Date”	the date on which the Offer Price will be fixed for the purposes of the Share Offer, expected to be at or before 5:00 p.m. on Tuesday, 3 August 2010, and in any event no later than Wednesday, 4 August 2010
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Share Offer” in this prospectus) at the Offer Price (plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%), subject to and in accordance with the terms and conditions set out in this prospectus and the Application Forms, as further described in the section headed “Structure of the Share Offer” in this prospectus
“Public Offer Shares”	the 12,500,000 new Offer Shares being offered by the Company for subscription at the Offer Price pursuant to the Public Offer, subject to adjustment as described in the section headed “Structure of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer set out in the paragraph headed “Public Offer Underwriters” under the section headed “Underwriting” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 28 July 2010 and entered into between the Company, the executive Directors, the Controlling Shareholders, the Joint Sponsors, the Joint Bookrunners and the Public Offer Underwriters in relation to underwriting of the Public Offer Shares

DEFINITIONS

“Raffles Partners”	Raffles Partners Asset Management (Hong Kong) Limited, a strategic investor of the Group and a Shareholder
“Reorganisation”	the corporate reorganisation of the Group in preparation for the Listing, details of which are set out in the paragraph headed “Reorganisation” under the section headed “Further information about the Company and its subsidiaries” in Appendix V to this prospectus
“Righton”	Righton Company Limited (緯頓一人有限公司 (in Chinese) and Righton Sociedade Unipessoal Limitada (in Portuguese)), a company incorporated in Macau with limited liability on 27 May 1997 and an indirect wholly-owned subsidiary of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a par value of HK\$0.01 each in the share capital of the Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company on 22 July 2010, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	the holder(s) of the issued Shares
“SinoPac” or “Compliance Adviser”	SinoPac Securities (Asia) Limited, a licensed corporation for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as set out in schedule 5 to the SFO, one of the Joint Sponsors to the Listing and one of the Joint Bookrunners
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“subsidiaries”	has the meaning ascribed thereto in section 2 of the Companies Ordinance
“Sun Hung Kai”	Sun Hung Kai International Limited, a licensed corporation for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as set out in schedule 5 to the SFO and one of the Joint Bookrunners
“Taiwan”	the Republic of China, Taiwan
“Takeovers Code”	the Code on Takeovers and Mergers, as amended from time to time
“Track Record Period”	the three financial years of the Company ended 30 September 2009 and the four months ended 31 January 2010
“Traditional Adhesive Related Products”	the adhesive and primer products of the Group other than Vulcanized Shoes Adhesive Related Products
“U.S. Securities Act”	United States Securities Act of 1933, as amended from time to time
“Underwriters”	collectively, the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	collectively, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “US dollars”	United States dollars, the lawful currency of US
“Vietnam”	the Socialist Republic of Vietnam
“Vietnam Centresin”	Zhong Bu Adhesive (Vietnam) Co., Ltd., formerly known as Iao Son Hong (Vietnam) Co. Ltd., and Centresin Adhesive (Vietnam) Co., Ltd., a company incorporated in Vietnam with limited liability on 27 January 2005 and an indirect wholly-owned subsidiary of the Company
“VND”	Viet Nam Dong, the lawful currency of Vietnam

DEFINITIONS

“Vulcanized Shoes Adhesive Related Products”	water-based adhesive related products, including adhesive and primer, being new products of the Group, which are specifically developed for the application on the manufacturing of vulcanized shoes
“Zhong Bu Centresin (GZ)”	中部樹脂(廣州)有限公司 (Zhong Bu Centresin (Guangzhou) Company Limited), a wholly-foreign owned enterprise established in the PRC on 10 December 2009 and an indirect wholly-owned subsidiary of the Company
“Zhongshan Macson”	中山信諾黏合製品有限公司 (Zhongshan Macson Adhesive Products Co., Ltd.), a wholly-foreign owned enterprise established in the PRC on 22 September 1998 and an indirect wholly-owned subsidiary of the Company
“Zhongshan Production Plant”	the production plant at Zhongshan, the PRC currently operated by Zhongshan Macson as more particularly described in the paragraph headed “Production facilities – Current production facilities” in the section headed “Business” in this prospectus
“Zhuhai Centresin”	珠海市澤濤黏合製品有限公司 (Centresin Chemical Products Ltd., Zhuhai), a wholly-foreign owned enterprise established in the PRC on 29 July 1999 and an indirect wholly-owned subsidiary of the Company
“Zhuhai Iao Son”	珠海市友信化工有限公司 (Zhuhai Iao Son Chemicals Company Limited), a company incorporated in the PRC on 18 August 1992 with limited liability and was dissolved on 31 May 2007 and an indirect wholly-owned subsidiary of the Company
“Zhuhai Production Plant”	the production plant at Zhuhai, the PRC currently operated by Zhuhai Centresin as more particularly described in the paragraph headed “Production facilities – Current production facilities” in the section headed “Business” in this prospectus
“%”	per cent.

DEFINITIONS

Unless otherwise specified in this prospectus, amount denominated in foreign currencies (other than relating to the financial information of the Group which are converted at the rates as at the relevant dates in question) have been converted, for the purpose of illustration only, into Hong Kong dollars using the following rates:

US\$1 = HK\$7.8

RMB1 = HK\$1.13

No representation is made that any amount in US\$, RMB or HK\$ could have been or could be converted to the other currencies at the above rates or at any other rates at all.

In this prospectus, the names of enterprises or entities established in the PRC have been included in both the Chinese and English languages and the English names of these enterprises or entities are only English translation of their respective official Chinese names. In the event of any inconsistency between the English names and their respective official Chinese names, the Chinese names shall prevail.

GLOSSARY OF TERMS

This glossary contains explanations of certain terms and definitions used in this prospectus in connection with the Group and/or its business. The terms and their meanings as set out below may not correspond to standard industry meaning or usage of the same.

“adhesive”	a compound in liquid or semi-liquid state that adheres or bonds items together
“copolymer”	a polymer with two different types of monomer units
“CR”	polychloroprene
“EA”	ethyl acetate
“EVA”	ethylene vinyl acetate
“hardener”	a curing agent used to mix with adhesive for controlling or promoting the curing action of adhesive
“hytrel”	a thermoplastic polyester elastomer
“ISO9000 Series”	a series of international standards on quality management and quality assurance developed by ISO Technical Committee 176 in 1987 and which has been adopted by more than 80 countries
“ISO9001”	a constituent part of the ISO9000 series which covers the areas of management responsibility; quality system; contract review; document and data control; purchasing; control of customer-supplied product; product identification and traceability; process control; inspection, measuring and test equipment; inspection and test status; control of nonconforming product; corrective and preventive action; handling, storage, packaging, preventive and delivery; control of quality records; internal quality audits; training; servicing and statistical techniques
“ISO 14001”	an internationally accepted standard that sets out how can be put in place an effective Environmental Management System (EMS)
“MEK”	methyl ethyl ketone

GLOSSARY OF TERMS

“OEM”	a type of manufacturing under which products are manufactured, in whole or in part, in accordance with specifications of the customer and are marketed under the customer’s brand name, acronym for original equipment manufacturing
“polymerization”	a process of reacting monomer molecules together in a chemical reaction to form three-dimensional networks or polymer chains
“polyolefin”	a production material of the Group’s products
“primer”	a chemical used in pretreatment of footwear components
“PU”	a type of plastics – Polyurethane, a production material of the Group’s products
“PVC”	polyvinylchloride, a kind of shoe materials
“PVC primer”	a product of the Group, which is used to treat shoe material made of PVC before using adhesives
“resin”	a class of solid or semisolid viscous substances obtained either as exudations from certain plants or prepared by polymerization of simple molecules
“synthetic rubber”	a rubber which is synthesized
“toluene”	a type of solvent, which is harmful to human body
“toluene-free PU adhesive”	a product of the Group, which does not contain toluene
“TRP”	thermoplastic rubber, a material which has both the characteristics of rubber and plastic
“VOCs”	volatile organic compounds
“vulcanization”	a chemical process for converting rubber or related polymers into more durable materials via the addition of sulfur or other equivalent “curatives”
“vulcanized rubber”	a rubber which is made of natural rubber through vulcanization, and is one of shoe materials

RISK FACTORS

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in the Company before making any investment decision in relation to the Share Offer. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of the Group.

This prospectus contains certain forward-looking statements regarding the Group's plans, objectives, expectations, and intentions which involve risks and uncertainties. The Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below. The trading price of the Offer Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO THE GROUP'S BUSINESS

Insufficient market demand to support the expansion of production capacity

The Group plans to expand its existing annual production capacity from approximately 24,000 tonnes of adhesives and primers per annum to approximately 36,000 tonnes of adhesives and primers per annum by establishing new production plants in the PRC, Bangladesh and Vietnam. However, the following factors may lead to insufficient market demand for the Group's products:

1. According to the Adhesive Industry Report, the expected growth rate of footwear adhesive consumption market in the PRC is approximately 5% and 8% for 2010 and 2011 respectively. Such limited growth rate in market demand may not be sufficient to support the supply by the expanded production capacity of the Group and as a result, the expanded production capacity of the Group may not be fully utilised.
2. The market demand for the Vulcanized Shoes Adhesive Related Products may not be reached as expected by the Directors.
3. The adhesive industry in Vietnam and Bangladesh may not be strong enough to generate sufficient market demand for the Group's products.

If the market demand is less than the expectation of the Directors and the Group fails to increase its market share in the footwear adhesive industry, the Group may face price pressure as a result of the static market demand and overcapacity and the financial performance of the Group will be adversely affected. In addition, the production facilities may be subject to impairment due to under utilisation.

RISK FACTORS

The Group's business operations are subject to significant operational risks and other unforeseen risks that may not be fully covered by insurance policies or at all

The Group processes, stores, handles, distributes and transports hazardous chemical materials such as MEK and acetone. Improper handling of these hazardous materials may cause pollution to the environment and, to a certain extent, is toxic and harmful to human. Any accidents resulting from improper handling of these hazardous materials may cause serious health and safety issues (such as respiratory and central nervous system illness) and fire and explosion, which in turn may cause significant damages to the Group's production facilities and production interruptions. Under any of these events, the Group's existing insurance coverage may not cover the losses the Group may incur or at all. The Group cannot guarantee that it will be successful in making an insurance claim under the insurance policies maintained by it or that the claimed proceeds will be sufficient to compensate the actual damages suffered or at all. Any of these events could adversely affect the Group's business operation and financial condition and may harm the Group's reputation, leading to litigation, government fines or penalties.

Reliance on the technical assistance from No-Tape Japan

One of the Group's successful factors is its ability to develop new adhesives and related products, which allows the Group to keep abreast of the latest development of footwear materials and the latest market trends through the Group's committed efforts on research and development. In early 2009, the Group's research and development team successfully developed the Vulcanized Shoes Adhesive Related Products. To strengthen the Group's research and development capability, the Group has also cooperated with No-Tape Japan in some research and development projects. For each of the three year ended 30 September 2009 and the four months ended 31 January 2010, the turnover of the Group attributable to (i) the products jointly developed by the Group and No-Tape Japan accounted for approximately 0%, 23.9%, 42.9% and 54.4% of the Group's total turnover respectively; and (ii) the products solely developed by the methodologies and formulae provided by No-Tape Japan accounted for approximately 42.6%, 21.5%, 4.5% and 6.7% of the Group's total turnover respectively. Should No-Tape Japan terminate the Renewed Technical Support Agreement (as defined in the paragraph headed "Research and development" in the section headed "Business" in this prospectus) upon expiry in February 2012, the research and development capability of the Group may be adversely affected and the Group may not be able to develop new products with the changing materials in footwear manufacturing industry. This may weaken the competitiveness of the Group in the footwear adhesive industry which in turn may adversely affect the business and financial performance of the Group.

The possible termination of the distribution agreements in respect of hardener products may adversely affect the Group's financial performance and profitability

Pursuant to the distribution agreements in respect of hardener products, the supplier of the hardener products has the right to terminate the distribution agreements by giving notice to the Group in the event of any breach of the Group of any provision of the distribution agreements

RISK FACTORS

not having be remedied by the Group within 30 days after notification. In the event of such termination, the Group may not be able to identify alternative supplier of hardeners, and may not be able to develop its own brand of hardener. As the turnover from the sale of the hardener products accounted from approximately 16% to 21% of the total turnover of the Group during the Track Record Period, which has the highest profit margin among the products of the Group, the possible termination of the distribution agreements in respect of hardener products may adversely affect the financial performance and the profitability of the Group.

The Group may anticipate unexpected difficulties in achieving its expansion plans

The future success of the Group depends on, among other things, the Group's ability to increase its production capacity and the launch of the new adhesive and related products in response to the changing demand of the footwear materials market. To achieve continuous growth, the Group plans to expand its production facilities. The expansion of production facilities and the launch of new products will be subject to various risks, including risks of delay and cost overrun as a result of a number of factors, which may be uncontrollable, such as the delay in government approval procedures, problems with suppliers and contractors. The procurement of new production equipment is also subject to significant risk, including risk of delay in delivery and installation. In relation to the expanded production facilities, since the Nansha Production Plant is still in the process of establishment and as at the Latest Practicable Date, not all necessary approvals/permits from relevant government authority in the PRC had been obtained for its operation, the expansion plan of the Nansha Production Plant is exposed to a risk that the Group may fail to obtain any of such necessary approval. In such event, this may in turn negatively affect the future profitability and growth of the Group. Furthermore, since the Nansha Production Plant is intended to be a principal production plant for the production and supply of Vulcanized Shoes Adhesive Related Products, the failure or any delay in its operation will adversely affect the supply of Vulcanized Shoes Adhesive Related Products, which in turn will adversely affect the future growth of the Group and render the Group unable to timely capture the opportunities in the adhesive market in vulcanized shoes industry. In addition, the Group may need to dispose of the land it has purchased for the establishment of Nansha Production Plant in Nansha, Guangdong Province, the PRC. As of the Latest Practicable Date, the expenses of approximately HK\$2.5 million was incurred by the Group in relation to the establishment of the Nansha Production Plant. It includes, but not limited to the commissioning of the feasibility study of the establishment of Nansha Production Plant, environmental assessment and other administrative expenses, which will not be recoverable.

Should the Group fail to obtain necessary approval from government authority for the operation of Nansha Production Plant, the proceeds from the Share Offer amounting to approximately HK\$31 million which are intended to be allocated to the establishment of Nansha Production Plant will then be re-allocated for the expansion of the production facilities in the Zhuhai Production Plant.

If the Group is unable to execute the expansion plan or launch new products at competitive cost or in a timely manner or at all, the future growth of the Group will be adversely affected. For such expansion of the production capacity, considerable capital

RISK FACTORS

expenses are also required for, among other things, procurement of new production equipment, as well as investment in research and development projects, to maintain the competitiveness of the Group. If the Group fails to raise sufficient funds or generate sufficient cash flows to support such expansion and research and development projects, the Group's business, financial performance and future growth prospects will also be adversely affected.

The development plan may be affected by the shortfall of funds when the Offer Price is fixed at the low-end of the proposed Offer Price range

The Group plans to utilise the net proceeds from the Share Offer for the further development of the Group. The planned allocation of the net proceeds is as follows: HK\$46 million for the whole expansion plan of production facilities, HK\$5 million for the expansion of the research and development team and HK\$5 million for the expansion of the marketing and technical team. However, if the Offer Price is fixed at the low-end of the Offer Price range, the net proceeds from the Share Offer will be approximately HK\$52.2 million, which is not sufficient to finance all of the aforementioned expansion plans. In such case, the Group will be required to seek alternative funding such as by way of loans and issue of new equity to make up the shortfall. Should the Group fail to obtain alternative funding, the liquidity and the future growth of the Group may be adversely affected.

The Group's business is highly reliant on the footwear industry and may be adversely affected if the footwear manufacturing industry plunges

Since the Group's products are dedicated for footwear manufacturing and most of the major customers of the Group are the footwear manufacturers, the Group's business is directly related to the footwear manufacturing industry as well as the footwear consumption market. Should the footwear consumption market adversely change, the production of footwear may be reduced and the demand for the Group's products may also decrease. According to the Adhesive Industry Report, the consumption of footwear adhesive in the PRC will be relatively stable in the coming years and, thus the market may not have sufficient product demand to support the Group's expansion plan.

Lagged effect from footwear manufacturing industry

The Directors believe that most of the Group's footwear manufacturer customers had received purchase orders from their footwear suppliers before the financial turmoil in late 2008 and had to deliver footwear products to their footwear suppliers within 2008, the demand for the Group's products in late 2008 was therefore not significantly affected by the negative effect of the financial turmoil in late 2008. However such financial turmoil has continued to affect adversely the footwear industry and the purchase orders from footwear suppliers to footwear manufacturers in the first half of 2009. In such regard, the footwear suppliers had become conservative in 2009, which led to the decrease in demand for footwear materials from footwear manufacturers and also led to the decrease in demand for the Group's adhesive related products during 2009. If there is any adverse change in the footwear manufacturing industry, such lagged effect may occur and may adversely affect the Group's profitability in the next financial year.

RISK FACTORS

Prospects of Vulcanized Shoes Adhesive Related Products

The Directors believe that the Vulcanized Shoes Adhesive Related Products, being a new product developed by the Group in early 2009, will have room to compete in the vulcanized shoes market and provide the Group new business opportunity. In anticipation of this business opportunity, the Group will focus on the development and marketing of its Vulcanized Shoes Adhesive Related Products in its future plans including expansion of production facilities and marketing and technical services team. However, if the performance of the adhesive market for vulcanized shoes is not satisfactory, the expansion plan and future growth of the Group will be adversely affected.

The Group's purchase of raw material is reliant on several major suppliers. Any change of the status of those suppliers may adversely affect the Group

For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, the five largest suppliers accounted for approximately 72.9%, 54.9%, 50.2% and 50.8% of the total purchase of the Group respectively. During the Track Record Period, half of the Group's raw materials were reliant on the top five suppliers. It cannot be assured that the Group is able to maintain the stable relationships with its major suppliers. The changes of the status of the suppliers may lead to an uncertainty of the supplies of the Group's raw materials. The Group's operation and the financial performance may be adversely affected.

The Group may experience shortage in supply of raw materials

The principal raw materials used by the Group include 丁酮 (methyl ethyl ketone), 丙酮 (acetone), 醋酸乙脂 (ethylene acetate), 合成樹脂 (denka chloroprene) and 聚脂多元醇 (polyester polyol). The purchases of these principal raw materials accounted for approximately 77.8%, 60.5%, 55.5% and 55.8% of the Group's total purchases for each of the three years ended 30 September 2009 and the four months ended 31 January 2010 respectively.

Although the Directors consider that the Group has not previously experienced any material shortage in the supply of raw materials, should there be any shortage in the raw materials, the supply of the Group's products and financial performance of the Group may be adversely affected.

The price of raw materials may fluctuate

As disclosed above, the Group's purchases of the principal raw materials accounted for approximately 77.8%, 60.5%, 55.5% and 55.8% of the Group's total purchases for each of the three years ended 30 September 2009 and the four months ended 31 January 2010 respectively. Since such raw materials are mainly by-products of crude oil, the price of the raw materials of the Group is sensitive to the fluctuation of the international crude oil price. The average price of the international crude oil was approximately US\$66.92 per barrel, US\$107.95 per barrel, US\$58.36 per barrel and US\$76.63 per barrel for each of the years ended 30 September 2009 and the four months ended 31 January 2010 respectively, representing an increase of

RISK FACTORS

approximately 61.3% from 2007 to 2008 and a decrease of approximately 45.9% from 2008 to 2009. The fluctuation of international crude oil price had direct influence on the cost of goods of the Group during the Track Record Period. For each of the three financial years ended 30 September 2009 and the four months ended 31 January 2010, the gross profit margin of the Group was approximately 18.6%, 16.4%, 24.3% and 24.1% respectively, such fluctuation was adversely proportional to the fluctuation of the international crude oil price from 2007 to 2009. The following table shows the average unit price of principal raw materials purchased by the Group during the Track Record Period.

	Year ended 30 September			Four months ended 31 January
	2007	2008	2009	2010
	<i>US\$/kg</i>	<i>US\$/kg</i>	<i>US\$/kg</i>	<i>US\$/kg</i>
Raw materials				
methyl ethyl ketone	1.08	1.39	0.94	1.17
acetone	0.92	1.08	0.75	0.99
ethylene acetate	1.03	1.06	0.81	0.93
denka chloroprene				
Grade A30 A90S	3.88	4.20	4.00	3.60
Grade M120\M130H	3.78	4.06	3.85	3.43
polyester polyol	2.97	2.99	2.42	2.87

Should there be any increase in the price of any raw materials and the Group is unable to pass on such increase to the customers, the financial performance of the Group may be adversely affected.

The Group has potential taxation liability in relation to PRC enterprise income tax

During the Track Record Period, certain profit of the Group was contributed by Benino and Bracorp, which carried out technology development/technical assistance and marketing/promotion activities by their respective staffs in the PRC. Since there is no agreement between the PRC Government and the government of BVI for the avoidance of double taxation, the staff assigned by Bracorp and Benino to provide their respective service to Zhuhai Centresin and Zhongshan Macson will be deemed to have permanent establishment in the PRC and subject to PRC enterprise income tax. However, the Company's legal advisers as to the PRC laws are of the view that, having considered that the tax reportings were duly agreed and processed by the PRC authorities in-charge of Benino and Bracorp, and there was neither challenge nor enquiry from such PRC authorities in-charge regarding PRC enterprise income tax, the permanent establishment or related exposure of Benino and Bracorp is minimal in the PRC. The Indemnifiers have agreed to indemnify the Group in respect of the potential tax liability abovementioned.

RISK FACTORS

The Group has not obtained land use right certificate in respect of a leased property in Vietnam, which may constitute a restriction on fund raising ability of Vietnam Centresin

Pursuant to the land sublease agreement dated 6 March 2008 entered into between Vietnam Centresin and Dai Dang Investment and Construction Co., Ltd. (“Dai Dang”), an Independent Third Party, Vietnam Centresin rented a piece of land located at D2-3 Dai Dang Industrial Zone, Tan Uyen District, Binh Duong Province (the “Vietnam Sublease Property”) from Dai Dang. As advised by the Company’s legal advisers as to Vietnamese law, given that the land sublease agreement has been certified by Binh Duong Industrial Zones Authority, the land sublease agreement is valid, legal and enforceable under the laws of Vietnam.

However, Vietnam Centresin has not registered with the relevant government authorities to obtain a land use right certificate for the Vietnam Sublease Property. In the absence of a land use right certificate, Vietnam Centresin will have difficulty in obtaining banking facilities by way of mortgage of the land use right since most banks in Vietnam are hesitant to accept a mortgage of land use right in the absence of a land use right certificate which they can keep in custody. Since the Group has no plan to raise funds by pledging the land use right of the Vietnam Sublease Property in Vietnam, the Group has not registered with the relevant government authorities to obtain a land use right certificate for the Vietnam Sublease Property. To ensure the Group’s right of pledge of the land, the Group will endeavour to register the land sublease agreement with the relevant government authorities to obtain a land use right certificate for the Vietnam Sublease Property before the New Vietnam Production Plant is to be constructed on the Vietnam Sublease Property.

According to the Company’s legal advisers as to Vietnamese law, there is no private ownership of land in Vietnam. Land use rights, rather than ownership rights, are granted over land, and holders of land use rights are referred to under Vietnamese laws as “land users”, and right are granted over land in Vietnam. Pursuant to the Vietnamese law, the holder of a land use right certificate is entitled to use and occupy the relevant parcel of land exclusively, and also the rights to assign or mortgage the land use rights or to use the land use rights as capital contribution for the businesses. Dai Dang is the legal holder of the land use right with respect to the Vietnam Sublease Property and has the right to use the Vietnam Sublease Property until 18 October 2055.

According to the Company’s legal advisers as to Vietnamese law, to obtain a land use right, it would require registration with the relevant Vietnamese authority. Under the current Vietnamese laws, it is the lessor (i.e. Dai Dang) that is expected to conduct the procedures to apply for a land use right certificate for the lessee (i.e. Vietnam Centresin). As such, the obtaining of the land use right certificate for Vietnam Centresin is not within the control of the Group and the Group is not in a position to procure or ensure that Dai Dang will extend its co-operation to the Group or to obtain the land use right certificate for Vietnam Centresin before commencement of the Group’s operation in the Vietnam Sublease Property.

RISK FACTORS

The Group has paid in full the whole rent for the Vietnam Sublease Property, which amounts to US\$290,000 (equivalent to approximately HK\$2.4 million). According to the Company's legal advisers as to Vietnamese law, since Vietnam Centresin has paid the rent in full already, Vietnam Centresin has all the rights as a holder of the land use right and is entitled to use and occupy the relevant parcel of land exclusively.

However, there is a contractual term in the relevant lease agreement in respect of the Vietnam Sublease Property that if Vietnam Centresin intends to assign or sublease the land use rights of the Vietnam Sublease Property to a third party, Vietnam Centresin will need to obtain prior approval from Dai Dang. At present, it is not expressly stated in the relevant land lease agreement whether Dai Dang would require additional payment for granting such consent for assigning or subleasing the land use rights. The Company's legal advisers as to Vietnamese law advised that it would be a matter of commercial negotiation between Vietnam Centresin and Dai Dang in relation to the grant of such consent.

The relevant land lease agreement with Dai Dang also contains certain ongoing covenants to be observed by Vietnam Centresin. Any of the following, among others, will constitute a breach of such covenants:

- (i) payment of the rental or the monthly management fee is overdue for more than 90 days;
- (ii) Vietnam Centresin is in material breach of the agreement and such breach is irreparable or repairable but Vietnam Centresin does not correct it within 30 days as from the date of receipt of a notice from Dai Dang;
- (iii) Vietnam Centresin is bankrupted or dissolved; or
- (iv) Vietnam Centresin transfers or subleases the right to use the land to a third party without a written approval of Dai Dang.

In the event of occurrence of breach of such covenants, Dai Dang is entitled to terminate the relevant lease agreement, in which case Vietnam Centresin will be forced to vacate from the Vietnam Sublease Property. The Group's ability to avoid breaching such covenants can be ensured by the adoption of a series internal control policy, details of which are set out in the paragraph headed "Adoption of Internal Control Policy – general internal control policy" under the section "Business" of this prospectus.

Should the Group fail to obtain such land use right certificate, the usage of the Vietnam Sublease Property as collateral security for future financing for expansion of the Group may be adversely affected.

RISK FACTORS

Change in the land use of the leased property in Zhongshan, the PRC

According to 《中華人民共和國土地管理辦法》 (the PRC Land Administrative Law) (the “PRC Land Administrative Law”) promulgated on 25 June 1986 and amended on 28 August 2004, the land occupied by the Group as production facilities in Xinfeng Industrial Zone, Huangpu Town, Zhongshan, Guangdong, the PRC, cannot be utilised for non-agricultural purpose. According to 《國務院深化改革嚴格土地管理的決定》 (Decision of Reform of Land Management of the State Council) adopted on 21 October 2004, the usage of land can be altered in conformity with the development plan of 中山市規劃局 (Zhongshan Municipal Planning Bureau). 中山市規劃局 (Zhongshan Municipal Planning Bureau) confirmed in September 2006 that the usage of the land by the Group is in conformity with the development plan in Guangdong, the PRC. However, there is no assurance that the state government and/or municipal government may require the Group or the lessor to proceed with supplemental procedure to ratify the usage of land. The production plant of the Group located in the said area, namely the Zhongshan Production Plant, has an annual production capacity of approximately 3,041 tonnes and 2,281 tonnes of adhesives and primers respectively. For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, the utilisation rate of the production of adhesives of the Zhongshan Production Plant reached approximately 99%, 92%, 93% and 81% respectively while the utilisation rate of the production of primers of the Zhongshan Production Plant reached approximately 42%, 38%, 40% and 37% respectively. The production output of adhesives and primers derived from this production plant was approximately 20.8% and 24.3% to the Group’s total production capacity of adhesives and primers during the Track Record Period.

Nevertheless, if supplemental procedure is required to ratify the usage of land which leads to the temporary suspension of production, or the Group fails to ratify the usage of land, it will cause the permanent suspension of production, as a result of which additional cost of approximately HK\$100,000 may be incurred for the re-location of production facilities and the production and operation of the Group will be adversely affected.

Significant portion of the revenue of the Group depends on a limited number of customers, and the Group anticipates such dependence may continue in the near future

For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, the Group’s top five customers accounted for approximately 49.9%, 51.5%, 54.1% and 58.6% of the Group’s revenue respectively. Sales to Pou Chen Group, the largest customer of the Group during the Track Record Period, accounted for approximately 26.2%, 26.4%, 29.7% and 28.9% of the total revenue of the Group for each of the three years ended 30 September 2009 and the four months ended 31 January 2010 respectively. Currently, the Group has not entered into long-term agreement with any of the Group’s major customers. The Group anticipates that the dependence on a limited number of customers may continue in the foreseeable future. Material adverse impact on the Group’s revenue, financial condition and results of operations will happen if any one of the following events takes place:

- significant decrease or cancellation in purchase orders by some of the Group’s major customers, or any material delay in the acceptance of new products;

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- loss of one or more of the Group's major customers and failure to secure additional or replacement customers; and/or
- failure in making timely payment by any of the Group's major customers.

If the Group is unable to retain its key management, its growth and future success may be impaired and its financial condition could be adversely affected

The Group's success depends, to a significant degree, upon the experience, expertise and continuity of its senior management personnel, most of whom have in-depth understanding of the footwear adhesive industry and the operations of the Group and are difficult to replace. The Group's senior management, including Mr. Jeong, are key to the Group's success because of their expertise and experience in the footwear adhesive industry, market development, and their contributions to technology development and expertise in managing the operations of the Group. In addition, the relationship and reputation that the management team has established and maintained with its customers are the other successful factors of the Group. If the Group is unable to retain its key management, its growth and future success may be impaired and its financial condition could be adversely affected.

The Group's success is highly reliant on its experienced staff, and the resignation of its experienced staff may adversely affect the Group

As at the Latest Practicable Date, the marketing and technical services team of the Group had 90 staff. Details of the marketing and technical services team are set out in the paragraph headed "Marketing and technical service" in the section headed "Business" in this prospectus. The connection within the footwear manufacturing industry is one of the main successful factors of the Group's business. However, these experienced staff may leave the Group and join its competitors or start their own business which is in a rival position to that of the Group. If the aforesaid events take place, the Group may lose a considerable market share.

Apart from the marketing and technical services team, there is a research and development team to support the Group's business in the aspect of solving technical problems arising from the applications of the Group's products, enhancing product quality and developing new products. Staff in research and development team have strong academic backgrounds in chemistry and chemical engineering related subjects, 11 of whom are bachelor degree holders and 4 of whom are master degree holders. If the Group is unable to retain these staff and find suitable replacements within a short period of time after the departure of such staff, the ability of the Group to provide after-sales and technical services to customers in all aspects and launches of innovative products will be adversely affected.

Sales may be affected by seasonality

The Group's turnover is subject to seasonal fluctuations during the year. During the Track Record Period, the Group recorded a lower turnover from January and February which was mainly due to the labour vacation during the statutory holidays of the Chinese New Year in the

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PRC, causing the reduction of productivity. Disregarding the financial turmoil in the second half of 2008 and its continuous effect till 2009, second half of a year is relatively the peak season of the Group's sales and the Group recorded its comparatively higher turnover from October to December. The Directors believe that the Group is exposed to the risks associated with such seasonal factors and the fluctuation of demand of the Group's products. Should there be any adverse change of market condition in the second half of a year, the Group's profitability may be adversely affected.

Some of the Group's subsidiaries are enjoying preferential tax policies from the respective governments. The Group's profitability may be adversely affected after the end of the preferential tax treatment

Zhuhai Centresin is entitled to the exemption from PRC income tax for the two years commencing from its first profit making-year in 2008, followed by a 50% reduction from 2010 to 2012; and Vietnam Centresin is entitled to the exemption from Vietnam income tax for three years commencing from its first profit making-year in 2006, followed by a 50% reduction from 2009 to 2015. Those preferential tax policies will end in the next few years. The Group's profitability may be adversely affected after the end of the preferential tax treatment.

After the cessation of operation of the Zhuhai Production Plant, the preferential tax treatment enjoyed by Zhuhai Centresin will cease. Since Zhong Bu Centresin (GZ) may not be able to enjoy the same or similar preferential tax treatment for Nansha Production Plant, the profitability of the Group will be adversely affected.

The intellectual property of the Group may not be protected adequately, which could adversely affect the business operation

The Group relies on patent laws, proprietary technology and contractual restrictions to protect the Group's intellectual property. As at the Latest Practicable Date, the Group had a total of 6 registered trademarks in the PRC and Vietnam, and had applied for the registration of a total of 19 trademarks in the PRC, Vietnam, Bangladesh, Indonesia and Hong Kong; and 8 patent applications in the PRC, Vietnam, Bangladesh and Indonesia. However, such registration may only provide limited protection for the intellectual properties of the Group. In addition, contractual agreements, such as confidentiality and non-competition agreements and terms between the Group and the research and development personnel, may only afford limited protection and the actions that the Group may take to protect the proprietary right and other intellectual property may not be adequate. The Group's competitive position may be weakened if it fails to protect the intellectual property and other proprietary right. Litigation relating to the intellectual property may result in substantial costs, time and diversion of resources. Even if the Group has legal grounds for a lawsuit, the Group may need to resort to court proceedings to enforce its intellectual property rights. If a lawsuit is brought, a court decision in any such litigation against the Group will impair the intellectual property and proprietary rights and may adversely affect the Group's business, prospects and reputation.

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Import tax may adversely affect the Group's profitability

For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, approximately 77.5%, 59.1%, 53.4% and 42.5% respectively of the Group's purchase of raw materials were imported from overseas. Pursuant to the Customs Laws of the PRC, raw materials imported for processing and assembling can be bonded and are exempted from taxation if the products (for which the raw materials are utilised) are exported. During the Track Record Period, the raw materials were imported by the PRC subsidiaries of the Group on a bonded basis, i.e. no import taxes should be chargeable. Though the products may not be exported by the PRC subsidiaries of the Group directly, they were passed to other third party factories in the PRC for further processing and/or producing end products which will then be exported. Such arrangement is generally agreed by the PRC Customs as "factory transfers" which shall remain bonded. The end products sold in the domestic market of the PRC would be considered as non-bonded, which is subject to the import tax. The import of these raw materials into the PRC by the Group were not subject to any PRC import tax. If there is any change in the import policy of the PRC that imposes any import duty, the Group's profitability will be adversely affected.

Fluctuations in exchange rates could adversely affect the Group's profitability

For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, approximately 15.8%, 16.6%, 12.8% and 8.7% of the sales of the Group were denominated in NTD respectively, and approximately 31.1%, 35.8%, 43.4% and 50.9% of the sales of the Group were denominated in US dollars respectively, while the cost of sales, except for certain raw material costs, and operating expenses were denominated primarily in RMB. For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, approximately 44.2%, 33.0%, 39.5% and 38.7% respectively of the Group's total purchase were denominated in US dollars. Therefore, any significant fluctuation in the exchange rate of RMB against US dollars and/or NTD may adversely affect the financial results of the Group.

The PRC Government has established a new exchange rate mechanism since 2005 that the RMB is no longer pegged to the USD but to a basket of currencies. It resulted in the appreciation of RMB against USD and HKD by approximately 20% as of 30 September 2009.

During the Track Record Period, the highest of exchange rate of NTD to HKD was approximately NTD1.00 to HKD0.257 and the lowest was NTD1.00 to HKD0.224. The exchange rate dropped rapidly since the financial tsunami in 2008 and reached the lowest in February 2009. The trend of exchange rate of NTD to HKD was rising since its lowest rate of February 2009 and reached approximately NTD1.00 to HKD0.244 in January 2010.

As at the Latest Practicable Date, the Group had not entered into any hedging transactions to reduce the exposure to foreign currency risk. The Group may enter into hedging transactions in the future. The availability and effectiveness of these transactions may be limited and the Group may not be able to successfully hedge its exposure, or at all.

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An outbreak of avian influenza, H1N1 influenza A, a recurrence of SARS or any other similar epidemic may, directly or indirectly, adversely affect the Group's operating results and the market price of the Shares

The PRC reported a number of cases of SARS in 2003. Certain countries have encountered incidents of avian influenza and H1N1 influenza A in 2009. If any of the Group's employees are identified as a patient of these disease or deemed as a source of epidemic or other serious diseases, the Group may be required to quarantine those employees that have been suspected of becoming or confirmed to be infected, as well as other employees that have come into contact with those suspected or infected employees. The affected offices, production facilities may be required to be suspended for disinfection. As a result, the Group's business, financial condition and results of operations could be adversely affected and the market price of the Shares may drop significantly. Even where the Group is not directly affected by the epidemic, an outbreak of avian influenza, H1N1 influenza A or recurrence of SARS or another epidemic or serious diseases could slow down, disrupt or restrict the level of economic activity generally in the markets where the Group operates, which could adversely affect the Group's business, financial condition and result of operations and cause the market price of the Shares to drop.

RISKS RELATING TO THE PRC

Changes in the economic, political and social conditions in the PRC and policies adopted by the PRC Government may adversely affect the Group's business, growth strategies, financial condition and results of operations

For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, approximately 71.7%, 69.9%, 64.3% and 57.9% of the Group's turnover was derived from the PRC respectively. As a result, the business is significantly subject to economic, political and social development of the PRC. There are differences between the economy of the PRC and the economies of most of the developed countries in many respects, such as government involvement, level of development, growth rate, control of foreign exchange, capital investment, allocation of resources, inflation rate and trade balance position. Although the PRC Government has been implementing the measures of market forces for economic reform, the PRC Government continues to play a significant role in regulating industrial development by allocating resources, production, pricing and management. There is no assurance that the direction of reform will continue to be market-oriented.

The Group may not be able to accurately anticipate the economic reform measures adopted by the PRC Government. Adverse effects may be caused by changes in the economical, political and social conditions or the relevant policies of the PRC Government, such as changes in laws and regulations (or the interpretation thereof) or restrictive financial measures.

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The Group's business in the PRC is subject to the PRC legal system

The Group's business in the PRC is subject to the PRC laws and regulations. The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws and regulations. Prior court decisions can only be cited as reference but have limited precedential value. Since 1979, the PRC has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, because of the limited volume of published cases and their non-binding nature and since these laws and regulations are relatively new, the interpretation and enforcement of the PRC laws and regulations involve a degree of uncertainty and may be inconsistent from time to time.

The operating cost of the business in the PRC may increase due to the provision of staff benefits as required by the PRC government

The Group has made and continued to make contributions to the National Social Security Fund pursuant to the relevant PRC laws and regulations. The Group's operating costs may increase if the scope of these employee contribution funds expands or the rate of the Group's mandatory contributions increases. It may adversely affect the Group's business and the financial performance.

The business operations of the Group in the PRC may be adversely affected by the environmental and workplace safety regulations

The Group's businesses operated in the PRC are subject to compliance with related environmental, health and safety laws and other regulations. The changes in the scope or application of these laws, regulations or approvals may reduce the production capacity or increase the operating costs of the Group. The failure of complying with these laws and regulations may result in fine, penalties or lawsuits. There is no assurance that the PRC government will not impose additional or stricter laws and regulations, compliance of which may lead to the increase of the Group's operating cost or capital expenditures, which may adversely and materially affect the business operation of the Group.

Various permits and licenses are required for the operation of the Group's business and for the production and/or trading of chemicals in the PRC. The loss or failure to renew any or all of these licenses and permits could adversely affect the Group's business and operations

In accordance with the PRC laws and regulations, the Group is required to maintain various licenses and permits to operate and manufacture its products. Such regulations include, without limitation, 《危險化學品安全管理條例》(the Regulations on the Safety Administration of Dangerous Chemicals) that apply to the production, sale, storage, transportation and usage of dangerous chemicals.

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The Group is required to comply with such laws and standards in relation to the production processes, and the relevant regulatory authorities will also carry out regular inspections to ascertain the compliance with applicable laws and regulations. Save as disclosed in the paragraph headed “Compliance history of the Group” in the section headed “Business” in this prospectus, the Group had obtained and maintained all necessary permits and licenses required in connection with the Group’s operations during the Track Record Period. The Group is also required to renew the licenses and permits periodically. Failure to pass these inspections or loss of or failure to renew the Group’s licenses and permits could result in temporary or permanent suspension of some or all of the production activities, which could disrupt the Group’s operations and could result in the Group being unable to meet its contractual obligations. This may adversely affect the Group’s business, financial condition and results of operations.

Set out below are the principal permits and licenses of the Group regarding the operation in Zhuhai:

Permits or licenses	Expiry date	Status
安全生產許可證 Safety Manufacturing Permit	28 March 2013	Effective
危險化學品經營單位儲存核定書 Dangerous Chemicals Operating Unit Storage Approval Letter	29 December 2012	Effective
危險化學品經營許可證 Dangerous Chemicals Operation Permit	29 December 2012	Effective
危險化學品生產單位登記證 Dangerous Chemicals Manufacturing Unit Registration Certificate	10 September 2012	Effective

Set out below are the principal permits of the Group’s operation in Zhongshan:

Permits or licenses	Expiry date	Status
安全生產許可證 Safety Manufacturing Permit	4 December 2010	Effective
危險化學品經營許可證 Dangerous Chemicals Operation Permit	15 January 2011	Effective

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The Group has not experienced any failure in obtaining or renewal of licenses and permits required for its operation. Apart from the unlawful keeping of dangerous chemicals resulting in a fine mentioned in the paragraph headed “Compliance history of the Group” in the section headed “Business” in this prospectus, the Group had not experienced any improper handling of hazardous materials, product liability claim and litigation which is material to the Group during the Track Record Period. Details of compliance issue of the Group are set out in the paragraphs headed “Compliance history of the Group” and “Environmental protection and safety measures” under the section headed “Business” in this prospectus.

The Group’s business, reputation and products may be affected by product liability claims, litigation, complaints or adverse publicity in relation to the Group’s products

The Group’s products involve an inherent risk of injury that may result from tampering by unauthorized third parties or product contamination or degeneration, including the presence of foreign contaminants, chemicals, substances or other agents or residues during the various stages of the procurement, production, transportation and storage process. The Group cannot guarantee that its products will not cause any health-related illnesses or injury or that it will not be subject to claims or lawsuits relating to such matters. In the event that a product liability or third party liability claim is brought against the Group, the Group cannot guarantee that it will be successful in making an insurance claim under the product liability and third party liability insurance policies maintained by it or that the proceeds from the insurance claim will be sufficient to compensate the actual damages suffered or at all.

The Group may be ordered by the PRC government authorities to recall its products if it fails to meet relevant quality or safety standards. The Group cannot guarantee that product liability claims will not be asserted against it as a result. A product liability judgment against the Group or an ordered product recall could have a material adverse effect on its business, financial condition and results of operations.

RISKS RELATING TO VIETNAM

Changes in the economic, political and legal environment of Vietnam may adversely affect the business, operating results and financial condition of the Group

Approximately 28.3%, 30.1%, 35.7% and 42.1% of the Group’s revenue were derived from Vietnam for each of the three years ended 30 September 2009 and the four months ended 31 January 2010 respectively. As a result, the business of the Group is subject to economic, political and social development of Vietnam. Vietnam’s economy differs from the economies of many countries in the aspects such as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, inflation rate and balance of payments position. Prior to the 1990s, Vietnam’s economy was largely a planned economy. Since about 1987, increasing emphasis has been placed on the utilisation of market forces in the development of the economy. Annual and five-year state plans are adopted by the Vietnamese government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of Vietnam’s industrial output, in

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general, the Vietnamese government is reducing the level of direct control that it exercises over the economy through state plans and other measures. There is an increasing level of freedom and autonomy in areas such as resource allocation, production and management and a gradual shift in emphasis to a market economy and enterprise reform.

The legal system of Vietnam differs, as well, from that of many countries belonging to the Organisation for Economic Co-operation and Development, and from most common law jurisdictions, in that the interpretation and the enforcement of laws are relatively uncertain and inconsistent. The laws and regulations of Vietnam are not well-developed, and there is no system of binding case law and precedent. The laws and regulations are subject to broad and varying interpretations by government officials, courts and lawyers. The courts of Vietnam have the power to read implied terms into contracts, adding a further layer of uncertainty. As a result, government officials, courts and lawyers often express different views on the legality, validity and effect of a particular legal document. In addition, the views of a governmental authority received on a particular issue have no binding effect or finality, so there is no guarantee that similar issues will be dealt with in a similar way by other governmental authorities.

As part of its transition from a planned economy to a more market-oriented one, the Vietnamese government has implemented a series of economic reforms, including lowering trade barriers and import quotas to encourage and promote foreign investment. Since 1987, the Vietnamese government has promulgated a series of laws and regulations on local and foreign investment. Before 1 July 2006, when a new Investment Law and new Enterprise Law came into effect, there were two distinct legal regimes governing local investments and foreign investments in Vietnam. Under this former arrangement, foreign-owned companies were generally treated less favourably.

Although the new Investment Law and new Enterprise Law are applicable to both foreign and domestic investors, pending the full implementation and enforcement of the relevant implementing regulations, it remains to be seen precisely the extent to which foreign and domestic investors are in fact put on the same footing. Furthermore, because the new Investment Law decentralises administrative power significantly, the provincial governments will have more authority over the Group than they had in the past. It is possible that rules implemented by the relevant provincial governments will diverge from the policy pronouncements of the national government and will in fact be prejudicial to the Group's interests. The new laws provide that foreign investors may generally be considered for compensation in the event that a change in Vietnamese law adversely affects the interests of the investors, but it is unclear how compensation would be determined or what the impact would be, as this statutory right has not been fully tested.

Although it is generally accepted that the Vietnamese government has made progress in economic reform and the development of laws and regulations, there remain inherent uncertainties and inconsistencies in the interpretation, implementation and enforcement of laws and government policies, including tax regulations. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition, depending upon the outcome

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of these experiments. Furthermore, there can be no assurance that the Vietnamese government will continue to pursue policies of economic reform or that any reforms will be successful or the impetus to reform will continue. If any of the changes adversely affect the Group and its business, or if the Group is unable to capitalise on the economic reform measures of the Vietnamese government, the business, operating results and financial condition of the Group could be adversely affected.

The adoption of new or amended law and regulations could have a negative impact on the Group's operations. New or amended law and regulations in Vietnam, including those relating to the protection of foreign investors or domestically owned companies, could negatively impact the Group's business and results of operations.

The change of the foreign exchange regulations of Vietnam can materially affect the Group's financial conditions and results of operations

Under the foreign currency exchange regulations of Vietnam, foreign-invested enterprises are permitted to repatriate profits from business operations in Vietnam through various means. The Vietnamese government has relaxed the regulations in respect of foreign exchange to allow foreign-invested enterprises to convert VND into foreign currencies through authorised foreign exchange bodies. There can be no assurance, however, that the Vietnamese government will continue to relax its foreign exchange regulations, that it will maintain the same foreign exchange policy or that there will be sufficient foreign currency, particularly U.S. dollars, available in the market for currency conversions. If, in the future, government regulations restrict the Group's ability to convert VND or there is insufficient foreign currency available in the market, the Group may be unable to meet its foreign currency payment obligations. The foreign exchange management regime of Vietnam has transitioned from a system of fixed multiple exchange rates controlled by the State Bank of Vietnam to a system of flexible exchange rates regulated largely by market forces. The exchange rate of VND to HKD was relatively stable in the first year of the Track Record Period. The rate was on downturn since the beginning of 2008 which was mainly attributable to the economic downturn of Vietnam. The exchange rate of VND to HKD reached approximately VND1.00 to HKD0.00042 at the beginning of 2010. The highest rate was approximately VND1.00 to HKD0.00049 during the Track Record Period. The value of the VND has fluctuated in the past and is subject to changes in the Vietnamese government's political and economic policies. The Vietnamese government has taken a liberal approach to foreign exchange management in that the State Bank influences the exchange rate only through the financial markets and monetary policies. However, there can be no assurance that the government will continue to pursue a liberal management policy in respect of foreign exchange. If it does not do so, the Group's financing costs may increase and the Group's financial condition and results of operations may be adversely affected by changes in the value of VND.

Limited remaining term of lease in relation to the Existing Vietnam Production Plant

The Group's current production plant in Vietnam are under a lease which is expiring in June 2011. If the landlord refuses to renew the term of the lease and the Group is unable to commence and relocate its operation to the new production plant prior to the expiry of the said lease, the Group will be unable to continue its operation in Vietnam.

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Limited term of ownership over the New Vietnam Production Plant

The Group's right to use and occupy the Vietnam Sublease Property will expire on 18 October 2055. The Group's investment certificate for its operation in Vietnam will expire in January 2035.

According to the Company's legal advisers as to Vietnamese law, the Group has ownership over the buildings to be erected on the Vietnam Sublease Property during the term of the lease agreement, during which time the Group is entitled to deal with the buildings such as sale or transfer. When the investment certificate of Vietnam Centresin expires in 2035 and is not renewed, Vietnam Centresin shall cease to exist under the laws of Vietnam. Certain steps should be taken before expiry of its investment certificate to either extend the term of the investment certificate or to transfer the ownership of the buildings together with the land use right with respect to the leased land to a third party prior to the expiry of the investment certificate. Otherwise the Group's ownership over such buildings will cease and will be surrendered to the respective landlord or lessor if they indicate that the Group needs not to return the land on a vacant condition. Once the Group no longer owns those buildings, the Group will have no further rights to operate or continue its business within those buildings.

According to Article 52 of the Investment Law of Vietnam, the operational duration of a foreign project shall not exceed 50 years unless the competent authorities of Vietnam approve otherwise, having regard to the nature of a particular investment project undertaken by the foreign investor, such as the scale of the investment and the projected investment return. Since the lessor of the Vietnam Sublease Property is a foreign invested company according to its investment certificate, it is uncertain that the sublease agreement between the Vietnam Centresin and the lessor can be extended or renewed upon the expiry of the 50-year term because the current operational duration of lessor's investment certificate is for 50 years (i.e. until 18 Oct 2055) and the duration may not be extended due to the above regulation. Thus, the Group may not be able to have the sublease agreement extended or renewed beyond the time when the lease between the lessor and the Vietnam government expires.

According to the Company's legal advisers as to Vietnamese law, the procedure for extension of the term of the investment certificate is of administrative nature by filing an application to the Binh Daong Industrial Zones Authority ("BIZA") and BIZA shall amend the investment certificate accordingly upon receipt of all the documents required to be filed. No fee is payable for the application of extension of the term of the investment certificate.

Contribution to part of the charter capital of Vietnam Centresin remains outstanding

The charter capital of Vietnam Centresin initially was US\$300,000 in 2005 and was subsequently increased to US\$600,000 on 12 January 2009. The increased charter capital of US\$300,000 was required to be paid up by the end of 2009 and the Group had not contributed the increased portion of the charter capital within such prescribed time limit.

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The Group has applied to the Vietnam authority for amending the Vietnam Centresin's investment certificate for, inter alia, extension of the deadline for contribution to the increased portion of the charter capital. The Vietnam authority has on 16 April 2010 granted to Vietnam Centresin an amended investment certificate whereby the deadline for the contribution of the increased charter capital of US\$300,000 has been extended to December 2010. Since the new investment certificate was only issued in April 2010, the Company's legal advisers as to Vietnamese law advised that failure to contribute the charter capital by the end of 2009 constituted a breach of the terms of Vietnam Centresin's investment certificate and is not in accordance with the Vietnamese laws, which will result in an administrative penalty ranging from VND7,000,000 to VND10,000,000 (equivalent to approximately HK\$3,000 to HK\$4,300) though such failure will not result in the revocation of Vietnam Centresin's investment certificate or cause any material adverse consequence to its business and operation. Nonetheless, the Company's legal advisers as to Vietnamese laws opined that the possibility that Vietnam Centresin would be fined for the delay in capital contribution was low in view of the fact that the amended investment certificate had been issued and that the Vietnam authority had not taken any action in this regard.

The Group withheld to make the further capital contribution of US\$300,000 by 2009 since the global economy had experienced substantial turbulence since late 2008, which had a negative impact on the consumers market generally. While the Directors consider that it is in the interest of the Group to continue to expand its business in Vietnam, in particular in light of the successful development of the Vulcanized Shoes Adhesive Related Products in early 2009, given that (i) the recovery of the global economy remains slow, especially in the United States and Europe; and (ii) the various economic stimulations measures adopted by various governments around the world may be adjusted or withdrawn, the Directors also consider that it is prudent for the Group to exercise a high degree of caution in allocation of the funds of the Group.

The Directors, having considered the opinion of the Company's legal advisers as to Vietnamese law, are of the view that such breach of the term of the investment certificate will not result in any material adverse operational and financial impact on the Group's operation in Vietnam.

The Indemnifiers have agreed and undertaken to indemnify the Group for, among other things, any loss or damage sustained by the Group arising from the Group's failure to contribute the remaining charter capital of US\$300,000 of Vietnam Centresin by the time limit previously prescribed by the relevant Vietnam authorities.

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Failure to relocate the head office of Vietnam Centresin constitutes a breach of the terms of the investment certificate

According to the investment certificate of Vietnam Centresin, the head office of Vietnam Centresin has to be relocated to Road No.2, Dong An Industrial Zone, Thuan An District, Binh Duong Province to D2-3, Dai Dang Industrial Zone, Tan Uyen District, Binh Duong Province, Vietnam, being the address of the New Vietnam Production Plant, within one year from 12 January 2009. However, due to the economic downturn resulting in the delay in the Group's expansion plan in Vietnam and the expected commencement of operation of the new production facilities in Vietnam in December 2011, the Group has not relocated its head office in Vietnam to the said address before the prescribed time limit. Upon application by Vietnam Centresin, the Vietnam authority has on 16 April 2010 issued an amended investment certificate to Vietnam Centresin whereby the deadline for the relocation of its head office to the address of New Vietnam Production Plant has been extended to September 2011. Since the amendment to the investment certificate was only granted on 16 April 2010, the Company's legal advisers as to Vietnamese law advised that the failure to relocate the head office of Vietnam Centresin by January 2010 constituted a breach of the terms of the investment certificate of Vietnam Centresin and therefore was not in compliance with the Vietnam law. The Company's legal advisers as to Vietnamese law, however, further advised that such breach is not considered to be material and it will not result in the revocation of the investment certificate. As advised by the Company's legal advisers as to Vietnamese law, the Company may be subject to a fine between VND5,000,000 and VND7,000,000 (equivalent to approximately HK\$2,000 and HK\$3,000) due to the failure to properly comply with the terms of its investment certificate under relevant Vietnam regulations. Nonetheless, the Company's Vietnam legal adviser opined that the possibility that Vietnam Centresin would be fined for the delay in relocation of its head office was low given the fact that the amended investment certificate had been issued and that the Vietnam authority had not taken any action in this regard.

The Directors, having considered the opinion of the Company's legal advisers as to Vietnamese law, are of the view that such breach of the term of the investment certificate will not result in any material adverse operational and financial impact on the Group's operation in Vietnam.

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RISK RELATING TO BANGLADESH

The Group has no experience in Bangladesh and as it is a new market for the Group. The unanticipated events related to the operation in new markets may adversely affect the Group

To achieve a goal of proximity to customers, the Group is always looking for the expansion of manufacturing plants to new market which is close to the Group's current or potential customers. However, the entry of new market exposes the Group to a number of risks, including but not limited to:

- different legal and regulatory requirements;
- protection for intellectual property rights may be weakened in some jurisdictions;
- relative high resistance from the domestic unions;
- changes in political and economic conditions; and
- potential adverse effects in relation to tax and currency.

The Group cannot assure that the expansion plans will be successful and additional resources for the expansion plan may not be available to the Group in a timely manner. If the achievements of the expansion plans do not meet the anticipated outcome of the Group, the business, financial condition and the operation of the Group may be materially and adversely affected.

RISKS RELATING TO THE SHARE OFFER

There was no prior public market for the Shares and the liquidity and market price of the Shares following the Share Offer may be volatile

There was no public market for the Shares prior to the Share Offer. The initial Offer Price range for the Offer Shares is the result of negotiations among the Company and the Joint Bookrunners on behalf of the Underwriters. There is no indication from the Offer Price that the Shares prices will prevail in the trading market. The market price for the Shares may fall below the Offer Price. Furthermore, a listing on the Stock Exchange does not guarantee that an active and liquid trading market for the Shares will develop or be sustained following the Share Offer.

RISK FACTORS

Concentrated ownership and the Controlling Shareholders may exert substantial influence over the Group and may not act in the best interests of the independent Shareholders

Upon completion of the Share Offer, Mr. Jeong, through All Reach, will own 67.5% of the Company's issued share capital. Mr. Jeong will be in a position to exert significant influence over the Group's affairs, and will be able to influence the outcome of most of the Shareholders' resolutions. The interests of the Controlling Shareholders may not necessarily be aligned with that of the other Shareholders, and this concentration of ownership may also have the effect of delaying, deferring or preventing a change in control of the Company.

There may be dilution of shareholding as a result of issue of new Shares or equity linked securities

The Group may need to raise additional fund in the future to finance business expansions whether relating to the Group's existing operations or new acquisition. If additional funds are raised through the Company's issue of new shares or equity-linked securities other than on a pro-rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences and privileges superior to the Shares of those existing Shareholders.

The accuracy of the statistics and industry information is not guaranteed

Certain facts, statistics and data presented under the section headed "Industry overview" and elsewhere in this prospectus have been derived, in part, from various official publications of government and related parties. Although reasonable steps have been taken by the Directors to ensure that such information and statistics were extracted accurately from reliable sources, neither the Company, the Directors, the Joint Sponsors nor any of the parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. There is no assurance that statistics or data derived from multiple official government publications and several sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared in the same standard or level of accuracy as, or consistent with, those in other publications. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

FORWARD-LOOKING STATEMENTS

The words “anticipate”, “believe”, “consider”, “could”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would”, “with a view to” and similar expressions, and the negative of these words as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting the Directors’ current views with respect to future events are not an assurance of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

Subject to the requirements of the Listing Rules, the Group does not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. 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 the Group expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading. The Share Offer is made solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. 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 the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Joint Sponsors, the Joint Bookrunners, the Underwriters, any of their respective directors or affiliates of any of them or any other person or party involved in the Share Offer.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. The Share Offer comprises the Placing and the Public Offer which are subject, in each case, to re-allocation described in the section headed "Structure of the Share Offer" in this prospectus. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

The Listing is sponsored by SinoPac and Hai Tong Capital. SinoPac, First Shanghai and Sun Hung Kai act as the Joint Bookrunners.

Subject to the terms of the Underwriting Agreements (including the determination of the Offer Price by agreement between the Company and the Joint Bookrunners (on behalf of the Underwriters), at or before 5:00 p.m. on the Price Determination Date, being 3 August 2010 (or such later date as may be agreed between the parties, or in any event no later than 4 August 2010)), the Public Offer Shares are fully underwritten by the Public Offer Underwriters and the Placing Shares are expected to be fully underwritten by the Placing Underwriters. For particulars of the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE FINAL OFFER PRICE

The Offer Price is expected to be determined by agreement between the Company and the Joint Bookrunners (on behalf of the Underwriters), at or before 5:00 p.m. on the Price Determination Date, being 3 August 2010 (or such later date as may be agreed between the parties, or in any event no later than 4 August 2010). **If, for whatever reason, the Joint Bookrunners (acting on behalf of all the Underwriters) and the Company are unable to agree on the final Offer Price, the Share Offer (including the Public Offer) will not proceed and will lapse.**

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

RESTRICTIONS ON THE OFFER SHARES

Each person acquiring the Offer Shares under the Public Offer will be required to, or to be deemed by his acquisition of the Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, no Offer Shares will be offered or sold, directly or indirectly, in the PRC or Taiwan.

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, Shares to be issued pursuant to the Capitalisation Issue, Shares to be issued pursuant to the Share Offer, and any Shares to be issued upon the exercise of any option which may be granted under the Share Option Scheme, on the Main Board. As at the Latest Practicable Date, no part of the Shares or loan capital of the Company was listed or dealt in on the Main Board or on any other stock exchange and at present, no such listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

HONG KONG BRANCH REGISTER AND STAMP DUTY

All Shares to be issued pursuant to the Capitalisation Issue, the Share Offer and any Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme will be registered on the Company's Hong Kong branch register of members to be maintained by Tricor Investor Services Limited. The Company's principal register of members will be maintained in the Cayman Islands by Butterfield Fulcrum Group (Cayman) Limited. Only Shares registered on the Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange. Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares, you should consult your professional advisers. The Company, the Directors, the Joint Sponsors, the Joint Bookrunners, the Underwriters, any of their respective directors, agents or advisers or any other person or party involved in the Share Offer do not accept responsibility for any tax effects on or liabilities resulting from the subscription for, purchase, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for listing of, and permission to deal in, the Shares on the Stock Exchange and the compliance 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 any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROCEDURES FOR APPLICATION FOR SHARES

The procedures for applying for the Public Offer Shares are set out in the section headed “How to apply for the Public Offer Shares” and on the relevant Applications Forms.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board are expected to commence at 9:30 a.m., on Thursday, 12 August 2010. Shares will be traded in board lots of 4,000 Shares each.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Jeong Un	Estrada Nova de HAC-SA No. 181C, Sandar, E5, Edif Hellene Garden (Lot VI) Coloane, Macau	Chinese
Mr. Ip Chin Wing	1F., No. 2 Ah Kung Ngam Road Shaukeiwan Hong Kong	Chinese
Mr. Ip Ka Lun	43B, Block 6, Le Point 8 King Ling Road Tseung Kwan O Kowloon Hong Kong	Chinese
Mr. Stephen Graham Prince	Hua Fa New Town, Building 76 Apartment 901 Qian Shan District Zhuhai The PRC	United States of America
<i>Independent non-executive Directors</i>		
Mr. Chan Wing Yau George	5B, 78A Bonham Road Hong Kong	Chinese
Mr. Ho Gilbert Chi Hang	Flat B, 43/F Tower 2, The Legend 23 Tai Hang Drive Jardine's Lookout Hong Kong	Chinese
Mr. Poon Yick Pang Philip	Unit A, 8/F., Tower A Hollywood Terrace 268 Queen's Road Central Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Joint Sponsors

SinoPac Securities (Asia) Limited
21/F, One Peking, 1 Peking Road
Tsim Sha Tsui
Kowloon
Hong Kong

Hai Tong Capital (HK) Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

SinoPac Securities (Asia) Limited
21/F, One Peking, 1 Peking Road
Tsim Sha Tsui
Kowloon
Hong Kong

First Shanghai Securities Limited
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

Sun Hung Kai International Limited
12/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Co-Managers

Polaris Securities (Hong Kong) Limited
Room 1003-4, Tower 1
Admiralty Centre
18 Harcourt Road
Hong Kong

Prudential Brokerage Limited
9/F, World-wide House
19 Des Voeux Road C.
Central, Hong Kong

Public Offer Underwriters

SinoPac Securities (Asia) Limited
21/F, One Peking, 1 Peking Road
Tsim Sha Tsui
Kowloon
Hong Kong

First Shanghai Securities Limited
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Sun Hung Kai International Limited
12/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Polaris Securities (Hong Kong) Limited
Room 1003-4, Tower 1
Admiralty Centre
18 Harcourt Road
Hong Kong

Prudential Brokerage Limited
9/F, World-wide House
19 Des Voeux Road C.
Central, Hong Kong

Legal advisers to the Company

As to Hong Kong Law:
Michael Li & Co.
14/F., Printing House
6 Duddell Street
Central
Hong Kong

As to PRC Law:
JiaYuan Law Firm
F407
Ocean Plaza
158 Fuxing Men Nei Street
Xicheng District
Beijing
The PRC

As to Cayman Islands Law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
Grand Cayman KY1-1111
Cayman Islands

As to Macau Law:
Leong Hon Man Law Office
12/F, China Law Building
Avenida Praia Grande no. 409
Macau

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

	<p><i>As to Vietnam Law:</i> Vietnam International Law Firm (VILAF – Hong Duc) Saigon Tower, Suites 505-507 29 Le Duan Street, District 1 Ho Chi Minh City Vietnam</p>
	<p><i>As to Bangladesh Law:</i> Doulah & Doulah Advocates Attorneys & Notaries 1st and 2nd Floors Plot 153/2, Road 2/2, Block-A Section 12, Mirpur Dhaka 1216 Bangladesh</p>
Legal advisers to the Joint Sponsors and the Underwriters	<p><i>As to Hong Kong Law:</i> Leung & Lau 13th Floor, Public Bank Centre 120 Des Voeux Road C Central Hong Kong</p>
	<p><i>As to PRC Law:</i> GFE Law Office 18th Floor, Guangdong Holdings Tower No.555 Dongfeng East Road Guangzhou The PRC</p>
Auditors and reporting accountants	<p>Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F One Pacific Place 88 Queensway Hong Kong</p>
Property valuer	<p>LCH (Asia-Pacific) Surveyors Limited 17th Floor, Champion Building Nos. 287-291 Des Voeux Road Central Hong Kong</p>
Receiving banker	<p>Standard Chartered Bank (Hong Kong) Limited 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong, Kowloon Hong Kong</p>

CORPORATE INFORMATION

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive, PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarter	Rua de Pequim No. 202A-246 Macau Finance Centre 16 Andar A-D,M,N Macau
Place of business in Hong Kong registered under Part XI of the Hong Kong Companies Ordinance	Unit 6, 11/F, Wayson Commercial Building 28 Connaught Road West Hong Kong
Company secretary	Mr. Lau Chan Wing Raymond <i>CPA, FAIA(UK)</i>
Company website	www.infinitychemical.com (Note)
Audit committee	Mr. Poon Yick Pang Philip (<i>Chairman</i>) Mr. Chan Wing Yau George Mr. Ho Gilbert Chi Hang
Remuneration committee	Mr. Chan Wing Yau George (<i>Chairman</i>) Mr. Poon Yick Pang Philip Mr. Ho Gilbert Chi Hang Mr. Ip Ka Lun
Nomination committee	Mr. Ho Gilbert Chi Hang (<i>Chairman</i>) Mr. Chan Wing Yau George Mr. Poon Yick Pang Philip Mr. Ip Ka Lun
Authorised representatives (for the purpose of the Listing Rules)	Mr. Ip Chin Wing 1F., No. 2 Ah Kung Ngam Road Shaukeiwan Hong Kong

Note: Content of this website does not form part of this prospectus.

CORPORATE INFORMATION

Mr. Ip Ka Lun
43B, Block 6, Le Point
8 King Ling Road
Tseung Kwan O
Kowloon
Hong Kong

Compliance Adviser

SinoPac Securities (Asia) Limited
21/F, One Peking
1 Peking Road
Tsim Sha Tsui
Kowloon, Hong Kong

Principal bankers

Banco Tai Fung
Tai Fung Bank Headquarters Building, 418
Alameda Dr. Carlos D' Assumpcao
Macau

Banco Nacional Ultramarino
Av. Almeida Ribeiro, No. 22
Macau

Bank of East Asia
Alameda Dr. Carlos D' Assumpcao No. 322
Fu Tat Fa Yuen
R/C AP to AW
Macau

Banco Delta Asia
No. 39-41, Rua do Campo
Macau

The Hongkong and Shanghai Banking
Corporation Limited
639 Avenida da Praia Grande
Macau

Bank of China
222-224, Ping Tang Lu
Ping Sha Town, Jin Wan District
Gaolan Port Economic Zone
Zhuhai
The PRC

CORPORATE INFORMATION

	Industrial & Commercial Bank of Vietnam 108 Tran Hung Dao Hoan Kiem Hanoi Vietnam
Principal share registrar and transfer office in the Cayman Islands	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 609 Grand Cayman KY1-1107 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26th Floor Tesbury Centre 28 Queen's Road East Wan Chai Hong Kong

INDUSTRY OVERVIEW

The information provided in this section is partly derived from various government and/or publications provided by independent research companies, such as publications of the Adhesive Industry Report. The Directors believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. 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. The information derived from such sources has not been prepared, independently verified and commissioned by the Company, the Joint Sponsors, the Joint Bookrunners or the Underwriters or any of their respective affiliates and advisers, and may not be consistent with other information compiled within or outside the PRC. No representation is given as to its accuracy.

INTRODUCTION

The Group is principally engaged in the production, sale and development of adhesives and primers and the distribution of hardeners, which widely used by the Group's customers in the process of footwear manufacturing in the PRC and Vietnam. Since the Group's products are key production materials for footwears, the Directors consider that the market demand for footwear has material impact on the industry which the Group operates. Furthermore, the Group's products, being adhesive, primer and hardener, are essentially working together in the bonding process during the footwear production process. The market demand for and/or consumption of adhesive also reflects the market demand and/or consumption of primer and hardener.

THE FOOTWEAR MARKET

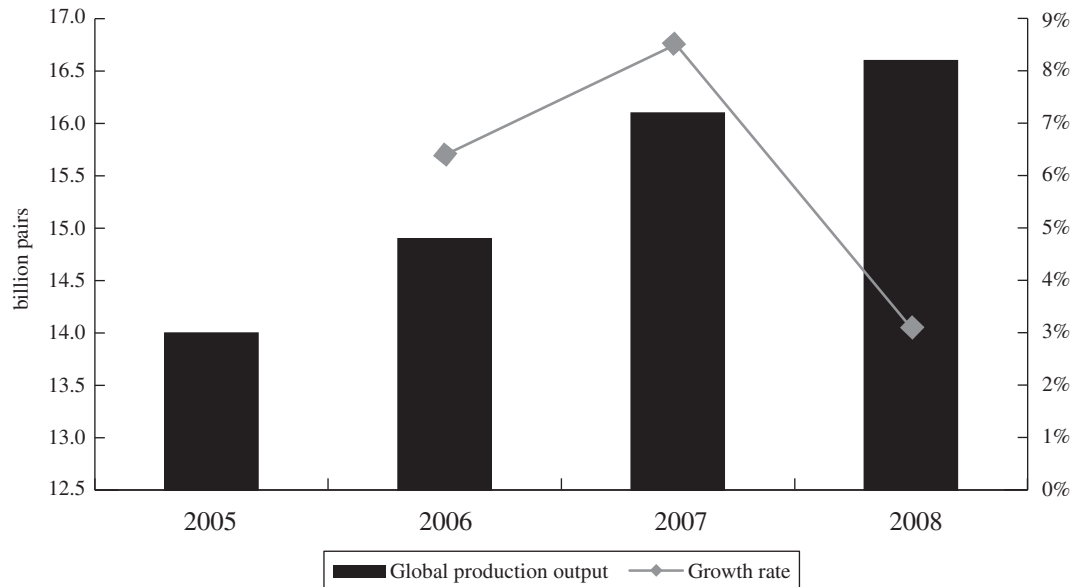
Overview of the global footwear market

In November 2009, 千訊(北京)信息諮詢有限公司 (Beijing Qianxun Consulting Co., Ltd.) which is an independent market research service provider issued the Adhesive Industry Report. The Adhesive Industry Report was not commissioned by the Company nor the Joint Sponsors. The sources of data and analysis in the Adhesive Industry Report are obtained from (i) government, regulatory or related organisations; (ii) annual or quarterly reports for the companies in footwear manufacturing industry; (iii) public information of the footwear manufacturing industry; (iv) interviews with the specialists or customers from which related information and data were obtained; (v) long term observation from Beijing Qianxun Consulting Co., Ltd.; and (vi) final verification of the data and information through consultation with specialists, research etc.

INDUSTRY OVERVIEW

According to the Adhesive Industry Report, demand for footwears has grown from 2005 to 2008 and global production output of footwears amounted to approximately 14 billion pairs in 2005, approximately 14.9 billion pairs in 2006, approximately 16.1 billion pairs in 2007 and approximately 16.6 billion pairs in 2008 despite of the global financial crisis in late 2008, representing a compound annual growth rate of approximately 5.84%.

The following chart illustrates the growth rate and global production output of footwears from 2005 to 2008:



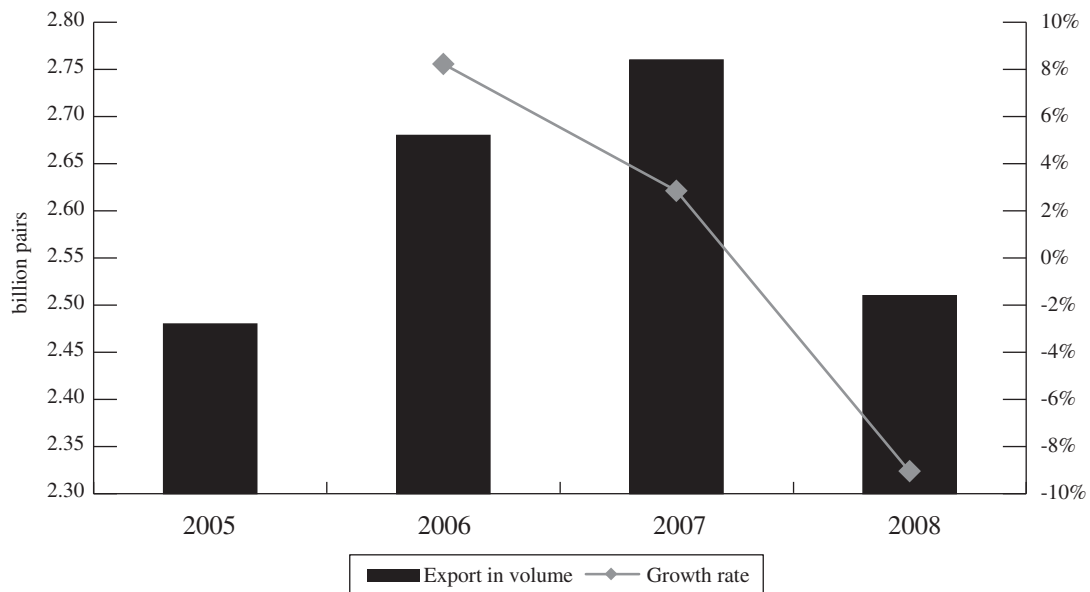
Source: Adhesive Industry Report

Footwear market of the PRC

According to the Adhesive Industry Report, the PRC is the largest export country of footwear in the world. In recent years, the annual production output of footwears in the PRC exceeded 10 billion pairs, which contributed to approximately 66% of the global production output of footwears. In 2008, the PRC exported approximately 8.12 billion pairs of footwear, which valued approximately US\$28.8 billion and represented approximately 1.38 times of the export volume of footwear by the PRC in 1999.

INDUSTRY OVERVIEW

The following chart illustrates export volume of leather shoes and cloth shoes in the PRC and its growth rate from 2005 to 2008:



Source: China Statistical Yearbook 2007 to 2009

According to the China Statistical Yearbook 2007 to 2009, approximately 2.48 billion pairs, 2.68 billion pairs, 2.76 billion pairs and 2.51 billion pairs of leather shoes and cloth shoes were exported from the PRC in 2005, 2006, 2007 and 2008 respectively. A substantial annual growth of leather shoes and cloth shoes export of approximately 8.2% in the PRC was recorded in 2006, which was mainly attributable to the global economic growth leading the increase in demand for consumption products. In view of the financial crisis in late 2008, the export of leather shoes and cloth shoes in the PRC dropped by approximately 9% to approximately 2.51 billion pairs in 2008.

THE VULCANIZED SHOES MARKET

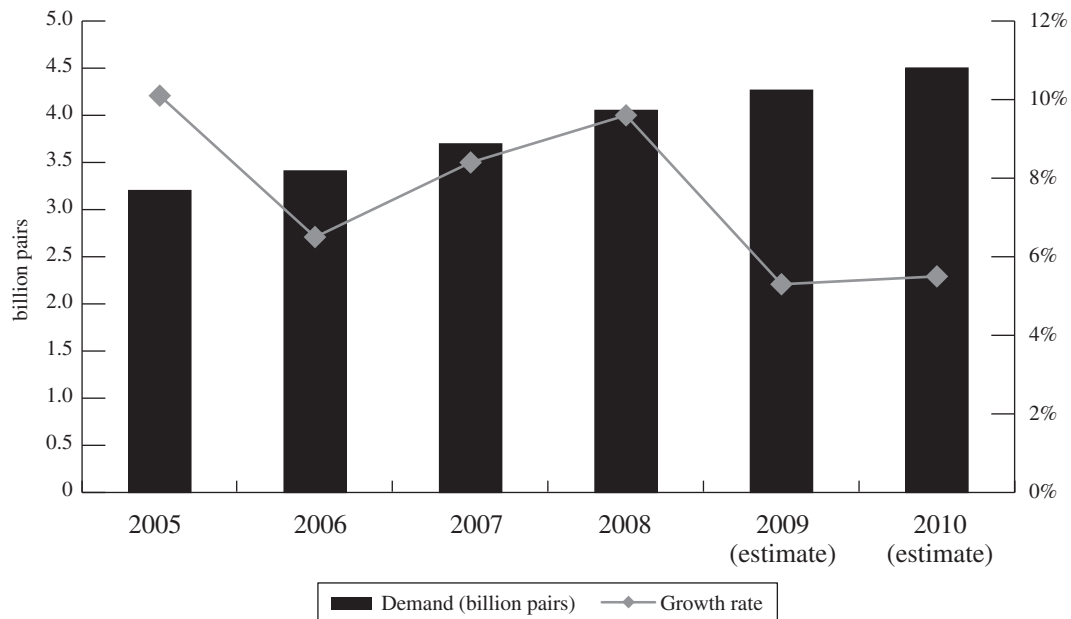
北京博創智業投資顧問有限公司 (unofficial translation as Beijing Bo Chuang Zhi Ye Investment Consultancy Co., Ltd.), an independent market research service provider, in July 2009 conducted a research regarding the vulcanized shoes market in the PRC (“Vulcanized Shoes Report”), which was not commissioned by the Company nor the Joint Sponsors. The source of data and analysis in the Vulcanized Shoes Report are obtained from relevant government bodies, public information of the footwear suppliers and interviews with experts from footwear industry associations, academics as well as executives from various manufacturers.

INDUSTRY OVERVIEW

According to the Vulcanized Shoes Report, the vulcanized shoes widely cover all classes of market and is dominated by major footwear suppliers nowadays. Since the market of vulcanized shoes is relative mature in America and Europe, the consumption of the vulcanized shoes is mainly generated from those two regions. However, it is expected that the current production and consumption of vulcanized shoes will change because of the development of the Asian countries and the increasing awareness of fashionable products in Asia.

The PRC is the country with quickest pace in economical development among Asia. The demand of vulcanized shoes in the PRC is expected to be a growth driver of the footwear market. The vulcanized shoes market in the PRC is also dominated by those footwear suppliers. Although there are several new brands of vulcanized shoes from the PRC, the footwear suppliers had developed enduring brands and images over the domestic brands in the PRC. The loyalty from the customers toward those brands are very high and it is believed that such high loyalty forms a barrier for those PRC new brands to develop in the vulcanized shoes market in PRC.

The following chart illustrates the demand of vulcanized shoes in the PRC from 2005 to 2010:

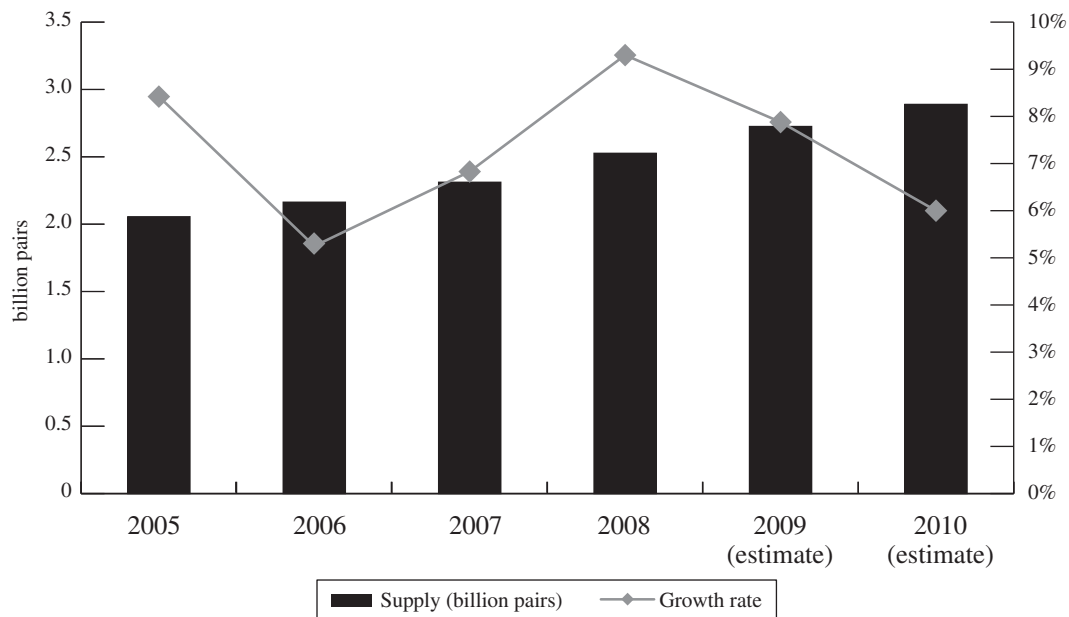


Source: Vulcanized Shoes Report

INDUSTRY OVERVIEW

According to the Vulcanized Shoes Report, the demand for vulcanized shoes increased from approximately 3.2 billion pairs to approximately 4.1 billion pairs in the PRC from 2005 to 2008, representing a compound annual growth rate of approximately 8.2%. It is estimated that the demand for vulcanized shoes will be further increased to approximately 4.3 billion pairs and 4.5 billion pairs in 2009 and 2010 respectively, representing a growth of approximately 5.3% in 2009 and approximately 5.5% in 2010. Such trend illustrates that the vulcanized shoes have become popular in the PRC.

The following chart illustrates the supply of vulcanized shoes in the PRC from 2005 to 2010:



Source: Vulcanized Shoes Report

According to the Vulcanized Shoes Report, for the recent years, the supply of vulcanized shoes was lower than the demand of vulcanized shoes in the PRC. In 2005, the output of vulcanized shoes in the PRC reached approximately 2.1 billion pairs, but there were approximately 3.2 billion pairs of vulcanized shoes sold in the PRC market, which implied that approximately 1.1 billion pairs of vulcanized shoes were imported from other countries. Such difference has been further enlarged to approximately 1.5 billion pairs of vulcanized shoes in 2008 and expected to increase to approximately 1.6 billion pairs in 2010, which reflected that the vulcanized shoes market has still been dominated by foreign footwear suppliers.

According to the Vulcanized Shoes Report, further legislation of relevant rules and regulations governing the environmental protection will be taken, which may include disposal and recycle of chemical waste, and/or the production and usage of chemical materials. In such regard, footwear manufacturers are expected to focus on adoption of relevant policy to cope with the increasing concern in environmental protection such as development of new production technology and/or application of environmental friendly raw materials.

INDUSTRY OVERVIEW

Based on the industry information of vulcanized shoes mentioned above, the Directors, to their best knowledge and understanding, believe that the vulcanized shoes market would become the Group's new market in the footwear manufacturing industry and provide the Group business opportunity.

THE ADHESIVE MARKET

Adhesive material

Adhesives are used in everyday life for small repair jobs and it has been long and widely employed by the manufacturing industry. Adhesives are widely used in the footwear manufacturing as the bonding by adhesive is more cost efficient and time saving than the use of weaving in footwear manufacturing.

Since different materials and processes will be applied on the manufacture of different types of footwears, high capability and effective adhesives have to be used, such as high degree of bond strength to resist repetitions of bending, straightening, compressing, recovering, rubbing and friction. The materials and bonding strength of the adhesives should be able to resist the rain, snow, wind, ultraviolet light, temperature changes, and whatever other condition to which the footwear will be exposed. Therefore, adhesives and bonding processes used in the footwear industry must offer good strength and workability for production in efficient manner. Furthermore, adhesives must also be invisible and aesthetically to the footwear's design. In addition, the adhesive's formulations and processes must be environmental friendly and hazard free.

Footwear adhesive industry in the PRC

The footwear adhesive manufacturing industry in the PRC grew rapidly from 2005 to 2008, and the raw materials used for producing footwear adhesives have been changed substantially.

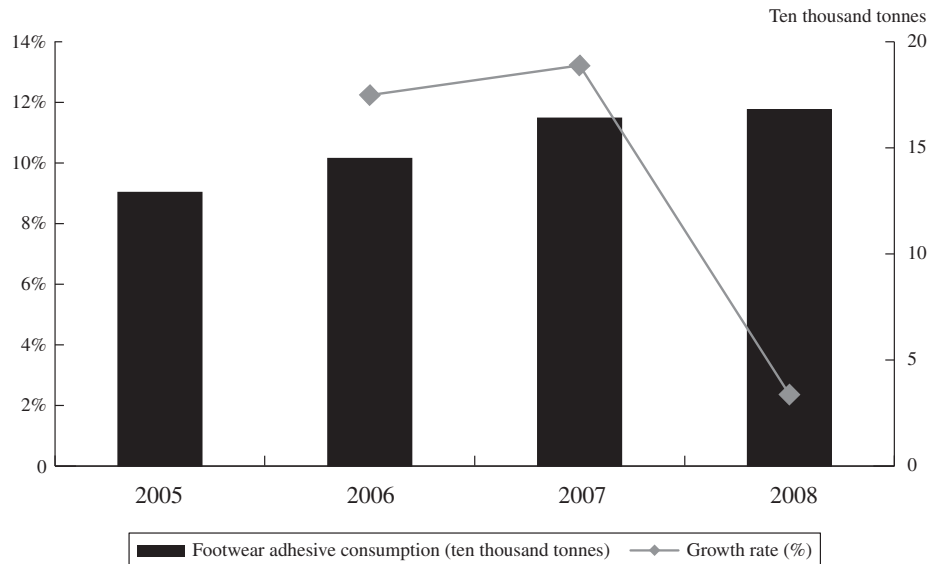
The management of the Group consider that the adhesive products in the PRC can be broadly divided into two groups based on market demand, pricing and adhesive performance, namely: (i) high end adhesive products, with comparatively good quality and higher price, produced by foreign investment enterprises in the PRC; and (ii) lower end adhesive products with unstable product quality, comparatively less environmental friendly and comparatively lower market price, produced by local small adhesive manufacturers in the PRC. Currently, there are severe price competitions for the lower end adhesive market in the PRC. However, the price competition for the high end adhesive is relatively slight.

The adhesive manufacturers are usually located close to the footwear manufacturers. Hence, most of the adhesive manufacturers in the PRC are located in Zhejiang province and Guangdong province etc. in order to be located in the proximity with the major footwear manufacturers in these areas.

INDUSTRY OVERVIEW

According to the Adhesive Industry Report, the annual consumption of adhesive in the PRC for footwear manufacturing was approximately 129,000 tonnes in 2005 and increased to approximately 168,000 tonnes in 2008, which represents a compound annual growth rate of approximately 9.2%. Since the manufacture of footwear of the PRC has been growing in the past few years, especially the growing of export demand and domestic demand of footwear, the demand for the footwear adhesive from the manufacturers in the PRC has been growing steadily. The growth rate of consumption of adhesive for the footwear manufacturing in the PRC grew by approximately 12.24% and 13.22% in 2006 and 2007 respectively. Due to the contraction of market demand in 2008, the growth rate for the output of footwear adhesive in the PRC reduced to approximately 2.36% in 2008. Such decline was attributable to the fallout of global financial crisis in late 2008.

The following chart illustrates the consumption of footwear adhesive and their respective growth rate from 2005 to 2008:



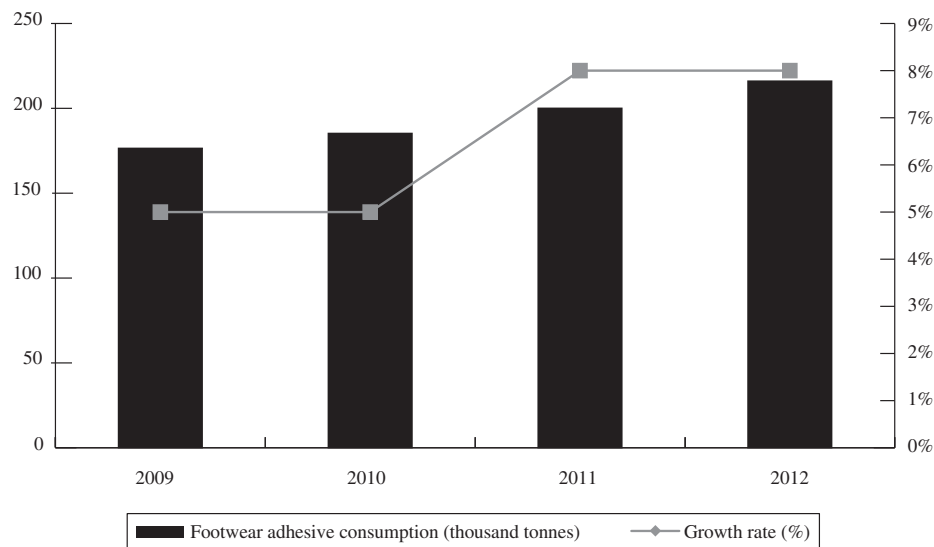
Source: Adhesive Industry Report

Based on the sales volume of the Group in the PRC amounted to approximately 7,590 tonnes and 9,426 tonnes for the year 2007 and 2008 respectively and the consumption of footwear adhesive in the PRC in 2007 and 2008, the market shares for the PRC market of the Group were approximately 4.63% and 5.61% for the year 2007 and 2008 respectively.

INDUSTRY OVERVIEW

Despite the slow down of the growth in the PRC footwear adhesive market in 2008, the Adhesive Industry Report estimates that the consumption of footwear adhesive in the PRC grow at a rate of approximately 5% between 2009 and 2010, and approximately 8% between 2011 and 2012. Such growth rate estimation is reached after taking into consideration (i) the increase in consumption of footwear adhesive resulting from the expected increase in output of footwear products in the PRC; (ii) the expected increase in GDP of the PRC which leads to the increase in consumption power in the PRC, and in turn increases the demand and output of footwear products in the PRC; and (iii) the residual effect from financial crisis occurred in late 2008 impeding the global economy recovery in the future years.

The following chart illustrates the expected consumption of footwear adhesive and their respective growth rates from 2009 to 2012:



According to the Adhesive Industry Report, the annual output of adhesive in the PRC amounted to approximately 71,600 tonnes, 84,100 tonnes, 98,700 tonnes and 103,100 tonnes from 2005 to 2008 respectively, representing a growth of approximately 17% in 2006, approximately 17% in 2007 and approximately 4% in 2008. The decrease in growth of adhesive output in 2008 was mainly due to the fact that the footwear market was adversely affected by the economy downturn in late 2008, which led to decrease in demand for footwear adhesive. Furthermore, it was obvious that the consumption of footwear adhesive in the PRC was in excess of the total output of footwear adhesive in the PRC for the past four years from 2005 to 2008. This implied that certain of the footwear adhesive were sourced from foreign adhesive suppliers.

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MARKET TREND OF FOOTWEAR ADHESIVE IN THE PRC

Most of the PRC footwear manufacturers are engaged in export market and target at high end adhesive products with environmental friendly as the focus or satisfying the quality and environmental protection requirements of foreign footwear suppliers. Since locally produced footwear adhesives in the PRC are usually low-end products which are not suitable to the manufacturers for export footwear market, the export footwear manufacturers, include the PRC footwear manufacturers and foreign footwear manufacturers in the PRC usually make use of imported footwear adhesives which usually have higher quality and more reassurance in the environmental protection and non-toxic issue.

Due to the increasing concerns on the environmental issue for footwear exporting from the PRC, the Adhesive Industry Report estimated that there will be a shortage of supplies in high quality footwear adhesive. On the other hand, there will be an excess supply of footwear adhesive of low quality produced by the local footwear adhesive manufacturers in the PRC. The Adhesive Industry Report also estimated that the footwear output in the PRC will increase to approximately 12.5 billion pairs per year in 2012, of which approximately 70% of the footwear output will be exported. Due to the requirements of environmental protection standard and the reliable quality, the footwear manufacturers of export prefer the imported adhesives or the adhesives manufactured by foreign suppliers. Despite the lower quality of the locally produced footwear adhesives in the PRC, the Adhesive Industry Report expects that the effort spent by the adhesive manufacturers in the PRC in research and development will improve their product quality and will meet the higher standard of requirements in environmental protection for the footwear export market. It is expected that the quality of locally produced adhesives will gradually reach the quality of adhesives manufactured by foreign manufacturer.

Adhesive industry in Vietnam

Vietnam is the fourth largest footwear producer of the world and the annual production output of footwear by Vietnam amounted to approximately 400 million to 600 million pairs and 90% of which were exported. The aggregate value of footwear export from Vietnam amounted to approximately US\$3.55 billion in 2006. The aggregate footwear export value of Vietnam for the period from January to October 2007 amounted to approximately US\$3.2 billion which represented an increase of 9.9% comparing with the corresponding period last year. Currently, the consumption of footwear adhesive by the manufacturers in Vietnam amounted to 10,000 tonnes per year.

Due to the lack of the domestic supply of raw materials for footwear manufacturing, the footwear manufacturers in Vietnam mainly rely on the import of raw materials. The lower operation cost is a competitive edge to attract the foreign footwear manufacturers to establish the manufacturing plants in Vietnam. However, the domestic demand of footwear in Vietnam is not strong enough to support the industry of footwear manufacturing in Vietnam. Most of the footwear products are produced for export.

INDUSTRY OVERVIEW

Adhesive industry in Bangladesh

Bangladesh emerges to be the future manufacturing hub of the global footwear manufacturing industry. In view of its comparatively low labour cost, foreign footwear manufacturers are planning to establish their new manufacturing plants or switch their current plants to Bangladesh. The aggregate footwear export value of Bangladesh reached approximately US\$169.6 million and US\$187 million for the year ended 30 June 2008 and 2009 respectively, which represented the annual growth rate of approximately 10%. The annual growth rate of aggregate footwear export value reached approximately 25% for the year ended June of 2008 against the year ended June of 2007. The shrinkage of the annual growth rate was mainly caused by the declining demand after the financial tsunami in late 2008.

Bangladesh is a developing market for the footwear manufacturing. The recent recession, caused by the financial crisis in late 2008, made investors more price sensitive than ever. Bangladesh might have been spotted by the footwear manufacturers for establishing their manufacturing plants with lower production cost. However, to cope with the rigorous requirements of quality and environmental protection from footwear suppliers, the footwear manufacturers in Bangladesh will have higher demand for quality adhesive products.

REGULATORY OVERVIEW

THE PRC

Law and regulations relating to the Group's business

The laws regulating the dangerous chemical products in the PRC include, but are not limited to, 《危險化學品安全管理條例》 (the Regulations on Safety Control of Dangerous Chemicals) (the “Safety Control Regulations”) and 《安全生產許可證條例》 (the Regulations on Safety Manufacturing Permit) (the “Safety Manufacturing Regulations”). Certain important provisions of the above law and regulations relating to the chemical industry are set out below.

In order to strengthen the safety control of dangerous chemicals, 中國國務院 (the State Council of the PRC) promulgated the Safety Control Regulations on 26 January 2002, which became effective on 15 March 2002. Under the Safety Control Regulations, dangerous chemicals include exploders, compression gas, liquefied gas, inflammable liquid, inflammable solid, spontaneous combustion goods, hydro-inflammable goods, oxidant, organic peroxide, poison and corrosive substance. The relevant PRC government authorities will from time to time promulgate and amend the catalogues and the lists of dangerous chemicals.

Under the Safety Control Regulations and the Safety Manufacturing Regulations promulgated by the State Council of the PRC on 13 January 2004, which became effective on the same day, manufacturers of dangerous chemicals shall comply with such regulations and shall obtain for its products falling within the dangerous chemical categories (the “Dangerous Chemical Categories”) promulgated and amended from time to time by the relevant PRC government authorities (i) 安全生產許可證 (the Safety Manufacturing Permit); (ii) 危險化學品生產(存儲)批准書 (the Dangerous Chemicals Manufacturing (Storage) Approval Letter); and (iii) 危險化學品生產單位登記證 (the Dangerous Chemicals Manufacturing Unit Registration Permit).

Under the Safety Control Regulations, enterprises engaged in the operation and distribution of the dangerous chemical products falling within the Dangerous Chemical Categories are required to comply with the Safety Control Regulations and shall obtain 危險化學品經營許可證 (the Dangerous Chemicals Operation Licence) issued by competent safety production administration authorities.

Law and regulations in relation to merger and acquisition by foreign investors

On 8 August 2006, 中國商務部 (the Ministry of Commerce), 中國證券監督管理委員會 (the China Security and Regulatory Commission) (“CSRC”) and four other PRC authorities at state level jointly promulgated 《關於外國投資者併購境內企業的規定》 (the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors) (“M&A Rules”), which came into effect on 8 September 2006 and was amended on 22 June 2009. The M&A Rules are applicable to, amongst other matters, acquisition of PRC domestic enterprises by foreign investors. For the purposes of the M&A Rules, “acquisition of PRC domestic enterprises by foreign investors” means:

- (i) a foreign investor's purchase of the equity of a shareholder in a PRC domestic enterprise, resulting in the conversion of the PRC domestic enterprise into a newly established foreign-invested enterprise (“FIE”);

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- (ii) a foreign investor's subscription to a PRC domestic enterprise's capital increase, resulting in the conversion of the PRC domestic enterprise into a newly established FIE;
- (iii) a foreign investor's establishment of an FIE and purchase by agreement, through such FIE, of the assets of a PRC domestic enterprise and operation of such assets by such FIE;
- (iv) a foreign investor's purchase by agreement of the assets of a PRC domestic enterprise and use such assets to invest in and establish an FIE to operate such assets.

Pursuant to Article 39 and 40 of the M&A Rules, the listing of offshore special purpose vehicles, which are directly or indirectly established or controlled by PRC entities or individuals, are subject to the prior approval from CSRC ("CSRC Approval").

Based on the M&A Rules, on 21 September 2006, the CSRC published a notification (the "Notification") on its official website with provisions setting out the legislative basis for the requirement of obtaining CSRC Approval and the conditions, procedures and timeline for obtaining CSRC Approval for overseas share offering or overseas listing conducted by PRC domestic enterprises.

Pursuant to the M&A Rules, merger and acquisition of PRC domestic enterprise with or by an FIE established by foreign investor shall be governed by relevant existing rules of FIE regarding domestic investment, merger and/or division.

Since the Group's PRC subsidiaries are established as FIEs and the controlling shareholder of the Group is a permanent resident of Macau, the M&A Rules do not apply to the Group.

On such basis, the PRC legal advisers to the Company opine that no PRC governmental or regulatory approval is required for the Listing.

Law and regulations in relation to foreign exchange and dividend distribution

Foreign exchange

The principal regulations governing foreign exchange in the PRC are 《中華人民共和國外匯管理條例》 (the Regulations on Foreign Exchange Administration of the PRC) (the "Foreign Exchange Administration Regulations"). They were promulgated by the State Council of the PRC on 29 January 1996, which became effective on 1 April 1996 and were subsequently amended on 14 January 1997 and 1 August 2008. Under the Foreign Exchange Administration Regulations, 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 payments of capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loan unless prior approval of 中國國家外匯管理局 (the State Administration for Foreign Exchange of the PRC) ("SAFE") is obtained.

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Under the Foreign Exchange Administration Regulations, FIEs may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain supporting documents (such as board resolutions, tax certificates), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain their recurrent exchange earnings according to their needs of operation and the sums retained may be deposited into foreign exchange bank accounts maintained with designated banks in the PRC. In addition, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE and approval from or filing with the relevant PRC government authorities (if necessary).

Dividend distribution

Before the promulgation of 《中華人民共和國企業所得稅法》 (the Law of the PRC on Enterprise Income Tax) (the “New Income Tax Law”), the principal regulations governing distribution of dividends paid by wholly foreign-owned enterprises included 《中華人民共和國外商投資企業和外國企業所得稅法》 (the Foreign Investment Enterprises and Foreign Enterprises Income Tax Law of the PRC) (the “FIE Tax Law”), together with its implementation rules.

Under the FIE Tax Law and its implementation rules, wholly foreign-owned enterprises in the PRC may only pay dividends from accumulated after-tax profit, if any, determined in accordance with PRC accounting standards and regulations. Dividends paid to its foreign investors were exempt from withholding tax. However, such provision has been revoked by the New Tax Law. The New Tax Law prescribes a standard withholding tax rate of 20% on dividends and other PRC-sourced passive income of non-resident enterprises. However, the implementation rules of the New Income Tax Law have reduced the rate from 20% to 10%, effective from 1 January 2008.

The PRC and the government of Macau signed 《內地和澳門特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》 (the Arrangement between the Mainland and Macau for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income) (the “Arrangement”) on 27 December 2003, which was subsequently amended on 15 July 2009. According to the Arrangement, no more than 5% withholding tax rate shall apply to dividends paid by a PRC company to a Macau resident, provided that the recipient is a company that holds at least 25% of the equity capital of the PRC company. The 10% withholding tax rate shall apply to dividends paid by a PRC company to a Macau resident if the recipient is a company that holds less than 25% of the equity capital of the PRC company. However, the Arrangement was not effective as at the Latest Practicable Date. According to 《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》 (the Notice of the State Administration of Taxation on the Issues relating to the Administration of the Dividend Provision in Tax Treaties) promulgated on 20 February 2009, the corporate recipients of dividends distributed by PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

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Law and regulations in relation to the PRC customs duties

Under 《中華人民共和國海關法》 (the Customs Law of the PRC), the consignee of imported goods, the consignor of exported goods and the owner of such goods are the persons obliged to pay customs duties. The PRC Customs is the PRC authority in charge of the collection of customs duties.

The customs duties in the PRC are mainly ad valorem duties, i.e. the price of imported/exported commodities is the basis for the calculation of the duties payable. When calculating the customs duties, imported/exported commodities shall be classified under appropriate tax items in accordance with 《中華人民共和國海關進出口稅則》 (the Category Provisions of the Customs Import and Export Tariff of the PRC) and shall be subject to tax levies pursuant to relevant tax rates.

Under the laws of the PRC, raw materials, supplementary materials, parts, components, accessories and packing materials imported for processing and assembling finished products for manufacturing products for export shall be exempt from import duties pursuant to the actual amount of goods processed for export; or import duties may be levied upfront on import materials and parts and subsequently refunded pursuant to the actual amount of goods processed for export.

To encourage the introduction of foreign investment, as of 1992, the PRC exercised exemption and reduction of customs duties on the import of machinery, equipment, parts and other materials within the total investment amount of foreign investment companies. But after the adjustment of policies as of 1 April 1996, such exemption and reduction has been terminated, while the foreign investment companies incorporated before then can still continue to enjoy such preferential treatment within a grace period.

As from 1 January 1998, according to 《國務院關於調整進口設備稅收政策的通知》 (the Notice of the State Council regarding the Adjustment of Taxation Policy of Import Equipment), in respect of the foreign investment projects that fall under the Encouraged Category and the Restricted B Category of 《外商投資產業指導目錄》 (the Industrial Guidance Catalogue of Foreign Investment) which also involve the transfer of technology, the equipment imported by an FIE for its own use within its total investment amount can be exempted from customs duties, except for the commodities listed in the Catalogue of the non-tax exemption Import Commodity of Foreign Investment Projects.

Law and regulations in relation to employment in the PRC

The Group is subject to 《中華人民共和國勞動法》 (the Labour Law of the PRC) and 《中華人民共和國勞動合同法》 (the Labour Contract Law of the PRC), pursuant to which companies must enter into employment contracts with their employees based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system to ensure occupational safety and health, employee education on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

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Law and regulations in relation to environmental protection in the PRC

中國環境保護部 (the Ministry of Environmental Protection of the PRC) sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

Any company or enterprise which may cause environmental pollution and may discharge polluting materials that endanger the public should implement environmental protection system and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection and adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of, and should remain in place during, the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay the related fees. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which cause severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

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

Law and regulations in relation to the taxation of the PRC

Income tax

Prior to 1 January 2008, income tax payable by FIEs in the PRC was governed by the FIE Tax Law promulgated on 9 April 1991, which became effective on 1 July 1991, and the related implementation rules. Under the FIE Tax Law, an FIE was subject to a national income tax at the rate of 30% and a local tax at the rate of 3% unless a lower rate was provided by laws or administrative regulations. The income tax on FIEs established in Special Economic Zones, foreign enterprises which had establishments or places in Special Economic Zones and were engaged in production or business operations, and FIEs of a production nature in Economic and Technological Development Zones, was levied at the reduced rate of 15%. The income tax on FIEs of a production nature established in coastal economic open zones or in the old urban districts of cities where the Special Economic Zones or the Economic and Technological

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Development Zones are located, was levied at the reduced rate of 24%. FIEs of a production nature scheduled to operate for a period of not less than ten years were exempted from income tax for two years commencing from the first profit-making year (after offsetting all tax losses carried forward from previous years) and allowed a fifty percent reduction in the following three consecutive years.

Under New Income Tax Law, the income tax for both PRC domestic enterprises and FIEs is levied at the same rate of 25% effective from 1 January 2008. In order to clarify some provisions in the New Income Tax Law, 《中華人民共和國企業所得稅法實施條例》 (the Implementation Rules to the New Income Tax Law) (“Implementation Rules”) were promulgated on 6 December 2007, which became effective from 1 January 2008. The New Tax Law provides certain reliefs during the transitional period that apply to enterprises that were established prior to 16 March 2007. If FIEs had been enjoying reduced tax rates under the laws and regulations, the tax rate will be gradually increased to coincide with the new tax rate within five years starting from 2008; if FIEs had been enjoying tax holidays for a fixed period under laws and regulations, they can continue to enjoy the holiday until its expiry. However, if an enterprise had not started to enjoy the tax holiday due to a lack of profit, 2008 is regarded as the first profit-making year and the enterprise was deemed to start to enjoy the tax holiday in that year.

Value-added tax

Pursuant to the Provisional Regulations on 《中華人民共和國增值稅暫行條例》 (the Value-added Tax of the PRC) effective from 1 January 1994 (amended on 5 November 2008) and its implementation rules, all entities or individuals in the PRC engaged in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax (“VAT”). VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is 17% or in certain limited circumstances, 13%, depending on the product type.

Business tax

With effect from 1 January 1994, businesses that provide services (including entertainment business), assign intangible assets or sell immovable property are liable to business tax at a rate ranging from 3%-20% (three to twenty per cent) of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be. The formula for calculation of the amount of tax payable is set forth below:

$$\text{Amount of business tax payable} = \text{amount of business income} \times \text{applicable tax rate}$$

The amount of business tax payable should be calculated in RMB. Taxpayers who settle their amount of business income in foreign currency should convert the amount into RMB at the foreign exchange market rate.

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MACAU

Macau licensing in regard to the import and export of goods

Pursuant to Macau laws and regulations, the legal regime in relation to the import and export of goods in Macau is based on the Law 7/2003 (“Law of External Trade”) and conducted by the Macau Economic Bureau.

Under the Law 7/2003, the Group is required to register at the Macau Economic Bureau for Controlled Foreign Trade Operations for trading the goods (“Controlled Goods”) listed on the Table A and Table B of the Order of the Chief Executive 368/2006. And the Group is not required to obtain the import or export license unless the Group imports or exports the said Controlled Goods.

Laws and regulations in relation to labour related matters in Macau

The legal regime in relation to labour matters in Macau is established mainly based on the following legislations:

- 18th of October – Decree Law No. 58/93/M (approval of social security regime);
- 14th of August – Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases);
- 22th of May – Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment);
- 18th of February – Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments);
- 27th of July – Law No. 4/98/M (Framework Law on Employment Policy and Worker’s Rights);
- 2nd of August – Law No. 6/2004 (Law of Illegal Immigration and Expulsion);
- 14th of June – Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work);
- 18th of August – Law No. 7/2008 (Labour Relation Law).

The legal regime of labour matters in Macau is developed based on 27th of July – Law No. 4/98/M (Framework Law on Employment Policy and Worker’s Rights) which prescribes general principles and directions of labour legislations in different aspects.

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Besides the mentioned legislation, 18th of August – Law No. 7/2008 (Labour Relation Law) plays an important role in labour legal regime which came into force on 1 January 2009 replacing the “old labour law” – 3rd of April – Decree Law No. 24/89/M (Labour Relations, Juridical System). It stipulates the basic requirements and conditions for all labour relations, excepted for those which have been excluded explicitly therein. In general, such requirements and conditions stipulated cannot be prevailed by mutual agreement. And all the working conditions of labour relations should not be lower than the basic conditions stipulated therein.

As an employer, the subsidiaries of the Company incorporated in Macau (“Macau Companies”) have to comply with the conditions required under 22nd of May – Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment) for its working places in order to provide a safe and clean working condition for its employees. Otherwise, fine and cautious measures will be imposed on the Macau Companies according to 18th of February – Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments).

Pursuant to the statutory requirements stipulated under 18th of October – Decree Law No. 58/93/M (approval of social security regime) and 4th of August – Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases), the Macau Companies have to participate and contribute to the mandatory social security funds and to purchase compulsory industrial accident insurance for its Macau employees in accordance with relevant applicable legislation, otherwise, an administrative fine will be charged as legal sanction.

All employees of the Macau Companies have to be Macau residents, non-permanent or permanent, or holders of working permits in case of foreign workers. Except for situations stated under 14th of June – Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work) with a very limited scope, workers other than those above-mentioned will be considered as illegal workers in Macau and the employers will be criminally liable under 2nd of August – Law No. 6/2004 (Law of Illegal Immigration and Expulsion) and subject to an administrative fine according to the above-mentioned administrative regulation.

In relation to the issue of illegal workers in Macau, if it is only the subcontractors of the Group who are engaged in the employment of illegal workers in Macau, it will not lead to any criminal or administrative liability on the part of the Group from the legal perspectives.

The regulatory authorities in charge of labour safety, social security regime and insurance matters are the Labour Department of Macau (澳門勞工事務局), Social Security Fund of Macau (澳門社會保障基金) and Monetary Authority of Macau (澳門金融管理局) respectively.

Laws and regulations in relation to environmental protections in Macau

The fundamentals of the legal regime of safety and environmental law of Macau, which are applicable to every individual and corporate entity, are the Basic Law of Macau, the Law No. 2/91/M of 11th of March which is known as the organic environmental law of Macau (the

REGULATORY OVERVIEW

“Macau Environment Law”), 14th of November – Decree Law 54/94/M regarding prevention and control of ambient noise (“Law of Prevention and Control of Ambient Noise”) and series of international conventions in related fields applicable in Macau.

Article 119 of the Basic Law of Macau states that “The Macau Special Administrative Region shall carry out the protection of environment in accordance with law”. To implement this article together with the Macau Environmental law, Law of Prevention and Control of Ambient Noise and other applicable international conventions, numbers of environmental legislations in form of law, decree law and administrative regulations have been enacted in various fields such as natural heritage protection, air, sea and sound pollutions, hygiene of environment, chemical goods, etc.

As a general rule prescribed in the Macau Environmental Law, any violation of the environmental legislation will attract civil liability, administrative fine or criminal punishment, depending on different violations and also administrative injunction is possible to be granted to cease environmental infringement.

Besides, according to the Law of Prevention and Control of Ambient Noise, any work which may produce annoying noise is forbidden to be conducted during whole day of Sunday and public holiday and between 20:00 and 08:00 (next day) of weekday.

The regulatory authority in charge of environmental protection matters is the Environmental Protection Bureau of Macau (澳門環境保護局).

VIETNAM

Laws and regulations in relation to the protection of foreign investors in Vietnam

The current Investment Law states that the Vietnamese government guarantees the fair treatment of foreign entities investing in Vietnam, and affirms, in principle, that capital and assets invested in Vietnam by foreign investors will not be requisitioned or expropriated through administrative measures and foreign-invested companies will not be nationalised. No implementing regulations, however, have been issued to provide more detailed guidance on how this guarantee will be put into practice.

It is also stated in the Investment Law that if a change in law adversely affects a foreign investor, the investor generally will be entitled to keep and enjoy the existing incentives stipulated in its investment licence or may, as an alternative, elect to (i) change the existing objectives of its project; (ii) apply for an exemption from or reduction of taxes in accordance with current law; (iii) apply for damages to be deducted from its taxable income; or (iv) apply for compensation. In addition, if more favourable investment incentives become available under any law passed after the date of its investment licence, a foreign-invested company may apply for such incentives.

General investment and company laws in Vietnam

Every foreign investment in Vietnam is required to be licensed by an appropriate authority. This licence constitutes the legal permission to invest in Vietnam and serves as the business registration certificate of the company into which a foreign entity invests.

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Vietnam Centresin was established with the status of limited liability companies under the Enterprise Law to provide equal treatment, at least in some fundamental respects, for foreign inbound investments and domestic-owned investments.

The Enterprise Law has introduced a new system to register or to obtain approval to implement a project. When a foreign invested company (“FIC”) which is registered or licensed under the Enterprise Law wants to carry out any new investment project, it must obtain an investment certificate for that project. Depending on the nature of the project, an investment certificate can be obtained through either a registration process or an evaluation process. Registration is somewhat simpler as the FIC is mainly required to submit relevant documents. Under the evaluation process, the structure of the project will be reviewed in addition to the documents. There is no difference in the nature of an investment certificate obtained through a registration process and one obtained through an evaluation process. The distinction essentially relates to the internal procedures that the licensing authorities carry out to consider and process applications.

Laws and regulation in relation to land use right in Vietnam

The land regulations in Vietnam are different from land regulations in many other jurisdictions. Land in Vietnam belongs to the state. Generally, land is leased to FICs for individual, licensed projects and for designated purposes and is therefore specific to each FIC. In general, land is not freely transferable. An FIC may lease land for the duration of its investment licence or investment certificate based on a decision by either the Prime Minister or the relevant People’s Committee. Alternatively, and more flexibly, an FIC may choose to lease or sub-lease land in a zone through a lease or sub-lease with the zone developer.

At its own discretion, an FIC may elect to pay land rental for a whole lease term in one lump sum or to pay land rental annually. The method of payment affects the rights of the FIC over the leased land and, in particular, over the land use rights (“LURs”) with respect to the leased land. Most importantly, a land user who pays rent in one lump sum has more extensive rights over its LURs, such as to mortgage the LURs and any building on the land, to use the LURs to provide guarantees and to use the LURs to make capital contributions in the form of the LURs. A land user who pays rent annually, by contrast, does not have these rights with respect to its LURs.

While land in Vietnam cannot be privately owned, foreign investors can own, during the term of the land lease, buildings erected on the land.

All legitimate land users are entitled to obtain land use rights certificates in their name. Similarly, all legitimate owners of property or buildings constructed on land are entitled to obtain certificates of property ownership. These certificates constitute conclusive evidence of the rights of land users and property owners, and provide the basis for the users to exercise their rights, such as to transfer, to mortgage or to dispose of their land use rights or properties.

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Laws and regulation in relation to taxation in Vietnam

FICs in Vietnam are subject to the following principal national taxes: (i) corporate income tax, including capital gains tax; (ii) VAT; (iii) import and export duties; (iv) personal income tax in relation to Vietnamese and foreign employees; and (v) various withholding taxes. There are no local taxes.

Corporate Income Tax (“CIT”)

Foreign-invested companies are liable to pay CIT on their taxable profits at rates ranging from 10% to 25%.

Under the terms of its existing investment licence, Vietnam Centresin is subject to 15% CIT for 12 years commencing from 2005 and 25% CIT for the remaining years.

Capital gains tax

Capital gains made by an organisational investor as a result of a transfer of a capital interest in a company are subject to capital gains tax at a standard rate of 25%. The taxable gain is generally calculated on the basis of the transfer price less the initial value of the transferred capital and related transfer expenses.

VAT

VAT is imposed at rates of between zero and 10%, depending on the nature of the goods or services being sold. Generally, manufacturers are responsible for collecting VAT from buyers.

Import and export duties

Rates of import duty are subject to frequent change and apply equally to all importers. Import duty rates fall into three categories: ordinary rates, preferential rates and special preferential rates, depending on the nature and origin of the goods. Ordinary rates apply to imported goods that are not subject to preferential rates or special preferential rates and will not exceed preferential rates by more than 70%. Preferential rates apply to goods originated from countries or regions having an most-favoured-nations arrangement with Vietnam. Finally, special preferential rates apply to goods from countries or regions which apply special preferential treatment on imports from Vietnam. Rates of export duties are generally zero. Since Vietnam Centresin is only allowed to perform processing contracts, it is generally entitled to the exemption of import and export duties in regard of imported materials for manufacturing of processed products and exported processed products.

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Personal Income Tax (“PIT”)

Both Vietnamese and foreign employees are subject to PIT. PIT is imposed on a progressive basis pursuant to the law on PIT No. 04/2007/QH12 passed by the National Assembly of Vietnam on 21 November 2007.

Under the PIT law, taxpayers include tax residents and non-tax residents:

- A tax resident who (a) stayed in Vietnam for 183 days or more within a calendar year or within a consecutive 12 month period from his/her arrival in Vietnam or (b) has a registered permanent residence in Vietnam or has a house rented in Vietnam under a lease contract of 90 days or more in a tax year, is subject to PIT on worldwide-sourced income (regardless of where the income is paid) and Vietnam-sourced income.
- A non-tax resident who does not fall under the category of tax resident above is subject to PIT on income sourced in Vietnam.

The scale of progressive tax rates on each portion of income applies to employment income in regard of the tax residents. Currently, there are seven progressive PIT rates: 5%, 10%, 15%, 20%, 25%, 30% and 35%. Generally, a flat rate of 20% applies for the non-tax residents.

A company in Vietnam is required to declare and file PIT returns, and to withhold PIT on a foreign employee’s Vietnam-related income physically paid in Vietnam.

Withholding tax

Withholding tax is payable on payments abroad of interest on overseas loans, royalties, licence fees, foreign contractors’ fees, and cross-border lease charges, etc. Unless the foreign parties to these transactions register to pay tax directly in Vietnam for their Vietnam-related businesses, companies in Vietnam are responsible for withholding the amount of tax payable and paying it to the state on behalf of the foreign parties.

No remittance tax is imposed on profits remitted overseas to foreign investors.

Laws and regulation in relation to employees in Vietnam

Contributions to the national social insurance fund are mandatory. An employer and its employees are obliged to contribute to the social insurance fund a certain percentage of the employee’s monthly contracting salary, which is known as the “contribution salary”. However, if the total monthly contracting salary of the employee is more than twenty times of the Vietnamese government’s statutory minimum wage, then, for the purpose of calculating social insurance contributions to be made by the employer and the employee, the contribution salary will be deemed to be fixed at twenty times the statutory minimum wage.

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Beginning in 2007, under the Law on Social Insurance, social insurance contributions will be increased gradually, year by year, as follows:

	2007	2008	2009	2010	2011	2012	2013	2014 onward
Employees	5%	5%	5%	6%	6%	7%	7%	8%
Employers	15%	15%	15%	16%	16%	17%	17%	18%

In regard of health insurance, the new law on health insurance No. 25/2008/QH12 passed by the National Assembly of Vietnam on 14 November 2008 provides that the employer and employee are also required to pay health insurance premiums at a rate of 3% and 1.5%, respectively, of the total salary of the Vietnamese employee.

Environmental regulations in Vietnam

The Law on Protection of the Environment, dated 29 November 2005, sets out the general legal framework for the protection of the environment in Vietnam and imposes penalties for breaches of its provisions. It aims to limit adverse impacts on the environment, control environmental degradation and pollution, control environmental hazards and exploitation, encourage the proper use of natural resources, and protect biological diversity.

All projects in Vietnam must comply with environmental standards issued by the Ministry of Natural Resources and Environment. The business of the Group in Vietnam is required to comply with standards relating to:

- the discharge of wastewater;
- gas emissions;
- toxic waste; and
- noise and vibration.

The Group is obliged to adopt appropriate environmental measures to prevent and control damage to the environment resulting from waste disposal, noise, water, smoke emission, nuclear waste, petroleum, and radioactive or toxic substances generated in the course of production, construction, transportation, storage, exploration and other activities.

Breach of environmental regulations may result in the imposition of penalties, including fines, damages and the withdrawal of investment licences, and may also result in criminal sanctions on individuals.

The Law on Environmental Protection requires that certain foreign investors prepare either an Environmental Impact Assessment Report (“EIAR”) or an Environmental Protection Undertaking (“EPU”) for their projects, depending on the importance and level of

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environmental impact of the project. An EIAR differs from an EPU in that an EIAR must be submitted to the appropriate authority for appraisal, while an EPU only needs to be registered. An EPU is registered with the district-level people's committee, which, when necessary, may authorise commune-level people's committees to issue a certificate of registration.

Laws and regulations in relation to the principal business of the Group in Vietnam

The Group is required to comply with the following regulatory requirements in relation to the handling of toxic and inflammable substances during the course of its operation in Vietnam:

(a) Import

(i) Import licenses

Vietnam Centresin is required to obtain import license(s) issued by the Ministry of Industry and Trade (the "MOIT") for certain chemical substances as provided under Decision No.134/2003/QD-BCN dated 25 August 2003, Decision No.04/2004/QD-BCN dated 7 January 2004, and Decision No.41/2006/QD-BCN dated 1 December 2006.

(ii) Declaration requirement for imported chemical substances

In Vietnam, the laws on chemicals including Law No.06/2007/QH12, Decree 108/2008/ND-CP and their implementing regulations provide for chemical-related activities, safety in the chemical-related activities, rights and obligations of organisations and individuals engaged in chemical-related activities. On 7 October 2008, the government promulgated the Decree 108/2008/ND-CP according to which chemicals are categorized as follows for the control of competent authorities:

- List of chemicals subject to conditional manufacturing and trading;
- List of chemicals subject to restricted trading;
- List of prohibited chemicals;
- List of chemicals subjected to the requirement of having a chemical incident prevention and response plan; and
- List of chemicals subject to compulsory declaration (the "Declaration List").

The Decree requires importers to make declaration with MOIT with respect to imported chemicals which are on the Declaration List within 15 working days from the date of customs clearance.

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Vietnam Centresin imports four chemical substances which are on the Declaration List for its processing, namely:

- Toluole;
- Dichloromethane (methylene chloride);
- Esters of acetic acid (being ethyl acetate);
- Esters of acetic acid (being n-butyl acetate).

According to the applicable laws, Vietnam Centresin is required to declare with the MOIT after the import of such chemicals.

(b) Processing

Under Article 18 of Decree 108/2008/ND-CP, the compulsory declaration to the local Department of Industry and Trade is applicable to enterprises which manufacture the chemical substances on the Declaration List. The Company's Vietnam legal advisers have made enquiry with the Chemical Department under the MOIT and have been confirmed that compulsory declaration to the local authority is not applicable to Vietnam Centresin.

(c) Environment

Vietnam Centresin has been issued with the registration book as an "owner of hazardous waste discharging source" No. 1738/STNMT-MT dated 9 July 2009 by the Department of Natural Resource and Environment of Vietnam.

According to this registration book, Vietnam Centresin registered a list of hazardous wastes and list of other wastes discharged from its operation which requires to be handled in accordance with requirements of the environment protection laws of Vietnam.

Laws and regulations in relation to health and production safety in Vietnam

The Group is subject to Vietnamese labour safety and hygiene laws and regulations. Since Vietnam Centresin does not have any machinery and equipment, it is not subject to the safety registration and verification from relevant authorities.

The Group provides employees working in the Vietnamese plant with labor protection gears, including boots, special clothes preventing chemical burns, goggles, masks and safety helmets, and requested its employees to wear them during working hours. The Group also provides favorable conditions for its employees to have health checks paid by health insurances.

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Laws and regulations in relation to dividend distribution in Vietnam

Vietnam Centresin is allowed to convert its Vietnamese currency profits into foreign exchange and remit such foreign currency out of Vietnam upon fulfillment of tax reconciliation procedures. No government approval or certificate is required for the remittance of dividends out of Vietnam. However, conversion of Vietnamese currency into foreign exchange is subject to the availability of the foreign exchange at commercial banks in Vietnam and the government does not guarantee or offer support of foreign exchange availability.

BANGLADESH

Laws and regulation in relation to foreign investment in Bangladesh

The current investment laws of Bangladesh state that the Bangladeshi government guarantees fair and equitable treatment to foreign private investment which shall enjoy full protection and security in Bangladesh. The terms of sanction, permission or licence granted by Government to an industrial undertaking having foreign private investment shall not be unilaterally changed so as to adversely alter the conditions under which the establishment of such undertaking was sanctioned. Foreign private investment shall not be accorded a less favourable treatment than what is accorded to similar private investment by the citizens of Bangladesh in the application of relevant rules and regulations. In the event of losses of foreign investment owing to civil commotion, insurrection, or riot, foreign private investment shall be accorded the same treatment with regard to indemnification, compensation, restitution, or other settlement as is accorded to investments by the citizens of Bangladesh. Foreign private investment shall not be expropriated or nationalised or be subject to any measures having effect of expropriation or nationalisation except for a public purpose against adequate compensation which shall be paid expeditiously and be freely transferable; and such compensation shall be an amount equivalent to the market value of investment expropriated or nationalised immediately before the expropriation or nationalisation. In respect of foreign private investment, the transfer of capital and the returns from it and, in the event of liquidation of industrial undertaking having such investment, of the proceeds from such liquidation is guaranteed.

Laws and regulation in relation to general investment and company laws in Bangladesh

Foreign investment in Bangladesh must be through the establishment of a legal entity in Bangladesh which may be a subsidiary, a “Greenfield” enterprise, a branch office or a liaison office. After the incorporation of the legal entity by way of registration in the Office of the Registrar of Joint Stock Companies & Firms, the investment project should be registered with the Board of Investment (BoI) to avail investment incentives and repatriation of funds. Depending on the nature of the project, an investment certificate can be obtained from BoI after the structure of the project is reviewed in addition to other documents as required to be submitted under the Bangladesh laws. Since Bangladesh Centresin has obtained permission from the Bangladesh Export Processing Zones Authority for setting up its operation in Bangladesh, it is exempted from registration with the BoI to avail itself to various investment incentives including repatriation of funds.

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The company has to secure a Trade License from the city corporation office to operate under its registered address. The project implementation would also require registration with the Environment Department and the Department of Factories & Establishments. For repatriation the company would have to apply to the Bangladesh Bank, the central bank of Bangladesh along with the BoI registration certificate through its operating bank.

The basic responsibilities of a company that are supervised by the Registrar of the Joint Stock Companies & Firms are whether quarterly meeting of the board of directors and annual shareholders' meeting are being held, whether the registration file is kept up to date with meeting minutes, mortgage/charge issues etc., and whether annual report with list of shareholders, directors, auditors etc. along with annual statement of comprehensive income and statement of financial position is regularly submitted or not.

Licensing regime in relation to the principal business of the Group in Bangladesh

Before the Group commences its operations in Bangladesh, the Group needs to proceed with the necessary registration or documents submission and obtains the relevant licenses as follows:

- (a) Registration from Department of Environment as required under The Bangladesh Environment Conservation Act, 1995 and the Environment Conservation Rules, 1997;
- (b) For producing adhesives the required documents are:
 - (i) report on the feasibility of the industrial unit or project (applicable only for proposed industrial unit or project);
 - (ii) report on an “Initial Environmental Examination” of the industrial unit or project;
 - (iii) the process flow diagram;
 - (iv) layout plan (showing location of Effluent Treatment Plant);
 - (v) design of the Effluent Treatment Plant (ETP) of the unit or project (these are applicable only for a proposed industrial unit or project);
 - (vi) report on the Environmental Management Plan (EMP) for the industrial unit or project and the Process Flow Diagram;
 - (vii) layout plan (showing location of Effluent Treatment Plant), design of the Effluent Treatment Plant and information about the effectiveness of the ETP of the unit or project (these are applicable only for an existing industrial unit or project);

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- (viii) no objection certificate from the local authority;
- (ix) emergency plan relating adverse environmental impact and plan for mitigation of the effect of pollution;
- (x) outline of the relocation, rehabilitation plan (where applicable);
- (xi) import license (which would be required from the Export Import Authority of Bangladesh if the company opts to import raw materials on its own).

Bangladesh Centresin has on 24 January 2010 obtained permission from the Bangladesh Export Processing Zones Authority for setting up its operation in Bangladesh and Bangladesh Centresin has appointed a contractor for construction work for the production plant. The Group will comply with the relevant applicable Bangladesh laws and obtain the requisite permits and license prior to commencement of its operation in Bangladesh.

Laws and regulation in relation to the land use right in Bangladesh

Land in Bangladesh belongs to the state. Land may be owned which is actually a lease from Bangladesh government for hundred years subject to further renewal, or land may be leased. A foreign investor may purchase land or lease land from private parties or it can lease land from the Bangladesh government. All transfer of ownership, lease of land and mortgage of land are required to be recorded in the land registrar's office of the corresponding area.

Ownership of land and lease of land are generally conferred with the right of use of the land unless otherwise stated in the lease agreement. All legitimate land must have land registration certificate/deed in their name. Similarly, all legitimate owners of property or buildings constructed on land are entitled to obtain certificates of property ownership. These certificates/deeds constitute conclusive evidence of the rights of land users and property owners, and provide the basis for the users to exercise their rights, such as to transfer, to mortgage or to dispose of their land use rights or properties.

The Bangladesh government has set up a few export processing zones (EPZs) to specially facilitate export oriented industries in those EPZs. A foreign investor can lease land under those EPZ areas from the EPZ authorities.

Laws and regulation in relation to taxation in Bangladesh

The National Board of Revenue (NBR) is the central authority for tax administration in Bangladesh. Administratively, it is under the Internal Resources Division (IRD) of the Ministry of Finance (MoF). Negotiating tax treaties with foreign governments and participating in inter-ministerial deliberations on economic issues having a bearing on fiscal policies and tax administration are also NBR's responsibilities. The main responsibility of NBR is to mobilize domestic resources through collection of import duties and taxes, VAT and income tax for the government. Side by side with collection of taxes, facilitation of international trade through

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quick clearance of import and export cargoes has also emerged as a key role of NBR. Other responsibilities include administration of matters related to taxes, duties, other revenue related fees/charges and prevention of smuggling.

Income Tax:

For the purpose of computation of total income and charging tax thereon, sources of income can be classified into 7 categories, which are salaries, interest on securities, income from house property, income from agriculture, income from business or profession, capital gains, and income from other sources.

Individual tax rate: for individuals other than female taxpayers, senior taxpayers of 70 years and above and retarded taxpayers, tax is payable in the following rate and order: for the first BDT165,000/- Nil, next BDT275,000/- 10%, next BDT325,000/- 15%, next BDT375,000/- 20%, rest amount 25%. For female taxpayers, senior taxpayers of age 70 years and above and retarded taxpayers, tax is payable in the following rate and order for the first BDT180,000/- Nil, next BDT275,000/- 10%, next BDT325,000/- 15%, next BDT375,000/- 20%, rest amount 25%. Minimum tax for any individual assessee is BDT2,000. Non-resident Individual 25% (other than non-resident Bangladeshi)

Corporate tax rate: publicly traded company 27.5%, non-publicly traded company 37.5%, bank, insurance & financial company 45%, mobile phone operator company 45%. If any publicly traded company declares more than 20% dividend, 10% rebate on total tax is allowed.

Tax withholding functions:

In Bangladesh withholding taxes are usually termed as Tax deduction and collected at source. Under this system both private and public limited companies or any other organisation specified by law are legally authorized and bound to withhold taxes at some point of making payment and deposit the same to the Government Exchequer of Bangladesh. The taxpayer receives a certificate from the withholding authority and gets credits of tax against assessed tax on the basis of such certificate.

Fiscal incentives:

Following are fiscal incentives available to a taxpayer:

- (a) Tax holiday: Tax holiday is allowed for industrial undertaking, tourist industry and physical infrastructure facility established between 1 July 2008 to 30 June 2011 in fulfillment of certain conditions.
- (b) Accelerated depreciation: Accelerated depreciation on cost of machinery is admissible for new industrial undertaking in the first year of commercial production 50%, in the second year 30% and in the third year 20%.
- (c) Income derived from any Small and Medium Enterprise (SME) engaged in production of any goods and having an annual turnover of not more than BDT twenty four lakh is exempt from tax.

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- (d) Industry set up in EPZ is exempt from tax for a period of 10 years from the date of commencement of commercial production.
- (e) Income from fishery, poultry, cattle breeding, dairy farming, horticulture, floriculture, mushroom cultivation and sericulture are exempt from tax up to 30 June 2011, subject to investing at least 10% of the exempted income that exceeds BDT one lakh, in government bonds.
- (f) Income derived from export of handicrafts is exempted from tax up to 30 June 2011.
- (g) An amount equal to 50% of the income derived from export business is exempted from tax.
- (h) Listed companies are entitled to 10% tax rebate if they declare dividend of 20% or more.
- (i) Income from Information Technology Enabled Services (ITES) business is exempted up to 30 June 2011.

VAT

VAT is imposed on goods and services at import stage, manufacturing, wholesale and retails levels. A uniform VAT rate of 15 percent is applicable for both goods and services. 15 percent VAT is applicable for all business or industrial units with an annual turnover of BDT 2 million and above. Turnover tax at the rate of 4 percent is leviable where annual turnover is less than BDT 2 million. VAT is applicable to all domestic products and services with some exemptions and is payable at the time of supply of goods and services. Tax paid on inputs is creditable/adjustable against output tax and export is exempt. Cottage industries (defined as a unit with an annual turnover of less than BDT 2 million and with a capital machinery valued up to BDT300,000) are exempt from VAT. Tax returns are to be submitted on monthly or quarterly or half yearly basis as notified by the Government. Supplementary Duty (SD) is imposed at local and import stage under the VAT Act, 1991. Existing statutory SD rates are (a) on goods: 20%, 35%, 65%, 100%, 250% & 350% (b) on services: 10%, 15% & 35%.

Customs

Customs wing is primarily responsible for collection of all duties and taxes at the import stage. Apart from collection of government revenue it is also responsible for trade facilitation, enforcement of government regulations, protection of society and environmental protection, preparation of foreign trade statistics, trade compliance and protection of cultural heritage. There is a four tier duty structure 5% for capital machinery, 7% for basic raw material, 12% for intermediate raw-material or semi finished products, and 25% for finished products.

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Law and regulations in relation to labour and employment in Bangladesh

In 2006 the new Labour Code, 2006 emerged as the only labour law in Bangladesh. In government organisations and in some private organisations as well, a probation period exists for skilled or semi-skilled workers varying between three months to six months and during this period either party may serve one month's notice for termination from or giving up to the job. In the private sector, the dignity of labour is ensured in accordance with the principles enunciated in the International Labour Organisation ("ILO") convention and recommendations. In the private sector, the wages & fringes benefits of the workers and employees are determined through bargaining process. Sometimes private industries follow the public sector wages & salary structure for their workers and employees respectively.

In Bangladesh employees are classified as follows:

- Apprentice
- Badlis (in change)
- Casual
- Permanent
- Probationer
- Temporary (sometimes referred to as contractual)

Employment Conditions:

The minimum age for workers in Bangladesh is 16 years old in factories and establishments. Contracts are made in the form of a letter of offer. Workers may also be engaged on verbal agreements. In government organisations and in some private organisations as well, a probation period exists for skilled or semi-skilled workers varying between three months to one year and during this period either party may serve one month's notice for termination from or giving up to the job. In the private sector, the dignity of labour is ensured in accordance with the principles enunciated in the ILO convention and recommendations.

Settlement of Labour Disputes:

Contract or agreement is usually made between the management and the Collective Bargaining Agent (CBA) on settlement of industrial disputes as per provisions of Industrial Relations Ordinance, 1969. In case a bipartite negotiation fails, conciliation machinery of the government is requested by the aggrieved party to intervene and the conciliation process is undertaken. If settlement agreement is signed between the parties and the Conciliation Officer becomes a witness. If it fails, the party raising the dispute may go on strike or lockout as the case may be. The government may, however, prohibit the same after one month in the interest of the public. In the essential services like, (i) electricity, gas, oil and water supply etc. (ii) hospital & ambulance service, (iii) fire brigade, (iv) railway and Bangladesh Biman and (v) ports etc., strike is prohibited.

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Wages and Fringe Benefits:

In the public sector, wages and fringe benefits of the workers are determined by the government on the recommendation of the National Wages Commission established from time to time. Such commissions were appointed in 1973, 1977, 1984, 1989 and 1992. Wages and fringe benefits declared by the government in 1977 having 20 grades of wages. The public sector employees are, however, covered by the Pay Commission declared by the government from time to time. In the private sector, the wages and fringes benefits of the workers and employees are determined through collective bargaining process. Sometimes private industries follow the public sector wages and salary structure for their workers and employees respectively.

Leave and Holidays:

All employees of a business organisation are entitled to a 1.5 days' weekly holiday per week. An employee is entitled to a ten days' annual leave and a fourteen days' sick leave with pay per year. An employee completing one year's service is entitled to get in the next twelve months one day leave against every eighteen days' work in the preceding year. An employee is entitled to eleven days' festival holidays in each year. If he is required to work in the festival holiday, he would be entitled to two days' wages and one compensatory leave and another alternative leave.

Social Security:

Under the Labour laws of Bangladesh, labour insurance is not mandatory. If a company has BDT 10,000,000.00 or more, or permanent assets of BDT 20,000,000.00 or more, or more than 100 labourers any time employed, it has to contribute 5% of its profit after tax to employee welfare fund.

Maternity Benefits: If a female employee completed minimum six months work tenure in a company, she will be entitled to an eight weeks' pre and post leave with her full pay upon delivery. There are certain benefits that the employers can provide to the employees as stipulated in the law but those are not mandatory.

Provident Fund: Employers are advised to maintain a provident fund for the employees. Employees shall provide a specific percentage of their basic to the fund whereas the company will contribute an equal amount for that employee in the fund. This provident fund entitlement will never be jeopardized by any action on the part of employee/employer. The provident fund must be maintained by a board of trustee as appointed by the company

Gratuity: It is a non-mandatory benefit payable at the termination of the employment by the employee or the employer. There may be a maturity period for the gratuity entitlement. Gratuity benefit is actually provided in terms of certain number of basics against each of the completed years.

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Working Hours:

In general, stipulated maximum work hour of an employee should not exceed 8 hours per day. Employer must provide employees with a one hour break in case of a daily work hour exceeding six hours. Stipulated total work hours in a week should not exceed 48 hours. However, employees can work overtime in the company but he should be given a wage at the rate of double of his prevailing wage rate for the overtime. Even then the total work hours performed by an employee in a company cannot exceed 60 per week.

Since Bangladesh Centresin will be operating within the export processing zone, it is also subject to the “EPZ Workers Association and Industrial Relation Act 2004 (as amended from time to time)” (the “Act”) which requires Bangladesh Centresin to set up a committee for the purpose of facilitating good understanding amongst workers and the management and to ensure, amongst other things, the health, safety and training of the workers. The Act also contains provisions for establishment of trade unions, recognition of collective bargaining power of the workers and procedures for handling disputes with workers.

Law and regulations in relation to health and production safety in Bangladesh

The Labour Act, 2006 of Bangladesh contains provisions regarding health and hygiene matters and safety matters. In terms of health and hygiene, every factory shall be clean and free from effluvia arising from any drain privy or other nuisance, and in particular, (i) accumulation of dirt and refuse shall be moved daily by sweeping or by any other effective method from the floors and benches of workrooms and from staircases and passages and disposed of in a suitable manner; (ii) the floor of every workroom shall be cleaned at least once in every week by washing, using disinfectant where necessary or by some other effective method; (iii) where the floor is liable to become wet in the course of any manufacturing process to such extent as is capable of being drained, effective means of drainage shall be provided and maintained; (iv) all inside walls and partitions, all ceilings or tops of rooms and walls, sides and tops of passages and staircases shall, where they are painted or varnished, be repainted or revarnished at least once in every five years; or where they are painted or varnished and have smooth impervious surfaces, be cleaned at least once in every fourteenth month, by such methods as may be prescribed; and in any other case, be kept white-washed or colour-washed and the white-washing or colour-washing shall be carried out at least once in every fourteen months.

Under the Labour Act, 2006, effective arrangements shall be made in every factory for the disposal of wastes and effluents due to the manufacturing process carried on therein. Effective and suitable provisions shall be made in every factory for securing and maintaining in every work-room (i) adequate ventilation by the circulation of fresh air; and (ii) such temperatures as will secure to workers therein reasonable conditions of comfort and which will prevent injury to health, and in particular, (i) the walls and roof shall be of such material and so designed that such temperature shall not be exceeded but be kept as low as practicable; (ii) where the nature of the work carried on in the factory involves, or is likely to involve, the production of excessively high temperature, such adequate measures as are practicable, shall be taken to protect the workers therefrom by separating the process which produces such temperature from the work-room by insulating the hot parts or by other effective means.

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In every factory in which, by reason of the manufacturing process carried on, there is given off any dust or fumes or other impurity of such a nature and to such an extent as is likely to be injurious or offensive to the workers employed therein, effective measures shall be taken to prevent its accumulation in any work-room and its inhalation by workers, and if any exhaust appliance is necessary for this purpose, it shall be applied as near as possible to the point of origin of the dust, fumes or other impurity, and such point shall be enclosed so far as is possible.

The Bangladesh government may, in respect of all factories in which humidity of the air is artificially increased, make rules (i) prescribing standards of humidification; (ii) regulating the methods used for artificially increasing the humidity of the air; (iii) directing prescribed tests determining the humidity of the air to be correctly carried out and recorded; and (iv) prescribing methods to be adopted for securing adequate ventilation and cooling of the air in the work-rooms. In any factory in which the humidity of the air is artificially increased, the water used for the purpose shall be taken from a public supply, or other source of drinking water, or shall be effectively purified before it is so used.

No work-room in any factory shall be overcrowded to the extent that it is injurious to the health of the workers employed therein. There shall be provided for every worker employed in a work-room 9.5 cubic meters of space.

In every part of a factory where workers are working or passing, there shall be provided and maintained sufficient and suitable lighting, natural or artificial, or both. In every factory all glazed windows and skylights used for the lighting of the work-room shall be kept clean on both the outer and inner surfaces and free from obstruction as far as possible.

In every factory effective provision shall, so far as is practicable, be made for the prevention of (i) glare either directly from any source of light or by reflection from a smooth or polished surface, and (ii) the formation of shadows to such an extent as to cause eye strain or risk of accident to any worker.

In every factory effective arrangements shall be made to provide and maintain at a suitable point conveniently situated for all workers employed therein, a sufficient supply of wholesome drinking water.

The Labour Act, 2006 also governs the occupational safety issues, summary of the major relevant provisions of which is as follows:

- (a) Every factory will be provided with such means of escape in case of fire as may be prescribed. All of the factory doors affording exit from any room shall not be locked or fastened so that they can be easily and immediately opened from inside while any person is within the room, and all such doors, unless they are of the sliding type, shall be constructed to open outwards, or where the door is between two rooms, in the direction of the nearest exit from the building and no such door shall be locked or obstructed while work is being carried on in the room.

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- (b) In every factory every window, door, or other exit affording means of escape in case of fire, other than the means of exit in ordinary use, shall be distinctively marked in a language understood by the majority of the workers and in red letters of adequate size or by some other effective and clearly understood sign.

- (c) In every factory there shall be provided effective and clearly audible means of giving warning in case of fire to every person employed therein. A free passage-way giving access to each means of escape in case of fire shall be maintained for the use of all workers in every room of the factory.

- (d) In every factory wherein more than ten workers are ordinarily employed in any place above the ground floor, or explosives or highly inflammable materials are used or stored, effective measures shall be taken to ensure that all the workers are familiar with the means of escape in case of fire and have been adequately trained in the routine to be followed in such case.

- (e) In every factory the following shall be securely fenced by safeguards of substantial construction which shall be kept in position while the part of machinery required to be fenced are in motion or in use, namely (aa) every moving part of a prime mover, and every fly wheel connected to a prime mover; (bb) the head-race and tail-race of every water wheel and water turbine; (cc) any part of a stock-bar which projects beyond the head stock of a lathe; and (dd) unless they are in such position or of such construction as to be as safe to every person employed in the factory as they would be if they were securely fenced (i) every part of an electricity generator, a motor or rotary converter; (ii) every part of transmission machinery; and (iii) every dangerous part of any machinery.

- (f) No woman or child shall be allowed in any factory to clean, lubricate or adjust any part of machine while that part is in motion, or to work between moving parts or between fixed and moving parts, of any machinery which is in motion. No young person shall work at any machine unless he has been fully instructed as to the dangers arising in connection with the machine and the precautions to be observed, and (aa) has received sufficient training in work at the machine, or (bb) is under adequate supervision by a person who has thorough knowledge and experience of the machine.

- (g) No traversing part of a self-acting machine in any factory and no material carried thereon shall, if the space over which it runs is a space over which any person is liable to pass whether in the course of his employment or otherwise, be allowed to run on its outward or inward traverse within a distance of eighteen inches from any fixed structure which is not part of the machine.

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- (h) In all machinery driven by power and installed in any factory after the commencement of the Labour Act, 2006 (aa) every set screw, belt or key or any revolving shaft, spindle, wheel or pinion shall be so sunk, encased or otherwise effectively guarded as to prevent danger; and (bb) all spur, worm and other toothed or friction gearing which does not require frequent adjustment while in motion, shall be completely encased unless it is so situated as to be as safe as it would be if it were completely encased.

- (i) In respect of cranes and all other lifting machinery, other than hoists and lifts, in any factory (aa) every part thereof, including the working gear, whether fixed or movable, ropes and chains and anchoring and fixing appliances shall be (i) of good construction, sound material and adequate strength; (ii) properly maintained; (iii) thoroughly examined by a competent person at least once in every period of twelve months, and a register shall be kept containing the prescribed particulars of every such examination; (bb) no such machinery shall be loaded beyond the safe working load which shall be plainly marked thereon; and (cc) while any person is employed or working on or near the wheel-tract of a travelling crane in any place where he would be liable to be struck by the crane, effective measures shall be taken to ensure that the crane does not approach within twenty feet of that place.

- (j) If in any factory any part of the plant or machinery used in a manufacturing process is operated at a pressure above atmospheric pressure, effective measures shall be taken to ensure that the safe working pressure of such part is not exceeded.

- (k) In any factory no person shall enter or be permitted to enter any chamber, tank, vat, pit, pipe, flue or other confined space in which dangerous fumes are likely to be present to such an extent as to involve risks of persons being overcome thereby, unless it is provided with a manhole of adequate size or other effective means of egress. No portable electric light of voltage exceeding twenty-four volts shall be permitted in any factory for use inside any such confined space and where the fumes present are likely to be inflammable, lamp or light other than of flame proof construction shall be permitted to be used in such confined space. No person in any factory shall enter or be permitted to enter any such confined space until all practicable measures have been taken to remove any fumes which may be present and to prevent any ingress of fumes and unless either (aa) a certificate in writing has been given by a competent person, based on a test carried out by himself, that the space is free from dangerous fumes and fit for persons to enter, or (bb) the worker is wearing suitable breathing apparatus and a belt securely attached to a rope, the free end of which is held by a person standing outside the confined space.

REGULATORY OVERVIEW

- (l) No person shall be permitted to enter in any factory, any boiler furnace, boiler, flue chamber, tank, vat, pipe or other confined space for the purpose of working or making any examination therein until it has been sufficiently cooled by ventilation or otherwise declared to be safe for persons to enter. Where in any factory any manufacturing process produces dust, gas, fume or vapour of such character and to such extent as to be likely to explode on ignition, all practicable measures shall be taken to prevent any such explosion by (aa) effective enclosure of the plant or machinery used in the process; (bb) removal or prevention of the accumulation of such dust, gas, fume or vapour; (cc) exclusion or effective enclosure of all possible sources of ignition.
- (m) Where any part of the plant or machinery in a factory contains any explosive or inflammable gas or vapour under pressure greater than atmospheric pressure, that part shall not be opened except in accordance with the following provisions, namely (aa) before the fastening of any joint of any pipe connected with the part of the fastening of the cover of any opening into the part is loosened, any flow of the gas or vapour into the part or any such pipe shall be effectively stopped by a stop-valve or other means; (bb) before any such fastening as aforesaid is removed, all practicable measures shall be taken to reduce the pressure of the gas or vapour in the part or pipe to atmospheric pressure.

Environmental regulations in Bangladesh

Environment Policy, 1992, Environment Conservation Act, 1995 and subsequent amendments, Environment Conservation Rules, 1997, Environment Court Act, 2000 and subsequent amendments and Ozone Depleting Substances (Control) Rules, 2004 set out the general legal framework for the protection of the environment in Bangladesh and impose penalties for breaches of their provisions. They aim to limit adverse impacts on the environment, control environmental degradation and pollution, control environmental hazards and exploitation, encourage the proper use of natural resources, and protect biological diversity.

All projects in Bangladesh must comply with environmental standards issued by the Department of Environment. A company in Bangladesh is required to comply with standards relating to the discharge of wastewater, gas emissions, toxic waste, and sound pollution.

A company has to get clearance letter from the Department of Environment by way of evaluation of project profile and plan before setting up an industrial plant in Bangladesh.

Except to the non-compliance events as disclosure in the paragraph headed “Compliance history of the Group” under the section headed “Business” in this prospectus, the Directors, to the best of their knowledge and understanding, are of the view that the Group has complied with the laws and regulations in the jurisdictions mentioned above.

HISTORY AND DEVELOPMENT

HISTORY AND DEVELOPMENT

The Group was founded in 1990 by the establishment of ISH, which was then owned as to 50% by Mr. Jeong, and 50% by an Independent Third Party (the “Independent Founder”). At that time, ISH was principally engaged in distribution of adhesive and related products.

From 1998 to 2005, shareholding interest of ISH held by the Independent Founder had been transferred to various parties, one of whom was a relative of Mr. Jeong, and was subsequently transferred to and acquired by Mr. Jeong and ICL. ICL was an investment holding company owned as to 99% by Mr. Jeong and 1% by Mr. Ip Chin Wing, an executive Director. Mr. Ip Chin Wing, who was a nominee shareholder of Mr. Jeong, held such 1% shareholding interest in ICL for and on behalf of Mr. Jeong. The consideration for the shareholding interest of ISH acquired by Mr. Jeong and ICL was based on arm’s length negotiation among the various parties. Since January 2005 and up to the reorganisation of the Group for the purpose of the Listing, Mr. Jeong was the beneficial owner of the entire issued share capital of ISH, which was owned as to approximately 71.8% directly by Mr. Jeong and the remaining of approximately 28.2% was indirectly owned by Mr. Jeong through ICL (a company beneficially owned by Mr. Jeong).

To cope with the distribution business of the Group, the Group established Zhuhai Iao Son in August 1992 to carry out processing and sub-packaging activities for its distribution business in the PRC.

In 1992, to cope with the Group’s business strategy for exploring other business opportunities in the PRC, the Group also established an operation office in Guangzhou, the PRC.

Since January 1993, the Group has been appointed as the exclusive distribution agent of a series of hardener products “IRODUR”, in the PRC, Hong Kong and Macau. The regions covered by the Group’s distribution of such products were further extended to Vietnam and Taiwan in 1997 and 1998 respectively. Details of this distribution right are set out in the paragraph headed “Suppliers” under the section headed “Business” in this prospectus.

In 1997, the Group established two investment holding companies namely Macson and Righton, both of which were incorporated in Macau with limited liabilities, and were owned as to 99% by ISH and 1% by Mr. Jeong (holding solely for the purpose of satisfying the then legal requirement that at least two shareholders were required for a limited company under Macau laws at the relevant time).

In September 1998, Zhongshan Macson was incorporated and the Group established Zhongshan Production Plant in the PRC. Zhongshan Macson is principally engaged in the processing of adhesives and primers. Details of the Zhongshan Production Plant are set out in the paragraph headed “Production facilities” under the section headed “Business” in this prospectus.

HISTORY AND DEVELOPMENT

In June 2002, Bracorp was incorporated in BVI and was wholly-owned by Mr. Jeong. Bracorp is designated by the management for the provision of promotion and marketing services within the Group.

In September 2002, Great Oasis was incorporated in BVI and was wholly-owned by Mr. Jeong. Great Oasis is designated by the management for the trading of raw materials and adhesive products within the Group.

In October 2003, Benino was incorporated in BVI and was wholly-owned by Mr. Jeong. Benino is designated by the management for the provision of research and development services and technical assistance services within the Group.

In August 2005, in order to strengthen the Group's research and development capability, the Group entered into a technical support agreement with No-Tape Japan. No-Tape Japan is responsible for the provision of technical assistance to the Group's research and development.

In January 2005, in view of the potential growth of the footwear manufacturing industry in Vietnam, Vietnam Centresin was incorporated and the Existing Vietnam Production Plant was established for processing of adhesives and primers in Vietnam. Details of the Existing Vietnam Production Plant are set out in the paragraph headed "Production facilities" under the section headed "Business" in this prospectus. Pursuant to the investment certificate of Vietnam Centresin dated 27 January 2005, Vietnam Centresin had a charter capital of US\$300,000 and an investment capital of US\$900,000, and was permitted to be engaged in the processing of adhesive, dilute substance, detergent, hardener and polyurethane for a term of 30 years since 27 January 2005. On 12 January 2009, the investment certificate was granted to be amended for the increase of its charter capital and investment capital to US\$600,000 and US\$3,000,000 respectively.

In July 1999, having considered the limited production capacity of Zhuhai Iao Son as a processing and packaging center, Zhuhai Centresin, being a sino-foreign cooperative joint venture company owned as to approximately 96% by the Group and 4% by an independent PRC company, was established for exploring possibility of establishment of the Group's own production facilities, which is expected to be capable of undertaking the whole production process of adhesive and primer. The entire shareholding interest owned by such independent PRC company was transferred to the Group in December 2006 and Zhuhai Centresin has become a wholly-owned subsidiary of the Group.

The Group started to plan for the establishment of the Zhuhai Production Plant in 2002. During 2002 to 2004, the Group received various approvals from the PRC government for the establishment of the Zhuhai Production Plant, which is engaged in the production of footwear adhesive and primer, commenced commercial operation in 2006. Details of the Zhuhai Production Plant are set out in the paragraph headed "Production facilities – current production facilities" under the section headed "Business" in this prospectus. Having considered the cost effectiveness and the respective production capacity of the production facilities operated by Zhuhai Centresin and Zhuhai Iao Son, Zhuhai Iao Son ceased its production and operation upon the operation of the Zhuhai Production Plant commenced in 2006 and Zhuhai Iao Son was dissolved in May 2007.

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During the period from 1996 to 2007, Mr. Jeong established his own business other than the adhesive business of the Group. Such business has been carried out through four different companies incorporated in Macau, namely Proton Company Limited, South Star Biotechnology Company Limited, Grace Power Polymer Technology Co. Ltd. and Unity Property & Parking Management Company Limited. Proton Company Limited, the issued share capital of which was registered in the name of Mr. Jeong (as to 1%) and ISH (as to 99%), was principally engaged in the trading of TPU (Thermoplastic Polyurethane), a type of plastic. South Star Biotechnology Company Limited, the issued share capital of which was registered in the name of Mr. Jeong (as to 20%) and ISH (as to 80%), was principally engaged in the sale and marketing of health care products. Grace Power Polymer Technology Co. Ltd., the issued share capital of which was registered in the name of Mr. Jeong (as to 30%) and ISH (as to 70%), was principally engaged in the trading of electronic adhesive used in the production of electronic products. Unity Property & Parking Management Company Limited, the issued share capital of which was registered in the name of Mr. Jeong (as to 1%) and ISH (as to 99%), was principally engaged in the management of car parks in Macau. Since at least two shareholders were required for establishing a company under relevant laws of Macau at that time, ISH acted as a nominee shareholder of Mr. Jeong for the establishment of these four companies. Easy Ray Holdings Limited, the investment vehicle of Mr. Jeong, has entered into separate sale and purchase agreements with ISH for acquiring the equity interest held by ISH on behalf of Mr. Jeong in each of South Star Biotechnology Company Limited, Grace Power Polymer Technology Co. Ltd. and Unity Property & Parking Management Company Limited each at a consideration of MOP1.00 and in Proton Company Limited at a consideration of MOP2.00. Having considered the business and product nature of the aforementioned companies and those of the Group, the Directors are of the view that there is no business competition between the Group and the aforementioned companies. As at the Latest Practicable Date, Proton Company Limited was not engaged in any business activities.

In January 2009, Bangladesh Centresin was incorporated in Bangladesh and was owned as to 99.8% by ISH, 0.1% by Mr. Ip Chin Wing and 0.1% by Mr. Ip Ka Lun, the executive Directors. Each of Mr. Ip Chin Wing and Mr. Ip Ka Lun is holding his interest on trust for ISH. On 27 July 2009, Bangladesh Centresin entered into a leasing agreement with Bangladesh Export Processing Zones Authority for leasing a parcel of land in Bangladesh for establishing its production facilities in Bangladesh. This production facilities is expected to commence operation in 2010.

In May 2009, a strategic investor, Raffles Partners was introduced to the Group pursuant to an investment agreement (the “Investment Agreement”) dated 30 May 2009 and entered into between Mr. Jeong and Raffles Partners relating to the sale of 10% equity interest in Keen Castle, the intermediate holding company of the Group, to Raffles Partners at a cash consideration of HK\$15 million. The consideration for the said 10% equity interest was arrived at after arm’s length negotiations between Mr. Jeong and Raffles Partners with reference to the financial position and future earning capacity of the Group and available financial data of other listed companies in the same industry. The consideration under the Investment Agreement was settled by Raffles Partners on 30 June 2009. The market capitalisation of the Shares owned by Raffles Partners upon the Listing is approximately HK\$21.94 million based on the Offer Price

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of HK\$0.585 per Share and is approximately HK\$28.13 million based on the Offer Price of HK\$0.75 per Offer Share. The discount of the investment of Raffles Partners in the Company is approximately 31.6% if the Offer Price is HK\$0.585 and is approximately 46.7% if the Offer Price is HK\$0.75.

Raffles Partners is a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Tang Tsz Kit, an Independent Third Party. Raffles Partners, with a sizeable investment, is an investment vehicle investing in long-term private equity projects. As at the Latest Practicable Date, apart from the investment in the Company, Raffles Partners' other investments included its investment in Chigo Holding Limited ("Chigo") and Ruinian International Limited ("Ruinian"), both of which are listed on the Stock Exchange. The investment in Chigo and Ruinian by Raffles Partners were on pre-IPO investment basis. As at the Latest Practicable Date, Raffles Partners' investment in Chigo was valued at approximately HK\$5.2 million. As at the Latest Practicable Date, Raffles Partners had approximately 35.2% shareholding in a company which had invested in Ruinian and such investment was valued at approximately HK\$283.8 million as at the Latest Practicable Date.

After completion of the Investment Agreement, Keen Castle was owned by Mr. Jeong as to 1,800 shares, representing 90% of the then issued capital of Keen Castle, and was owned by Raffle Partners as to 200 shares, representing 10% of the then issued capital of Keen Castle. Pursuant to the Investment Agreement, Raffles Partners has the right to appoint one representative to the board of directors of Keen Castle if Raffles Partners holds not less than 10% of shareholding interest in Keen Castle. Upon the completion of the Reorganisation, such right has ceased as Raffles Partners no longer hold any shares in Keen Castle. In view of the nature of the Investment Agreement and certain investment risk taken by Raffles Partners, Raffles Partners is not subject to lock-up requirement for the disposal of Shares upon the Listing.

On 10 June 2009, in pursuance of the Investment Agreement, Keen Castle has entered into a share swap agreement (the "First Share Swap Agreement") with Mr. Jeong whereby Mr. Jeong has sold to Keen Castle the entire equity interest in each of Great Oasis, Bracorp and Benino to Keen Castle in consideration of allotment and issue of 500 ordinary shares of US\$1.00 each in the capital of Keen Castle, all credited as fully paid, to Mr. Jeong by Keen Castle.

Furthermore, on 10 June 2009 Keen Castle also entered into another share swap agreement (the "Second Share Swap Agreement") with Mr. Jeong and ICL in relation to the equity interest in ISH. The Second Share Swap Agreement was supplemented by a supplemental agreement (the "Supplemental Agreement") dated 30 December 2009 and entered into among Keen Castle, Mr. Jeong and ICL, together with Mrs. Jeong, the spouse of Mr. Jeong. Under the Second Share Swap Agreement and the Supplemental Agreement, Mr. Jeong and ICL have agreed to transfer their respective equity interests in ISH to Keen Castle on a date to be designated by Keen Castle in return for allotment and issue of a total of 500 ordinary shares of US\$1.00 each in the capital of Keen Castle, all credited as fully paid, to Mr. Jeong by Keen Castle. The parties also confirmed in the Supplemental Agreement that as from 10 June 2009 the benefits arising from the equity interest in ISH are to be enjoyed by Keen Castle. ICL has also agreed to assign to Mr. Jeong its portion of the 500 ordinary shares of US\$1.00 each in the capital of Keen Castle under the Second Share Swap Agreement.

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Accordingly, Keen Castle on 10 June 2009 allotted and issued 1,000 new ordinary shares to Mr. Jeong pursuant to the First Share Swap Agreement and the Second Share Swap Agreement (as supplemented by the Supplemental Agreement). On 18 June 2009 and pursuant to the Investment Agreement, Mr. Jeong transferred to Raffles Partners 200 ordinary shares in the capital of Keen Castle, representing 10% of the then entire issued share capital of Keen Castle. Completion of the First Share Swap Agreement took place on 10 June 2009 whereas completion of the Second Share Swap Agreement took place on 11 February 2010.

As part of the corporate reorganisation of the Group in preparation for the Listing, ISH transferred to Easy Ray Holdings Limited, the investment vehicle of Mr. Jeong, its shareholdings in four Macau companies not engaging in the footwear adhesive related business in December 2009. The four Macau companies were Unity Property & Parking Management Company Limited, Grace Power Polymer Technology Co. Ltd., South Star Biotechnology Company Limited and Proton Company Limited. ISH became shareholder of the said four Macau companies since their respective dates of incorporation during 1996 to 2007 in order to meet the legal requirement that at least two shareholders were required for a limited company incorporated under Macau laws at the relevant time. ISH and Mr. Jeong also on the respective dates of incorporation of the said four Macau companies entered into transfer agreements documenting such background and ISH's agreement to transfer to Mr. Jeong its shareholdings in those four Macau companies at nominal value. It was also documented in the said transfer agreements that ISH had no intention to invest in the respective business of those four Macau companies. ISH also agreed that it would sign such documents at such time as Mr. Jeong may request for transferring the relevant shareholdings to Mr. Jeong and to proceed with the necessary registration for the change of shareholdings with the Macau authorities.

On 10 December 2009, ISH and Mr. Jeong's investment vehicle, Easy Ray Holdings Limited, entered into four separate share transfer agreements for the purpose of transferring ISH's shareholdings in the four Macau companies to Easy Ray Holdings Limited. The four share transfer agreements all dated 10 December 2009 were lodged with Macau authorities for registration of the change of shareholdings in the said four Macau companies. As from 10 December 2009, ISH has ceased to be a shareholder of each of Unity Property & Parking Management Company Limited, Grace Power Polymer Technology Co. Ltd., South Star Biotechnology Company Limited and Proton Company Limited.

Meanwhile, with a view to streamlining the shareholding structure within the Group, ISH entered into four acquisition agreements with Mr. Jeong and Mrs. Jeong on 1 March 2010 pursuant to which Mr. Jeong, with the consent of Mrs. Jeong, has transferred to ISH the 1% shareholding in each of Righton, Macson, Macau Centresin and Greenfield. The 1% shareholding held by Mr. Jeong and his spouse was solely for the purpose of satisfying the then legal requirement that at least two shareholders were required for a limited company under Macau laws at the relevant time. To document such shareholding arrangement, Mr. Jeong, his spouse and ISH entered into four separate memoranda all dated 30 December 2009 where it was also confirmed that the 1% interest in each of Righton, Macson, Macau Centresin and Greenfield previously held by Mr. Jeong and his spouse were funded by ISH. The said four acquisition agreements were lodged with Macau authorities for registration of the change of

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shareholdings in the said four Macau companies. Since 1 March 2010, each of Righton, Macson, Macau Centresin and Greenfield has become 100% wholly-owned subsidiary of the Company which is now allowed under Macau laws.

In September 2009, the Group applied to the State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局) for a patent of invention in relation to the Group's self-developed water-based adhesive specializing in the application on production of vulcanized shoes and with environmental protection characteristic.

On 10 December 2009, Zhong Bu Centresin (GZ) was established in the PRC, which will establish the new production facilities in Nansha, Guangdong, the PRC. Zhong Bu Centresin (GZ) is wholly owned by Macau Centresin, being a company incorporated in Macau with limited liability in August 2007 and a wholly-owned subsidiary of the Company. The registered capital of Zhong Bu Centresin (GZ) is US\$16,000,000. According to the articles of association of Zhong Bu Centresin (GZ), the Group should inject 15% of registered capital to the capital account within 3 months after establishment date, the rest of registered capital shall be injected within 2 years after the establishment date. Zhong Bu Centresin (GZ) has commenced application with the local government of Guangdong, the PRC for establishing its production facilities in Nansha, Guangdong, the PRC. Details of this production facilities are set out in paragraph headed "Production facilities" in the section headed "Business" in this prospectus.

CORPORATE REORGANISATION

In preparation for the Listing, the Group underwent the Reorganisation which primarily involved the following steps:

- (a) transfer of 100 shares, representing the then entire issued share capital, in each of Bracorp, Benino and Great Oasis by Mr. Jeong to Keen Castle, in consideration of which Keen Castle allotted and issued 500 ordinary shares to Mr. Jeong, all credited as fully paid up, on 10 June 2009 pursuant to the share swap agreement dated 10 June 2009 and entered into between Mr. Jeong and Keen Castle;
- (b) transfer of 200 ordinary shares, representing 10% of the then entire issued share capital in Keen Castle, by Mr. Jeong to Raffles Partners on 18 June 2009 at a cash consideration of HK\$15,000,000.00;
- (c) disposal of equity interests of an aggregate of MOP475,000.00 in Proton Company Limited by ISH to Easy Ray Holdings Limited, a company controlled by Mr. Jeong, on 10 December 2009 at an aggregate consideration of MOP2.00;
- (d) disposal of equity interests of MOP99,000.00 in Unity Property & Parking Management Company Limited by ISH to Easy Ray Holdings Limited, a company controlled by Mr. Jeong, on 10 December 2009 at a consideration of MOP1.00;
- (e) disposal of equity interests of MOP80,000.00 in South Star Biotechnology Company Limited by ISH to Easy Ray Holdings Limited, a company controlled by Mr. Jeong, on 10 December 2009 at a consideration of MOP1.00;

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- (f) disposal of equity interests of MOP70,000.00 in Grace Power Polymer Technology Co. Ltd. by ISH to Easy Ray Holdings Limited, a company controlled by Mr. Jeong, on 10 December 2009 at a consideration of MOP1.00;
- (g) incorporation of the Company on 15 December 2009 in the Cayman Islands and transfer of one nil paid Share from Codan Trust Company (Cayman) Limited to Mr. Jeong;
- (h) incorporation of Ally Link on 19 January 2010 and allotment and issue of 100 ordinary shares of Ally Link to Keen Castle at par on 29 January 2010;
- (i) transfer of the entire equity interests in ISH on 11 February 2010 of which equity interests of MOP646,200.00 in ISH was transferred by Mr. Jeong to Keen Castle at a cash consideration of MOP1.00 and equity interests of MOP253,800.00 in ISH was transferred by ICL to Ally Link at a cash consideration of MOP1.00;
- (j) acquisition of equity interests of MOP1,000.00 in Macson by ISH from Mr. Jeong on 1 March 2010 at a cash consideration of MOP1.00;
- (k) acquisition of equity interests of MOP1,000.00 in Righton by ISH from Mr. Jeong on 1 March 2010 at a cash consideration of MOP1.00;
- (l) acquisition of equity interests of MOP1,000.00 in Greenfield by ISH from Mr. Jeong on 1 March 2010 at a cash consideration of MOP1.00;
- (m) acquisition of equity interests of MOP1,000.00 in Macau Centresin by ISH from Mr. Jeong on 1 March 2010 at a cash consideration of MOP1.00;
- (n) transfer of the one nil paid Share from Mr. Jeong to All Reach on 26 March 2010; and
- (o) acquisition of the 1,800 shares and 200 shares, which in aggregate constitute the entire issued share capital, in Keen Castle by the Company from Mr. Jeong and Raffles Partners respectively on 26 March 2010 in consideration of (i) the allotment and issue of 1,799 Shares and 200 Shares, all credited as fully paid up, to All Reach at the direction of Mr. Jeong and Raffles Partners respectively; and (ii) the crediting as fully paid at par of the one nil paid Share held by All Reach.

BUSINESS

OVERVIEW

The Group is principally engaged in the production, sale and development of adhesives and primers and the distribution of hardeners, which are widely used by the Group's customers in the process of footwear manufacturing in the PRC and Vietnam. During the Track Record Period, the geographical breakdown of the Group's turnover is shown as follows:

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
PRC	156,427	71.7	201,197	69.9	172,012	64.3	63,601	66.7	50,508	57.9
Vietnam	61,700	28.3	86,611	30.1	95,567	35.7	31,697	33.3	36,712	42.1
Total	<u>218,127</u>	<u>100.0</u>	<u>287,808</u>	<u>100.0</u>	<u>267,579</u>	<u>100.0</u>	<u>95,298</u>	<u>100.0</u>	<u>87,220</u>	<u>100.0</u>

Adhesives are used for bonding all components of footwear including outsoles, insoles and uppers. Primers are used in the pretreatment of footwear components prior to the application of adhesives. Hardeners, being a curing agent, are used by mixing with adhesive for controlling or promoting the curing action of adhesive. The Directors believe that adhesives, primers and hardeners, being key production materials for footwears, are applied in different stages of the footwear manufacturing process, and the quality of which may have critical influence on the quality of footwears.

The breakdown of the Group's turnover during the Track Record Period by product types is shown as follows:

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Adhesives	116,567	53.4	161,852	56.3	150,973	56.4	52,242	54.8	48,994	56.2
Primers	54,883	25.2	71,081	24.7	68,741	25.7	24,470	25.7	24,251	27.8
Hardeners	44,752	20.5	49,918	17.3	44,862	16.8	17,707	18.6	13,631	15.6
Others										
(Note)	1,925	0.9	4,957	1.7	3,003	1.1	879	0.9	344	0.4
Total	<u>218,127</u>	<u>100.0</u>	<u>287,808</u>	<u>100.0</u>	<u>267,579</u>	<u>100.0</u>	<u>95,298</u>	<u>100.0</u>	<u>87,220</u>	<u>100.0</u>

Note: Sale of raw materials, and sale of adhesives and primers produced and sold by the Group under OEM basis.

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During the Track Record Period, except for the adhesives and primers produced and sold by the Group under OEM basis, the Group marketed and sold its adhesives and primers under its own brand “Zhong Bu” (“中 部”). The Directors believe that such brand is well recognized by its customers. Most of the Group’s customers are footwear manufacturers engaged in the production of footwears for footwear suppliers. Pou Chen Group, the largest customer of the Group during the Track Record Period, has more than 17 years of business relationship with the Group.

The Group’s management and control were generally driven in Macau, where the majority of the management team conducted the business activities, held meetings, or resided. Apart from the function as a headquarters, the Directors also participated in the sales and marketing activities in Macau. Accordingly, major sales contracts of the Group were negotiated and concluded in Macau. It was essential to conduct these activities in Macau as the Directors resided or frequently visited there. Given that Macau had a well developed transportation network internationally and to/from Zhuhai and Zhongshan, the PRC, where the Group’s production plants in the PRC were situated, the Directors were able to manage the Group’s operations in Macau effectively.

The Group also produces and sells adhesives and primers under brands of third parties on OEM basis to customers in the PRC. Such customers resell the adhesives and primers under their own brands. The revenue derived from those customers represents less than 1% of the Group’s total turnover during the Track Record Period.

The Group is an exclusive distributor of a series of hardener products namely “IRODUR” in Hong Kong, Macau, the PRC, Taiwan and Vietnam. Revenue derived from the distribution of “IRODUR” hardener products accounted for approximately 20.5%, 17.3%, 16.8% and 15.6% of the Group’s turnover for each of the three years ended 30 September 2009 and the four months ended 31 January 2010 respectively. The Group’s distribution right of “IRODUR” hardener products is derived from various distribution agreements.

The following table shows the breakdown of the Group’s output volume by products during the Track Record Period:

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%
Adhesives	7,999.1	74.1	10,197.0	75.2	9,406.3	74.1	2,472	65.2	2,422	65.2
Primers	2,487.0	23.0	3,057.8	22.5	2,921.3	23.0	1,121	29.5	1,166	31.4
Hardeners	305.2	2.8	307.5	2.3	369.6	2.9	159	4.2	117	3.1
Others	2.4	0.0	2.9	0.0	1.0	0.0	42	1.1	11	0.3
Total	10,793.7	100.0	13,565.2	100.0	12,698.2	100.0	3,794	100.0	3,716	100.0

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As at the Latest Practicable Date, the Group had two operating production plants in the PRC (namely, the Zhongshan Production Plant and the Zhuhai Production Plant) and one operating production plant in Vietnam (namely, the Existing Vietnam Production Plant). The Group's existing production plants in the PRC are mainly for the production of adhesives and primers to cater for the demand of the PRC customers, while the production plant in Vietnam is mainly for the processing of adhesives and primers. In order to expand the Group's production capacity, the Group is in the process of establishing new production plants in the PRC, Vietnam and Bangladesh. Upon commencement of the operation of the new production plants in the PRC, Vietnam and Bangladesh, the operation of the existing production plants in the PRC and Vietnam will cease. Details of the Group's relocation plan are set out in the paragraph headed "Production facilities – Relocation of existing production plants" in this section below.

For the taxation of the Group, it should be noted that the Group also paid Business Tax ("BT") in the PRC due to the vast servicing functions performed there. The BT was levied on the relevant income directly and charged before "Profit before taxation", on top of the taxes shown at Taxation section. By taking into account the BT, the tax paid by the Group for each of the three years ended 30 September 2009 and the four months ended 31 January 2010 should be represented by the following split:

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
The charge										
comprises of:										
PRC TAX										
BT	1,101	93.23	1,598	86.61	1,447	79.81	542	61.87	404	100.00
PRC Enterprise										
Income										
Tax ("EIT")	0	–	142	7.7	132	7.28	74	8.45	–	–
	1,101	93.23	1,740	94.31	1,579	87.09	616	70.32	404	100.00
MACAU TAX										
Macau										
complementary										
tax	80	6.77	105	5.69	234	12.91	260	29.68	–	–
	<u>1,181</u>	<u>100.00</u>	<u>1,845</u>	<u>100.00</u>	<u>1,813</u>	<u>100.00</u>	<u>876</u>	<u>100.00</u>	<u>404</u>	<u>100.00</u>

Note: BT were included in the cost of goods sold by the Group during the Track Record Period.

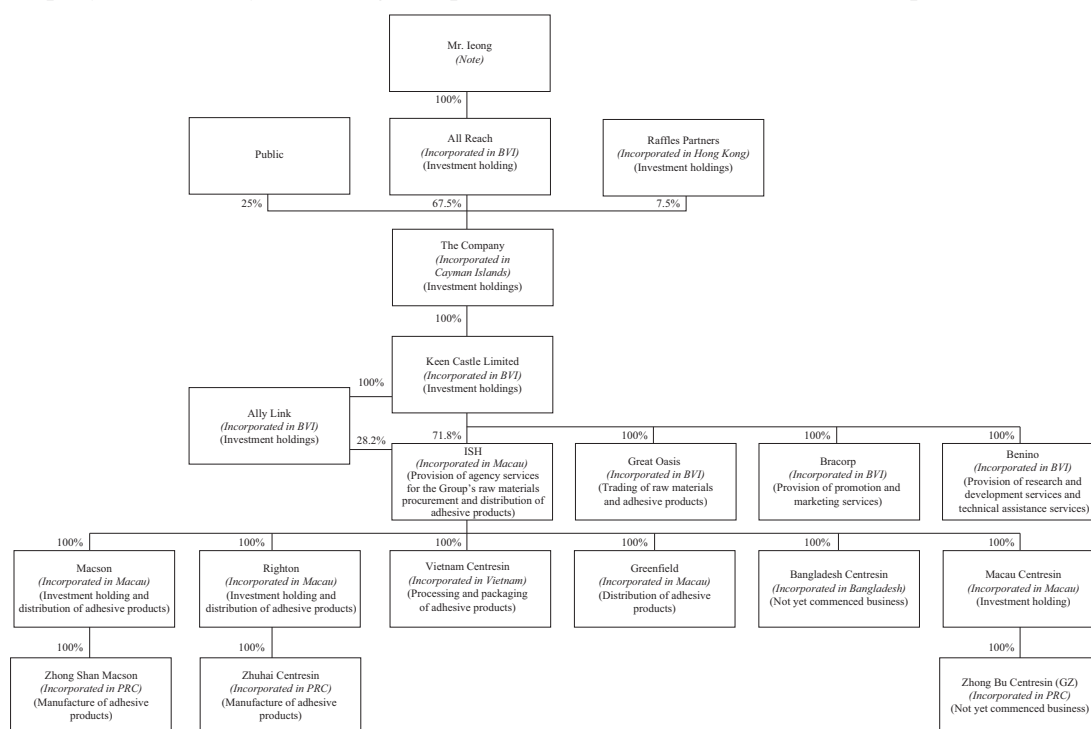
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According to the Article 42 of the New Income Tax Law and Article 113 of the Implementation Rules, there is no mandatory requirement in the PRC for a taxpayer to apply advance pricing arrangement (“APA”) application, and APA shall remain at the election of the taxpayer. The Directors confirmed that the tax reportings at the relevant jurisdictions, including PRC, Macau and Vietnam, were all agreed by the respective authorities up to the Latest Practicable Date. There was neither transfer pricing challenge, nor other tax investigation and enquiries, outstanding from the tax authorities and customs in connection with the Group’s operations, as at the Latest Practicable Date.

In view of the definition of “operations” when determining where it is substantial within the Group for the purpose of tax reconciliation, it should be PRC instead of Macau having compared the proportion of net profits derived therefrom instead of simply looking at the place where sales were concluded which is Macau. Thus the PRC applicable tax rate was used to perform the tax reconciliation.

GROUP STRUCTURE

Set out below is the corporate structure of the Group and the shareholding structure of the Company immediately following completion of the Share Offer and the Capitalisation Issue:



Note:

- The entire issued share capital of All Reach is beneficially owned by Mr. Jeong. By virtue of the SFO, Mr. Jeong is deemed to be interested in the entire 337,500,000 Shares held by All Reach. Mrs. Jeong, being the spouse of Mr. Jeong, is also deemed to be interested in the 337,500,000 Shares under the SFO.
- According to the laws of Macau, the regime of matrimonial property of Mr. Jeong and Mrs. Jeong is community (共同財產制).

COMPETITIVE STRENGTHS

The Directors attribute that the Group's historical success to date and future prospects are underpinned by a combination of competitive strengths including:

- **Well established relationships with major customers**

The Group has established long-term business relationship with its major customers which are specialised in footwear manufacturing. For example, the major customers of the Group specializing in footwear manufacturing include Pou Chen Group, the largest customer of the Group during the Track Record Period, which has more than 17 years business relationship with the Group and the Group is one of the major adhesive and primer suppliers of Pou Chen Group. Accordingly, the Directors believe that the Group has well established relationship with Pou Chen Group. In view of such well established relationship, the Group has expanded its business in line with the expansion plan of Pou Chen Group in other countries including, but not limited to, Vietnam and Bangladesh.

The Directors consider that the long-term business relationship established with its major customers is attributable to the Group's research and development capability, value added services provided by the marketing and technical services team and the quality of products, details of which are set out below. The Directors believe that such strong customer base will provide the Group with support for further business expansion and will ensure that the Group is well-positioned to capture future growth opportunities in the footwear manufacturing industry.

- **Strong research and development capability**

The Directors consider that the quality of adhesives and primers has substantial and direct influence on the quality of shoes, and the modification of adhesives and primers is critical for its application on different styles and materials of shoes. Thus the Group always places great emphasis on its research and development capability. In August 2005, the Group entered into a cooperation agreement with No-Tape Japan, which is based in Japan and has a history of over 60 years as a footwear adhesive manufacturer in Japan. The Directors consider that such cooperation is capable of strengthening the Group's research and development capability for its products. No-Tape Japan has been assigning its engineers to the Group's production facilities from time to time for assisting in the research and development of the Group. For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, (i) the turnover attributable to the products solely developed by the methodologies and formulas provided by No-Tape Japan accounted for approximately HK\$92.9 million, HK\$61.8 million, HK\$12.0 million and HK\$5.9 million respectively, representing approximately 42.6%, 21.5%, 4.5% and 6.7% of the Group's total turnover respectively; and (ii) the turnover of the Group attributable to the products jointly developed by the Group and No-Tape Japan accounted for approximately nil, HK\$68.7 million, HK\$114.7 million and HK\$48.7 million respectively, representing approximately nil, 23.9%, 42.9% and 54.4% of the Group's total turnover respectively.

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As at the Latest Practicable Date, the research and development team of the Group had 15 staff and two technicians assigned by No-Tape Japan to the Group under the Group's co-operation arrangement with No-Tape Japan. The Directors consider that the research and development team has strong academic backgrounds in chemistry and chemical engineering related subjects as 11 of them are bachelor degree holders and 4 of them are master degree holders. Most of them have more than 3 years of experience in research and development of chemical products relating to footwear industry. They are responsible for the research, development and modification of the Group's products based on customers' requirements and relevant regulations, such as environmental protection related regulations. Under the Group's continuous effort in research and development, the Group's research and development team has successfully developed the Vulcanized Shoes Adhesive Related Products in early 2009 without the technical support from No-Tape Japan. Such water-based adhesive has the characteristic of environmental friendly and is specially developed to meet the bonding requirements of vulcanized shoes made of different kinds of footwear materials. In September 2009, the Group applied to the State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局) for a patent of invention in relation to the Group's self-developed Vulcanized Shoes Adhesive Related Products, which are with lower volatile organic compounds ("VOCs") and therefore are more environmental friendly. The approval of the application to the State Intellectual Property Office of the PRC is subject to examination. Furthermore, the Group also applied to the relevant government authorities in Vietnam and Bangladesh in December 2009 and in Indonesia in January 2010 for the registration of patent in relation to its Vulcanized Shoes Adhesive Related Products.

Although the existing adhesive products in the market can also be applied on the production of vulcanized shoes, they are not environmental friendly in view of their solvent-based chemical nature. As such, the Vulcanized Shoes Adhesive Related Products can be priced with comparatively a higher profit margin because of their environmental friendliness. The Group commenced its commercial sale of the Vulcanized Shoes Adhesive Related Products in October 2009. The Directors believe that the Group's ability to develop the Vulcanized Shoes Adhesive Related Products demonstrates its strong research and development capability.

- **Specific product features satisfying specific customers' needs**

As at the Latest Practicable Date, the Group had 24 types of adhesive products, 40 types of primer products and 15 types of hardener products, which can be applied on different types of materials and parts of footwear including outsoles, insoles and uppers. The Group, with its research and development capability, can develop specific adhesive and/or primer products which can accommodate the specific needs of its customers. In this regard, the Directors believe that the wide range of products and product development capability also strengthen the Group's competitiveness.

- **Experienced marketing and technical service team with valued added services**

As at the Latest Practicable Date, the marketing and technical services team of the Group had 90 staff. In view of the rapid change of footwear production materials, footwear manufacturers always face ad-hoc problem in the application of adhesives and primers. In such regard, the marketing and technical service team of the Group is responsible for not only conducting market analysis, sales and marketing, but also providing on-site technical support and advisory to customers on any ad-hoc problems arising from application of adhesives and primers. The Directors believe that its marketing and technical service team, which possess extensive experience in the application of chemical materials in footwear manufacturing and problem solving capability, is the key factor contributing to the Group's success.

- **Recognised brand namely “Zhong Bu”**

“*Zhong Bu*”, being the brand of the Group's products, is well recognised by the Group's customers. The brand “*Zhong Bu*” represents after-sales services, good quality and problem solving ability rendered by the Group. The brand is owned by the Group and all of the Group's adhesives and primers are sold under such brand. The brand has been strengthened by the Group's marketing and technical services team by direct marketing and promotion to the footwear manufacturers in the PRC and Vietnam and footwear suppliers.

- **Strong quality management**

The Group has adopted stringent quality management system to ensure adherence to, and consistency in the quality of the products of the Group. In 2007, the Group obtained ISO 9001:2000 and ISO 14001:2004 certification for the development and manufacture of adhesives and primers. The Group is also a member of SATRA, a leading research and technology centre in the world. The Directors believe that the Group's quality management system is instrumental to the Group's success and to maintaining the Group's brand recognition. During the Track Record Period, no sales return was recorded in relation to the quality of the Group's products.

- **Extensive experience in footwear adhesive industry of the management team**

Mr. Jeong, the chairman of the Group, has approximately 20 years of experience in footwear adhesive industry and Mr. Ip Chin Wing, an executive Director, has more than 22 years of experience in the chemical industry. The strategies built to the Group's success by the establishment of marketing and technical services teams with value-added service and the cooperation with No-Tape Japan for research and development were led by Mr. Jeong and Mr. Ip Chin Wing. The Directors believe that the collective knowledge and experience of the Directors, senior management, marketing and technical services team as well as the research and development team enable the Group to respond rapidly to the changing and fast growing footwear industry as well as the footwear adhesive industry, and are also fundamental to the successful and sustainable long-term development of the business of the Group.

STRATEGIES AND FUTURE PLANS

The principal goal of the Group is to become a leading and professional manufacturer of chemical products specialized in footwear adhesive industry by leveraging on its competitive edge. The Group aims to achieve such goal by implementing the following strategies:

- **Proximity to customers**

Although the PRC has emerged as the largest footwear producer and exporter worldwide, representing approximately 66% of the world's total footwear production in 2008, the Directors were aware that footwear manufacturers were gradually expanding their production bases to other Asian countries such as Vietnam, Bangladesh, Indonesia and Cambodia. In such regard, the Group established its subsidiary and production facilities in Vietnam in 2005. In 2009, the Group proposed to enter into the Bangladesh market by entering into a lease agreement with Bangladesh Export Processing Zones Authority, an Independent Third Party, for renting of a parcel of land for a term of 30 years for the establishment of production facilities. Furthermore, the Group also rented a parcel of land in Vietnam in 2008 and has purchased a piece of land in Nansha, the PRC to establish its new production facilities and expand its production capacity. The Group will continuously explore the development in other markets after assessing and evaluating the potential demand for the Group's products, and availability of management personnel.

- **Promotion of “Zhong Bu” (“中部”) to footwear suppliers**

Under the existing practice of footwear manufacturing industry, footwear manufacturers have to purchase production materials from designated production materials suppliers recognized and approved by their respective customers, being the footwear suppliers, in order to control the quality of footwear products. Except for the recognition process performed by the footwear suppliers as mentioned below, there is no direct business dealing between the Group and footwear suppliers. The Directors consider that it is a common practice in the footwear manufacturing industry that most of the footwear suppliers will provide their respective footwear manufacturers with an internal list of approved production materials suppliers, and only limited number of footwear suppliers will have formal approval notification issued to production materials suppliers for such recognition. As at the Latest Practicable Date, the Group had received such formal approval notifications from three footwear suppliers in approving the Group as one of the approved adhesive material suppliers. The Directors understand that in general, each such approved internal list contains around five adhesive materials suppliers and only limited number of footwear suppliers will have formal approval notification issued to product material supplier for such recognition. Such footwear manufacturers are only allowed to purchase the required production materials from its suppliers as

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shown in such approved internal list. The Directors understand that under the recognition process, footwear suppliers will usually assess the production materials suppliers mainly on the following areas:

1. production capacity and quality management;
2. capability for improving product quality and modifying the product to adapt the brand's requirements and product development of footwear suppliers;
3. control of chemical materials;
4. capability for solving technical problems arising from the application of adhesive; and
5. satisfaction of after-sale technical services and performance of production efficiency.

In assessing the production materials suppliers, the footwear suppliers will directly conduct on-site assessment, inspection and testing of the adhesives and related products of the Group. Furthermore, the footwear suppliers may visit the production materials suppliers from time to time for ensuring the continuous fulfillment of the requirements mentioned above.

Although the recognition is not subject to any conditions or periodic renewal, the Group has closely cooperated with both the footwear suppliers and their manufacturers for the future development of footwear products. As at the Latest Practicable Date, the Group has not experienced any termination by the footwear suppliers in relation to the recognition of the Group as the approved production materials suppliers.

In order to become a recognized and approved adhesives supplier for other footwear suppliers as well as footwear manufacturers, the Group will continue to actively promote its products to other footwear suppliers, which in turn is expected to expand the Group's customers base.

- **Promotion of Vulcanized Shoes Adhesive Related Products**

Since the production of vulcanized shoes involves an additional vulcanization process, which is a chemical process for converting rubber into more durable materials via the addition of sulfur, the production process of vulcanized shoes is thus different from that of traditional shoes. This leads to the need for different requirements of adhesives and related products. Based on the past communication with the Group's footwear manufacturer customers, the Directors understand that the current adhesive market for the production of vulcanized shoes has the following characteristics:

- the results of the application of the traditional adhesive products on the production of vulcanized shoes is not satisfactory since the chemical structure and viscosity of traditional adhesive will be changed during the vulcanization process;
- current adhesive related products applied on the production of vulcanized shoes are solvent-based and mainly produced by the vulcanized shoes manufacturers themselves;
- such solvent-based adhesive applied on the production of vulcanized shoes and produced by the footwear manufacturers themselves contain organic solvent with high VOCs, which is not environmental friendly and may not be an approved raw material in view of the consideration of environmental protection by certain footwear suppliers;
- in view of the fast development in style and shoes materials of vulcanized shoes, the adhesive produced by footwear manufacturers themselves may not be able to cope with the changing development of vulcanized shoes; and
- since there is no specific adhesive for the production of vulcanized shoes, it is difficult for the footwear manufacturers and suppliers to standardise the quality.

Having considered that (i) the Vulcanized Shoes Adhesive Related Products are water-based with environmental friendly characteristic; (ii) the Vulcanized Shoes Adhesive Related Products can assist vulcanized shoes manufacturers in solving technical problem regarding the application of adhesive during production; and (iii) certain vulcanized shoes suppliers have passed the assessment of the quality of the Vulcanized Shoes Adhesive Related Products and taking also into account the fact the Group commenced its commercial sale of Vulcanized Shoes Adhesive Related Products in October 2009, the Directors believe that the Vulcanized Shoes Adhesive Related Products can capture the market demand in the vulcanization adhesive industry and will provide the Group with an entire coverage of adhesive industry and will be adopted by vulcanized shoe manufacturers for replacing those adhesive currently produced by themselves on the production of vulcanized shoes.

Having considered the above factors, the Directors are of the view that the Vulcanized Shoes Adhesive Related Products and the Traditional Adhesive Related Products serve two different market segments and do not compete with each other in a material respect.

In September 2009, the Group applied to the State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局) for a patent of innovation in relation to the Group's self-developed Vulcanized Shoes Adhesive Related Products. In view of the potential of the vulcanized shoes market, the Group will continue to promote Vulcanized Shoes Adhesive Related Products to footwear suppliers with vulcanized shoes products.

- **Expansion of domestic market in the PRC**

Since the establishment of the Group, the Group has been principally selling to the footwear manufacturers in the PRC, whose footwear products were mainly sold to the footwear suppliers and exported to other countries. In view of the fast growing domestic footwear industry in the PRC, which leads to the diversification of footwear materials and increase in customers' expectation in product quality and technical services provided by supplier, the Group plans to expand its business in the domestic market by expanding the current distribution network in the PRC by promoting its products to the domestic footwear manufacturers for domestic sale in the PRC.

- **Expansion of production facilities**

Reasons for the expansion

In order to expand its production capacity, the Group has planned to construct new production facilities in the PRC, Vietnam and Bangladesh. Details of the planned expansion of production facilities are set out in the paragraph headed "Production facilities" in this section. Moreover, the expansion of the Group's production capacity is subject to the utilisation rate of the production capacity in view of the demand for the Group's products. The Group may continue to expand or retard the expansion of the production facilities as and when appropriate. The following shows the planned increase in annual production capacity under the Group's expansion plan.

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Annual production capacity/planned annual production capacity⁽²⁾ of the Group

	As at the Latest Practicable Date ⁽¹⁾ Production capacity <i>tonnes</i>	Upon commencement of the new production plant in Bangladesh in October 2010 Production capacity <i>tonnes</i>	Upon commencement of the Nansha Production Plant in Nansha, the PRC ⁽³⁾ Phase 1 in March 2011 Production capacity <i>tonnes</i>		Phase 2 in September 2011 Production capacity <i>tonnes</i>	Upon commencement of the New Vietnam Production Plant in Vietnam ⁽⁴⁾ in September 2011 Production capacity <i>tonnes</i>
Adhesive						
– Traditional	14,050	15,750	16,742	16,742	16,742	18,100
– Vulcanized shoes	560	760	4,600	9,000	9,000	9,280
	<u>14,610</u>	<u>16,510</u>	<u>21,342</u>	<u>25,742</u>	<u>25,742</u>	<u>27,380</u>
Primer						
– Traditional	8,879	9,059	8,861	8,861	8,861	7,850
– Vulcanized shoes	490	510	370	670	670	800
	<u>9,369</u>	<u>9,569</u>	<u>9,231</u>	<u>9,531</u>	<u>9,531</u>	<u>8,650</u>
TOTAL	<u>23,979</u>	<u>26,079</u>	<u>30,573</u>	<u>35,273</u>	<u>35,273</u>	<u>36,030</u>

Notes:

- The calculation of the Group's production capacity as at the Latest Practicable Date is the annualised production capacity of the Group for the four months ended 31 January 2010 as set out in the paragraph headed "Production facilities – current production facilities" in this section (taking into account the 0.5 month suspension of operation for annual maintenance of the Zhuhai Production Plant).
- The planned production capacity refers to the expected production capacity to be provided by the expanded production facilities of the Group in the PRC, Vietnam and Bangladesh, details of which are set out in the paragraph headed "Production facilities – Expanded production facilities" in this section.
- Upon commencement of the operation of the Nansha Production Plant, the Zhuhai Production Plant and the Zhongshan Production Plant will cease their operation. As such, the annual production capacity of each of the Zhuhai Production Plant and the Zhongshan Production Plant is excluded.
- Upon commencement of the operation of the New Vietnam Production Plant, the Existing Vietnam Production Plant will cease its annual operation. As such, the production capacity of the Existing Vietnam Production Plant is excluded.

Details of the production capacity of the Group during the Track Record Period are set out in the paragraph headed "Current production facilities" in this section.

Although the utilisation rate of the production plant in Zhuhai, the PRC reached approximately 80% for the year ended 30 September 2009, the production capacity of the production plant in Zhuhai was almost fully utilised in June and July

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for 2008 and 2009. Details of the Group's production capacity are set out in the paragraph headed "Production facilities" under this section. The Directors attribute such peak utilisation of production capacity was mainly due to the excessive purchases of production materials from footwear manufacturers for higher production output in anticipation of the PRC's National Day Holidays in October which may lead to the reduction of productivity. Disregarding the effect from financial turmoil in the second half of 2008, the second half of 2009 is relatively the peak season of the Group and the Group recorded its comparatively higher turnover from October to December. Having considered that the Zhuhai Production Plant is the principal base for the production of adhesives and primers and provides semi-finished products for the processing of other production plants, in order to cope with the market demand under the expected industry growth as mentioned in the section headed "Industry overview" in this prospectus and the Group's expansion plan, the Directors are of the view that the expansion of production capacity of the Group is required.

Having considered that (i) the penetration of the Vulcanized Shoes Adhesive Related Products since their commercial sale in October 2009; (ii) the business expansion of the Group's PRC distributor, being one the top five customers of the Group during the Track Record Period, in other cities of the PRC in 2010; (iii) the approval of the Group by a footwear supplier as one of the approved material suppliers, which may lead to expansion of the Group's customers base and product demand in 2010; (iv) the Group's expansion of the market in Bangladesh in 2010; and (v) the expected growth of the adhesive industry in the PRC in 2010 and 2011, the Directors believe that the demand for the Group's products is expected to increase in the future and the Directors estimate that the planned expansion of production capacity for adhesive will be fully utilised in mid 2012, which is the peak season of the Group.

Basis and analysis for the expansion

The Directors consider that the above expansion plan by increasing the existing annual production capacity of approximately 24,000 tonnes of adhesives and primers per year to approximately 36,000 tonnes of adhesives and primers per year is in line with the industry growth and the business plan in the PRC, Vietnam and Bangladesh having considered that the following factors which may increase the demand of the Group's products and substantiate the expanded production capacity:

1. Expected increase in business opportunities for the Vulcanized Shoes Adhesive Related Products, details of such business opportunities are set out in the paragraph headed "Promotion of Vulcanized Shoes Adhesive Related Products" in this section above;
2. Leveraging on the relationship with its existing customers with a view to increasing its market share in the PRC and Vietnam;

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3. Further to the Group's focusing on the provision of adhesive related products to footwear manufacturers on export basis in the PRC, the Group entered into a distribution agreement with a PRC distributor, being one of five largest customers of the Group during the Track Record Period for the exploration of the domestic footwear adhesive market in the PRC. Sale to this PRC distributor amounted to approximately HK\$13.87 million, HK\$25.86 million, HK\$19.66 million and HK\$5.88 million for each of the three years ended 30 September 2009 and the four months ended 31 January 2010 respectively. Having considered that this PRC distributor (i) has its existing business operation and sales network mainly in Chengdu, Sichuan Province, the PRC; and (ii) plan to expand its business network to other cities in the PRC, including Qingdao, Shandong Province, the PRC, the expansion of the business network of this PRC distributor is expected to lead to an increase in demand for the Group's Traditional Adhesive Related Products and may also lead to an additional income of the Group for the sale of Vulcanized Shoes Adhesive Related Products. Details of the distribution agreement are set out in the paragraph headed "Customers" in this section;
4. Expected growth of the footwear industry in Vietnam based on the historical performance of footwear industry may lead to the increase in demand for footwear adhesive. Relevant industry information of Vietnam is set out in the section headed "Industry overview" in this prospectus; and
5. Establishing its presence in the footwear adhesive industry in Bangladesh, being a new market to the Group where certain of the major customers of the Group will establish their production plants and commence their production of footwear (relevant industry information of Bangladesh is set out in the section headed "Industry overview" in this prospectus).

According to the Adhesive Industry Report, the industry growth of the footwear adhesive industry is estimated to be approximately 5% and 8% in 2010 and 2011 respectively. Notwithstanding such estimated industry growth, the Group has focused on its expansion plan to increase its market share in footwear adhesive market and promotion of Vulcanized Shoes Adhesive Related Products. Details of the Group's plan to increase its market share in the PRC is set out in the paragraph headed "Increase in market share" below. It is the Group's future plans that the majority of increase in production capacity of the Group is catering for the market demand for Vulcanized Shoes Adhesive Related Products. Although the sale of Vulcanized Shoes Adhesive Related Products only amounted to approximately HK\$6.1 million (unaudited) and the sales volume was only approximately 160 tonnes for the eight months ended 31 May 2010, the Directors are of the view that the expansion of the production capacity for capturing the demand for Vulcanized Shoes Adhesive Related Products is reasonable having considered the characteristics of the adhesives for vulcanized shoes manufacturing market as set out in the paragraph headed "Strategies and future plans – Promotion of Vulcanized Shoes Adhesive Related Products" above.

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In order to ensure the Group's ability to source purchase orders from customers in line with the expansion of production capacity, the Group has been approaching new footwear manufacturers for promoting the Group's products and has been providing marketing assistance to its PRC distributor for exploring the PRC market. Furthermore, the Group has employed new marketing staff and has provided them with training for strengthening the Group's marketing and technical service ability.

The expansion plan of the Group will be effected by relocation of the existing production plants of the Group in the PRC and Vietnam – the Group is expected to incur the following expenses in connection with the relocation: the cost of relocation, a possible loss of deposit of RMB500,000 (equivalent to approximately HK\$568,000) in respect of the Zhongshan Production Plant, rental payment for the remaining term of the tenancy agreement for the Existing Vietnam Production Plant, a potential write off of immovable assets of approximately HK\$70,000, based on net book values at 31 January 2010, and estimated severance payment of approximately HK\$204,000, details of which has been set out in the paragraph headed "Production facilities – Relocation of existing production plants" under this section.

Expansion progress

In relation to the establishment of the Nansha Production Plant, the Group won the bid in January 2010 for a parcel of land situated in Nansha, Guangdong, the PRC, where the Nansha Production Plant will be constructed. Meanwhile, the Guangzhou Nansha Development Zone Environmental Protection Bureau has approved the relevant environmental assessment report in relation to the selection of location of the Nansha Production Plant to be constructed. As at the Latest Practicable Date, the Group has applied for the land use rights certificate in respect of the parcel of land and the construction planning permit. In addition, the Group has also signed various contracts for the design and proposed construction of the Nansha Production Plant. With reference to the current status in the establishment of the Nansha Production Plant, to the best of the Directors' knowledge and understanding, all necessary approvals for the operation of the Nansha Production Plant are expected to be obtained by December 2010. The first phase of the Nansha Production Plant is expected to commence operation in March 2011.

In relation to the establishment of the New Vietnam Production Plant, the Group entered into a sublease agreement in March 2008 for renting a parcel of land. As at the Latest Practicable Date, relevant application of approval for the construction of the New Vietnam Production Plant had not been submitted to relevant government authority. The Group will comply with relevant applicable Vietnam laws and regulations and obtain requisite permits and license prior to the commencement of construction and operation of the New Vietnam Production Plant. It is expected that the construction of the New Vietnam Production Plant will commence in September 2010 and the operation will commence in September 2011.

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In relation to the establishment of production plant in Bangladesh, the Group entered into a lease agreement in July 2009 for renting a parcel of land in Bangladesh. As at the Latest Practicable Date, relevant approval for construction of the production plant had been obtained by the Group and the Group has appointed a contractor for the construction work. The commencement of such production plant is expected to be in October 2010. The Group will comply with relevant applicable Bangladesh laws and regulations and obtain requisite permits and license prior to the commencement of operation in Bangladesh.

In order to monitor and supervise the expansion plans, the Group has formed a committee. As an on-going supervision by the senior management of the Group, the committee will review the progress of the expansion plans and discuss with the senior management on a monthly basis in order to monitor the expansion plan of the Group. The senior management will report to the committee on a weekly basis for the progress of the expansion plan. In case there are any matters which may hinder the execution of the expansion plan, an ad-hoc meeting among such senior management and committee will be held for identifying the issues and seeking for solution. For ensuring the compliance of relevant rules and regulations for the establishment of new production plants, the Group will seek appropriate professional advice and assistance in this regard.

The expansion plan of the Group's production facilities is subject to the market demand of the Group's products and its utilisation rate. Should the Group scale down its expansion plan and/or should there be any material changes in the expansion plan, the Company will make an announcement pursuant to Chapter 13 of the Listing Rules, and the unutilised net proceeds from the Share Offer originally planned for the expansion of production facilities will be applied towards the expansion of the Group's marketing, technical services assistance, research and development capability. Furthermore, the Company will update the progress of its expansion plan in its interim and annual reports after the Listing.

As at the Latest Practicable Date, certain customers of the Group had indicated their projected purchase orders of approximately HK\$18.6 million (equivalent to approximately 466 tonnes) for the Vulcanized Shoes Adhesive Related Products for the year ending 30 September 2010, representing approximately 44.4% to the Group's planned production capacity of Vulcanized Shoes Adhesive Related Products for the year ending 30 September 2010.

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- **Increase in market share**

In order to capture the adhesive industry growth and increase the Group's market share in the adhesive market, the Group has planned to expand its production capacity and capability by establishing new production plants in the PRC, Vietnam and Bangladesh. Based on the sales volume of the Group and the consumption of footwear adhesive in the PRC in 2008, the Group's market share of the adhesive market in the PRC was approximately 4.6% and 5.6% for the year 2007 and 2008 respectively. Having considered that (i) the PRC distributor, being one of the top five customers of the Group during the Track Record Period, plans to expand its business network to other cities in the PRC; (ii) the introduction of Vulcanized Shoes Adhesive Related Products to extend the Group's product range to cover the adhesive industry to the vulcanized shoes market, being a new market segment to the Group; (iii) the recognition of the Group as an approved production material supplier by a new footwear supplier, which is one of the largest global footwear suppliers, in December 2009; and (iv) the expected recognition of the Group by another new footwear supplier, which is also one of the largest global footwear suppliers, as an approved production materials supplier in 2010, the sales of the Group's adhesive related products and the Group's market share are expected to increase. In such regard, the expansion of the production capacity and capability of the Group is in line with the expected increase in sales orders in the future.

Therefore, the Directors are of the view that the above factors may lead to the increase in demand for the Group's products and the expansion plan of the Group by enhancing the production capacity in each of the PRC, Vietnam and Bangladesh can capture this business opportunity and result in business growth.

PRODUCTS

The Group sells adhesives, primers and hardeners, which the Directors understand are key production materials for application on different stages during the process of footwear manufacturing. Adhesives are used for bonding all parts of footwear including outsoles, insoles and uppers. Primers are used in the pretreatment of footwear components including outsoles, insoles and uppers prior to the application of adhesives. Hardeners, being a curing agent, is used by mixing with adhesive for controlling or promoting the curing action of adhesive.

Most adhesives and primers sold by the Group are manufactured by the Group and marketed under the Group's own brand "Zhong Bu" while hardener products are sold under the distribution arrangement as described in the sub-paragraph headed "Hardener products" under the paragraph headed "Suppliers" in this section below.

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The following shows the classification of the products:

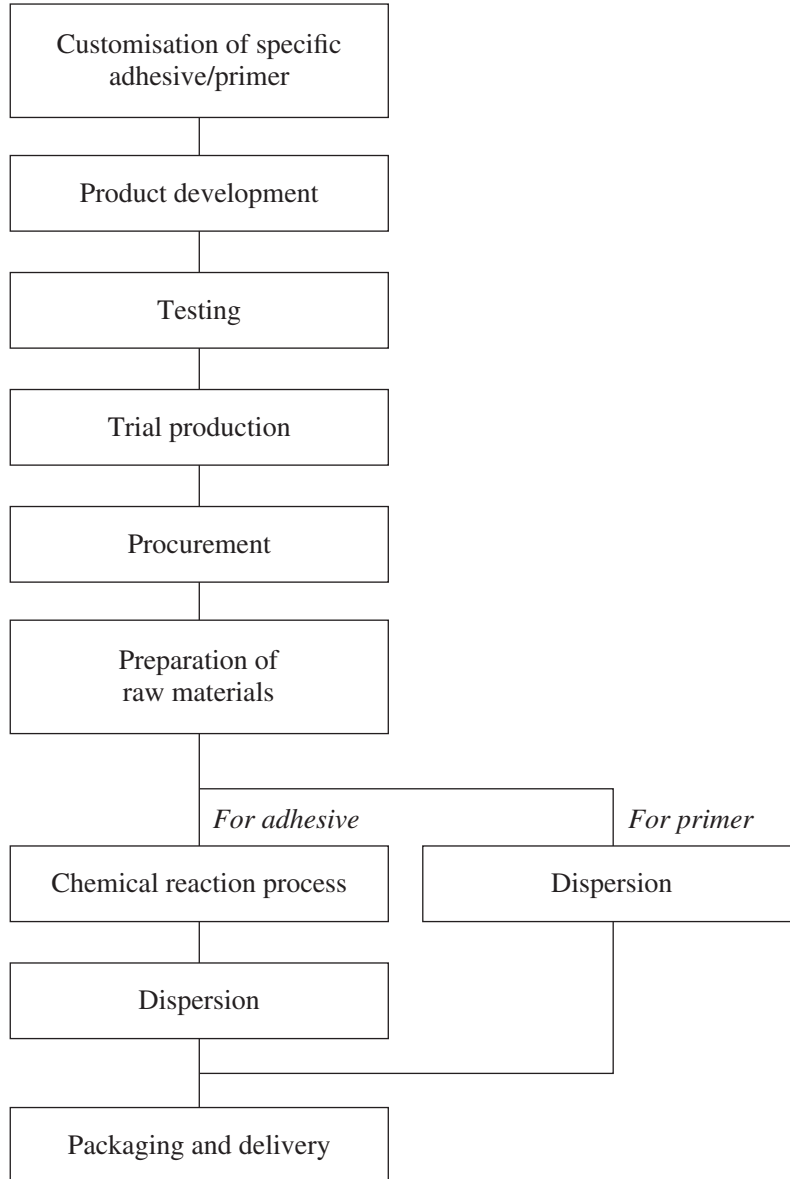
Product type:	Major component	Application
Adhesive:		
Grafted CR adhesive	Synthetic rubber copolymer	Bonding of leather, canvas, EVA, rubber and TRP
Polychloroprene adhesive	Synthetic rubber	Bonding of wrapping, sock lining, wood
PU adhesive	Polyurethane resin	Bonding PVC, PU, leather, rubber, EVA, nylon sole etc.
Toluene-free PU adhesive	Polyurethane resin	Bonding leather, PVC, PU, rubber and EVA
Water-based adhesive	Polyurethane resin	Bonding EVA, PU, rubber and leather, synthetic leather, PVC, nylon upper
Water-based leather adhesive	Polyurethane resin	For leather and 1st time adhesive
Water-based waterproof adhesive	Synthetic rubber	For inner lining waterproof 2nd time adhesive
Water-based CR adhesive	Synthetic rubber	Bonding wrapping, sock lining, wood
Water-based spray adhesive	Synthetic rubber	Bonding the lamination of shoes upper
Primer:		
Synthetic leather primer	Synthetic rubber	Treat synthetic leather
PVC primer	Synthetic rubber	Treat soft PVC, synthetic leather and plastics
Rubber primer	Synthetic rubber	Treat vulcanized rubber, TPR
TPR primer	Synthetic rubber	Treat TPR and TR sole

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Product type:	Major component	Application
EVA primer	Synthetic resin	Treat EVA or polyolefin
Oil leather primer	Synthetic resin	Treat Oily leather with high-oil-content
Molded EVA primer	Synthetic resin	Treat molded EVA without ruffened
Toluene-free PU primer	Synthetic resin	Treat PU, synthetic leather
Toluene-free leather primer	Synthetic resin	Treat leather
Toluene-free oil leather primer	Synthetic resin	Treat oil leather with high-oil-content
Toluene free nylon primer	Special formula	Treat nylon sole, cloth, hytel etc.
Toluene-free EVA primer	Synthetic resin	Treat EVA, polyolefin
Toluene-free molded EVA primer	Synthetic resin	Treat molded EVA without ruffened
Toluene-free UV primer	Synthetic resin	Treat molded EVA, injection EVA
Water-based primer for rubber	Polyurethane resin	Treat vulcanized rubber, TPR
Water-based primer for molded EVA	Synthetic resin	Treat EVA, molded EVA
Hardener:		
Hardener for water-based spray adhesive	Inorganic salt	Controlling curing action of adhesive

PRODUCTION FLOW

The production of the Group’s adhesives and primers involve the following principal steps:



Customization of specific adhesive/primer

Since the types of adhesive and/or primer to be applied on different footwear materials may vary, the Group’s production process starts with the discussions between the Group’s footwear manufacturer customers and the marketing and technical services team of the Group for exploring and developing a customized and specific adhesive and/or primer for the footwear products of customers before production. The marketing and technical services team will gather the information of the footwear products including type of materials used and production method, and specific requirements from the footwear manufacturer customers.

Product development

The information gathered by the marketing and technical services team will be passed to the research and development team of the Group. Based on such information and specific requirements on the adhesive and/or primer by the customers, the research and development team will commence the product development process by formulating the composition and proportion of raw materials for the adhesive and/or primer production.

Testing

Once a formula for a specific adhesive and/or primer is developed, the research and development team will produce the requisite adhesive and/or primer sample by using its in-house equipment and facilities, and the products will then be tested in various specifications including viscosity, colour and the level of VOCs. Since the release of VOCs may cause health concern to workers and may pollute the environment, it is one of the major measurement on whether the chemical products are environmental-friendly.

Trial production

Once the requisite adhesive and/or primer is customised and passed the test held by the research and development team of the Group, the product sample will be delivered to the footwear manufacturer customers for trial production. The footwear manufacturer customers will place purchase orders to the Group if the trial production is successful.

Procurement

The customers' purchase orders will be centrally managed by the procurement department for assessing the sufficiency of production capacity and raw materials required. The consolidated orders prepared by the procurement department will then be passed to the production department for planning the production schedule.

Preparation of raw materials

Raw materials of the Group's products comprise 丁酮 (methyl ethyl ketone), 丙酮 (acetone) 醋酸乙脂 (ethylacetate), 合成樹脂 (synthetic resin) and 聚脂多元醇 (polyester polyol). The production department will procure the required raw materials from the suppliers. The quality of the raw materials will be inspected by the quality control department before usage in production.

Chemical reaction process

The production of primer does not involve chemical reaction and the chemical reaction process is only applicable to the production of adhesive. The production department will transvase the raw materials into the reactor for polymerization process. To ensure the accomplishment of the reaction process and the quality of the products, the production

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department will perform a testing and inspection on the production and the reaction process. The semi-finished products are produced from the reactor after chemical reaction. The quality assurance process for the semi-finished products will be performed by the quality assurance team in order to ensure the quality of the semi-finished products.

Dispersion

Adhesive

The semi-finished products of adhesive will be transferred to the dispersion machine. Dispersion machine is a container that is dispersing the particles of the semi-finished products to different composition or state. The main objectives of the dispersion are to adjust the state of the products for meeting the specific request and enhancing the quality of the products. The testing and inspection processes will be performed by the production department itself to ensure the quality of the finished products.

Primer

As no chemical reaction process is required for the production of primer, the raw materials for the production of primer will be put into the dispersion machine and mixing the raw materials into the required primer products. To ensure the accomplishment and the quality of the primer products, the production department will perform a testing and inspection during and after the production.

Packaging and delivery

Upon completion of the dispersion process, the finished products which satisfy the testing and inspection processes will be filled into the packing can directly from the dispersion machine. The finished products will then be transferred to the warehouse pending delivery to the customers.

PRODUCTION FACILITIES

The Group currently has three production facilities. They are located in (i) Zhuhai Special Economic Zone, the PRC; (ii) Zhongshan, Guangdong, the PRC; and (iii) Thuan An District, Binh Duong Province, Vietnam respectively. There were 208 staff working in the production facilities of the Group as at the Latest Practicable Date. In addition to the existing production facilities and with a view to expanding its production capacity, the Group has (i) entered into a lease agreement with an Independent Third Party for leasing a parcel of land for the establishment of its first production plant in Bangladesh; (ii) entered into a sub-lease agreement with an Independent Third Party for leasing a parcel of land for the establishment of a new production plant in Vietnam (i.e. the New Vietnam Production Plant); and (iii) applied to the government of Guangdong province, the PRC for establishing a production plant in Nansha, Guangdong, the PRC (i.e. the Nansha Production Plant).

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Current production facilities

The annual production capacity and utilisation rate of each of the existing production plants of the Group during the Track Record Period are shown as follows:

	Product type	Year ended 30 September						Four months ended 31 January	
		2007		2008		2009		2010	
		Production capacity ⁽¹⁾ tonnes	Utilisation rate %	Production capacity ⁽¹⁾ tonnes	Utilisation rate %	Production capacity ⁽¹⁾ tonnes	Utilisation rate %	Production capacity ⁽²⁾ tonnes	Utilisation rate %
Zhongshan Production Plant	Adhesives	3,041	99	3,041	92	3,041	93	1,014	81
	Primers	2,281	42	2,281	38	2,281	40	760	37
Zhuhai Production Plant	Adhesives	4,807	87	6,705	100	8,526	100	2,966	92
	Primers	1,457	107 ⁽³⁾	2,610	77	4,807	45	1,672	42
Existing Vietnam Production Plant	Adhesives	3,041	76	3,041	104 ⁽³⁾	3,041	94	1,014	124 ⁽³⁾
	Primers	2,281	27	2,281	42	2,281	44	760	59

Notes:

- (1) As regards the production capacity of the Zhongshan Production Plant and the Existing Vietnam Production Plant for the three years ended 30 September 2009, the annual production capacity is calculated based on 16 working hours per day, 22 working days per month, and operation for 12 months per year. As regards the production capacity of the Zhuhai Production Plant for the three years ended 30 September 2009, the annual production capacity is calculated based on 16 working hours per day, 22 working days per month, and operation for 11.5 months per year (with 0.5 month suspension for annual maintenance).
- (2) As regards the production capacity of the Zhongshan Production Plant and the Existing Vietnam Production Plant for the four months ended 31 January 2010, the production capacity is calculated based on 16 working hours per day, 22 working days per month, and operation for such four months. As regards the production capacity of the Zhuhai Production Plant for the four months ended 31 January 2010, the production capacity is calculated based on 16 working hours per day and 22 working days per month, taking into account the additional production equipment purchased by the Group.
- (3) Utilisation rate over 100% represented over-time operation of the production plant.

The PRC

Production plant located at Chemical Industry Specialized Area, Harbour Industrial Zone, Zhuhai, the PRC (being the Zhuhai Production Plant): It is principally engaged in the production of adhesives and primers. It also provides semi-finished products to the Zhongshan Production Plant and the Existing Vietnam Production Plant for further processing. As at the Latest Practicable Date, it had 6 chemical reactors and 7 dispersion machines with annual production capacity of 8,526 tonnes of adhesives and 4,807 tonnes of primers. For each of the three financial years ended 30 September 2009 and the four months ended 31 January 2010, the utilisation rate of production of adhesives of the Zhuhai Production Plant reached approximately 87%, 100%, 100% and 92% while the utilisation rate of production of primers of the Zhuhai Production Plant reached approximately 107%, 77%, 45% and 42% respectively. Such decrease in utilisation rate was mainly due to the decrease in purchase orders from

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customers rising to the economic downturn since second half of 2008. This production plant was built on a parcel of land owned by the Group with a total gross floor area of approximately 33,333.6 square metres. This production plant has an office building, two warehouses and a workshop. As at the Latest Practicable Date, this production plant had 128 staff.

Production plant located at Xinfeng Industrial Zone, Huangpu Town, Zhongshan, Guangdong, the PRC (being the Zhongshan Production Plant): It is engaged in the processing of semi-finished product to finished product of adhesive and primer products supplied by the Zhuhai Production Plant. As at the Latest Practicable Date, it had 3 dispersion machines with annual production capacity of processing of 3,041 tonnes and 2,281 tonnes of finished products of adhesive and primer respectively. For each of three financial years ended 30 September 2009 and the four months ended 31 January 2010, the utilisation rate of production of adhesives of the Zhongshan Production Plant reached approximately 99%, 92%, 93% and 81% while the utilisation rate of production of primers of Zhongshan Production Plant reached approximately 42%, 38%, 40% and 37% respectively. Such decrease in utilisation rate was mainly due to the switch of sales orders from other plants of the Group to the Zhuhai Production Plant. This production plant with total gross floor area of approximately 1,958.7 square metres was built on a parcel of land leased by the Group under a tenancy agreement and a term expiring in 2016. This production plant has an office building, two warehouses and a workshop for production. As at the Latest Practicable Date, this production plant had 24 staff.

Vietnam

Production plant located at Road No. 2, Dong An Industrial Park, Thuan An District, Binh Duong Province, Vietnam (being the Existing Vietnam Production Plant): It is mainly engaged in the processing of the products of ISH and all the processed products will be delivered on behalf of ISH to the customers in Vietnam for their manufacturing of exported products. As at the Latest Practicable Date, it had 3 dispersion machines with annual production capacity of processing of 3,041 tonnes and 2,281 tonnes of finished products of adhesive and primer. For each of the three financial years ended 30 September 2009 and the four months ended 31 January 2010, the utilisation rate of production of adhesives of the Existing Vietnam Production Plant reached 76%, 104%, 94% and 124% while the utilisation rate of production of primers of the Existing Vietnam Production Plant reached 27%, 42%, 44% and 59% respectively. This production plant with total gross floor area of approximately 2,250 square metres and is leased by the Group under a tenancy agreement for a term of 5 years expiring in May 2010. On 20 January 2010, the tenancy agreement was renewed for a term of one year expiring on 1 June 2011 with a first right exercisable by the Group to extend the tenancy for an additional term of one year. This production plant comprises a processing workshop and a dormitory. As at the Latest Practicable Date, this production plant had 56 staff.

Subject to the completion of the establishment and commencement of operation of the New Vietnam Production Plant in September 2011, the Group will relocate the operation and production of the Existing Vietnam Production Plant to the New Vietnam Production Plant. Therefore, the Directors consider that there is no material adverse effect to the production of the Group in Vietnam should the tenancy agreement is not renewed upon expiry.

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Vietnam Centresin is engaged in the processing of the products from another member of the Group and receives a processing fee therefrom and does not sell products directly to customers of the Group. For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, Vietnam Centresin has received processing fee from other members of the Group in the sum of approximately VND17.1 billion, VND10.7 billion, VND12.9 billion and VNP 6.9 billion (equivalent to approximately HK\$8.3 million, HK\$5.1 million, HK\$5.8 million and HK\$2.9 million respectively). As at 31 December 2009, the total asset of Vietnam Centresin, excluding the assets attributable to the establishment of the new production plant in Vietnam, amounted to approximately HK\$0.2 million, representing approximately 0.54% of the total asset of the Group.

Expanded production facilities

The following table shows the estimated capital investment amount, the expected date of commencement of operation and the planned annual production capacity of Traditional Adhesive Related Products and Vulcanized Shoes Adhesive Related Products of the expanded production facilities of the Group.

	Capital investment				Expected commencement of operation Date	Planned production capacity			
	Net proceeds from Share Offer HK\$ million	Banking facilities HK\$ million	Internal resources HK\$ million	Total HK\$ million		Adhesive		Primer	
						Traditional Adhesive Related Products tonnes	Shoes Adhesive Related Products tonnes	Traditional Adhesive Related Products tonnes	Shoes Adhesive Related Products tonnes
Chittagong District, Bangladesh	5.5	N/A	N/A	5.5	Oct-10	1,700	200	180	20
Phase 1, Nansha, Guangdong, the PRC	24	4	12	40	Mar-11	12,000	4,400	6,400	350
Phase 2, Nansha, Guangdong, the PRC	11	N/A	N/A	11	Sep-11	0	4,400	0	300
Tan Uyen District, Binh Duong Province, Vietnam	5.5	N/A	2.3	7.8	Dec-11	4,400	280	1,270	130
TOTAL	46	4	14.3	64.3		18,100	9,280	7,850	800

Upon the commencement of the operation of the expanded production plant in Nansha, the PRC and Vietnam, the existing production plants in the PRC and Vietnam will cease their operation respectively.

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Should the existing production plants in Zhuhai and Zhongshan, the PRC and Vietnam cease their operation upon commencement of operation of the new production plants in Nansha, the PRC and Vietnam, the annual production capacity of the Group is expected to be approximately 25,950 tonnes of Traditional Adhesive Related Products and 10,080 tonnes of Vulcanized Shoes Adhesive Related Products.

After taking into consideration the cash and cash equivalent of the Group and the unutilised banking facilities of the Group as at the Latest Practicable Date, and the Group's ability to repay bank borrowing in view of its positive cashflow generated from operating activities during the Track Record Period, the Directors are of the view that the Group has sufficient working capital in supporting its expansion plan.

Bangladesh

On 27 July 2009, the Group entered into a lease agreement with Bangladesh Export Processing Zones Authority ("BEPZA"), an Independent Third Party, for renting a parcel of land located at Karnaphuli Export Processing Zone Area, Chittagong District, Bangladesh with a term of 30 years for establishing the Group's first production plant in Bangladesh. Construction of the production plant has commenced in April 2010. This production plant, to be operated by Bangladesh Centresin and principally engaged in the production of adhesive and primer, is expected to commence its operation and production in October 2010 with planned annual production capacity of approximately 1,880 tonnes of Traditional Adhesive Related Products and approximately 220 tonnes of Vulcanized Shoes Adhesive Related Products respectively in the first operation year. The planned capital expenditure is approximately HK\$5.5 million, which is expected to be financed by the net proceeds from the Share Offer. On 24 January 2010, Bangladesh Centresin has obtained permission from the Bangladesh Export Processing Zones Authority for setting up its operation in Bangladesh. As at the Latest Practicable Date, Bangladesh Centresin has appointed a contractor for construction work for the production plant. The Group will comply with the relevant applicable Bangladesh laws and regulation as referred to the paragraph headed "Bangladesh" under the section headed "Regulatory overview" in this prospectus, and obtain the requisite permits and license prior to commencement of its operation in Bangladesh.

As advised by the Company's Bangladesh legal adviser, since Bangladesh Centresin has not commenced any commercial operation in Bangladesh, only "Trade License" is required and Bangladesh Centresin has obtained a Trade License already. VAT registration would be required once Bangladesh Centresin starts its commercial operation. Depending on the commercial operation to be commenced in Bangladesh, if Bangladesh Centresin wishes to avail itself repatriation of funds and investment incentives, Bangladesh Centresin is required to register with the Board of Investment for obtaining an "investment certificate". The requirement for obtaining an investment certificate is not mandatory. An investment certificate can be obtained from the Board of Investment after the investment project is reviewed by them. Information of the investment project name, the type of project, the address of the plant and investment amount will be stated on the investment certificate. However, there is no limitation or stipulation as to the required investment, type of business (if it is a service/product industry) or whereabouts of the project. Since Bangladesh Centresin has obtained permission from the BEPZA for setting up its operation, Bangladesh Centresin is now exempted from registration with the Board of Investment.

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The Company's legal adviser as to Bangladesh laws further advised that if Bangladesh Centresin erects buildings or structures on land which it has rented in Bangladesh, Bangladesh Centresin will obtain ownership over such buildings or structures subject to the provisions of the relevant land lease agreement and the BEPZA Act, 1980. Expiration, cancellation, suspension or revocation of investment licenses or Trade License would not affect Bangladesh Centresin's ownership over such buildings or structures. According to the legal opinion issued by the Company's legal adviser as to Bangladesh laws, the lease agreement entered into between the Group and BEPZA is valid, subsisting, binding and enforceable under the laws of Bangladesh. In such regard, the Directors are not aware of circumstances which may lead to a possible termination of such lease agreement which may lead to adverse impact to the Group.

According to the Company's legal adviser as to Bangladesh laws, if the land lease agreement entered into by Bangladesh Centresin and BEPZA expires or is terminated earlier, while there is no mandatory sale provision in Bangladesh, the customary practice in Bangladesh in relation to the buildings erected on the land is to have the buildings sold by way of auction conducted by BEPZA. Proceeds from sale of such buildings, after deducting the costs and expenses of the auction and settlement of any outstanding sums due to BEPZA, will be paid over to Bangladesh Centresin. The present term of the lease with BEPZA is for 30 years, which is renewable for a further 30 years at the prevailing market rent and no other fee, costs or premium are payable in the absence of any further agreement for such renewal.

Vietnam

The current production plant in Vietnam had been in operation for more than five years, the revenue and profit are in the increasing trend, however, the expansion of the current production capacity is restricted in view of its site area and the lease relating to the land on which the Existing Vietnam Production Plant is constructed will expire in June 2011. Having considered all these factors and in order to ensure the long term growth of the Group's business in Vietnam, the Group decided to establish a new plant, the capacity of which is expandable.

On 6 March 2008, the Group entered into a sublease agreement with an Independent Third Party for renting a parcel of land located at D2-3 Dai Dang Industrial Zone, Tan Uyen District, Binh Duong Province, Vietnam with an area of 5,000 square metres for a term of 50 years for establishing the Group's new production plant (the "New Vietnam Production Plant") in Vietnam. According to the Company's legal adviser as to Vietnam laws, Vietnam Centresin will obtain ownership over the buildings to be erected on such parcel of land during the term of the sublease period under the sublease agreement, during which time Vietnam Centresin is entitled to deal with the buildings such as sale or transfer. If such sublease agreement expires, Vietnam Centresin's ownership over such buildings will cease and will be surrendered to the respective landlord or lessor if they indicate that the Vietnam Centresin needs not return the land on a vacant condition. As advised by the Company's legal adviser as to Vietnam laws, Vietnam Centresin may take steps to transfer the ownership of the buildings together with the land use right with respect to such parcel of land to a third party prior to the expiry of the relevant land lease agreement or termination. According to Article 52 of the Investment Law of Vietnam, the operational duration of a foreign project shall not exceed 50 years, and the lessor is a foreign

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invested company according to its investment certificate. Such sublease agreement between the Vietnam Centresin and the lessor cannot be extended or renewed because the operational duration of lessor's investment certificate is 50 years (until 18 Oct 2055) and the duration may not be extended due to the above regulation. Thus, the Company may not have the sublease agreement extended or renewed as the lease between the lessor and the Vietnam government also will expire.

The New Vietnam Production Plant will be principally engaged in the production of adhesive and primer and is expected to commence its operation and production in December 2011 with planned annual production capacity of approximately 5,670 tonnes of Traditional Adhesive Related Products and approximately 410 tones of Vulcanized Shoes Adhesive Related Products primer respectively in the first operation year. Under such lease agreement, approximately HK\$2.3 million was paid by the Group for the cost of land. Although the land use right of such parcel of land was obtained by the Group under the aforementioned sublease agreement on 6 March 2008, the New Vietnam Production Plant is expected to commence operation in September 2011. Such prolonged period is mainly due to the preferred priority for the establishment of the Nansha Production Plant and the new production plant in Bangladesh in view of the expected market demand in the PRC and Bangladesh and better allocation of internal resources for ensuring the establishment of expanded production plants and relocation of existing production in good order. As at the Latest Practicable Date, relevant application of approval for the construction of the New Vietnam Production Plant had not been submitted to relevant government authority. The Group will comply with relevant applicable Vietnam laws and regulations and obtain requisite permits and license prior to the commencement of construction and operation of New Vietnam Production Plant. The planned capital expenditure is approximately HK\$7.8 million, of which approximately HK\$5.5 million will be financed by the net proceeds from the Share Offer and the balance will be fully financed by the Group's internal resources.

The PRC

The Group, via Zhong Bu Centresin (GZ), on 8 January 2010 submitted a bid for a parcel of land situated in Nansha, Guangdong, the PRC for a price of RMB13.67 million and the Group won the bid on 28 January 2010. Such land is of approximately 34,172 square metres and planned to be used by the Group for establishing its new production plant (the "Nansha Production Plant"). Meanwhile, the Guangzhou Nansha Development Zone Environmental Protection Bureau has approved the relevant environmental assessment report in relation to the selection of location of the production plant proposed to be established by the Group. The establishment of such production plant will be divided into two phases. First phase of the production plant, with planned annual production capacity of approximately 18,400 tonnes of Traditional Adhesive Related Products and 4,750 tonnes of Vulcanized Shoes Adhesive Related Products, is expected to commence operation in March 2011. While the second phase of the production plant, with planned annual production capacity of approximately 4,700 tonnes of Vulcanized Shoes Adhesive Related Products, is expected to commence operation in September 2011. The establishment of the second phase will be subject to market demand of the Group's products as well as its utilisation rate. It is planned that such new production plant will be

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principally engaged in the production of adhesive and primer. The Company's legal adviser as to the PRC laws advised that Zhong Bu Centresin (GZ) was duly incorporated and the entering into the sale and purchase agreement between Zhong Bu Centresin (GZ) and relevant authority in the PRC is valid. In such regard, the Group will obtain all necessary permits and licence for the construction of the buildings and all necessary government approvals before commencement of the operation. As at the Latest Practicable Date, the Group has prepared relevant documents for applying relevant approvals/permits including land use right certificate in relation to the establishment of the Nansha Production Plant such as planning permit on land for construction use and development land use approval. With reference to the current status in the establishment of the Nansha Production Plant, to the Directors' best knowledge and understanding, all necessary approvals for the operation of Nansha Production Plant are expected to be obtained by December 2010. As at the Latest Practicable Date, the Directors were not aware of any legal impediment to the establishment of the Nansha Production Plant.

The planned annual production capacity of this production plant (two phases) is approximately 27,850 tonnes of adhesive and primer. As at the Latest Practicable Date, the Nansha Production Plant was still in the process of establishment, not all necessary approvals/permits for the aforementioned development proposal have been obtained. The planned capital expenditure for the construction of the Nansha Production Plant is estimated to be approximately HK\$51 million, which has been/is expected to be financed by short term bank loan of approximately HK\$4 million, the net proceeds from the Share Offer of approximately HK\$35 million and internal resources of approximately HK\$12 million. As at Latest Practicable Date, capital expenditure of approximately HK\$16 million for the purchase of land and other expenses of approximately HK\$2.5 million was incurred by the Group in relation to the establishment of the Nansha Production Plant.

Relevant risk in relation to failure to obtain necessary approval for the operation of Nansha Production Plant is set out in the paragraph headed "The Group may anticipate unexpected difficulties in achieving its expansion plans" under the section headed "Risk factors" of this prospectus. Should the Group fail to obtain necessary approval from government authority for the operation of Nansha Production Plant, the proceeds from Share Offer amounted to approximately HK\$37 million planned for the establishment of Nansha Production Plant will then be re-allocated for the expansion of the production facilities in the Zhuhai Production Plant.

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A breakdown of the estimated capital expenditure of the Group for the new plants is shown as follows:

	PRC <i>HK\$'000</i>	Vietnam <i>HK\$'000</i>	Bangladesh <i>HK\$'000</i>	Total <i>HK\$'000</i>
Purchase of land	16,000	2,300	–	18,300
Land exploration	4,000	1,000	1,000	6,000
Construction of production plants	15,000	2,000	2,000	19,000
Purchase of production equipment	16,000	2,500	2,500	21,000
Total	51,000	7,800	5,500	64,300

Details of the expected cost due to relocation are set out in the sub-paragraph headed “Relocation of existing production plants” under this section.

Relocation of existing production plants

After the Nansha Production Plant and the New Vietnam Production Plant have come into full operation, which is expected to be in March 2011 and September 2011 respectively, the operation of the Zhuhai Production Plant, the Zhongshan Production Plant and the Existing Vietnam Production Plant will cease in September 2011, April 2011 and January 2012 respectively.

In the PRC

Upon commencement of the operation of the Nansha Production Plant, the Zhuhai Production Plant and the Zhongshan Production Plant will cease their respective operation and their production facilities will be relocated to the Nansha Production Plant. It is estimated that it will take around two and a half month for the Group to complete such relocation. The management estimates that such relocation is expected to cost approximately RMB1.1 million (equivalent to approximately HK\$1.24 million) in aggregate.

Upon completion of the construction of the Nansha Production Plant, the existing moveable production facilities of the Zhuhai Production Plant and the Zhongshan Production Plant, including reactors, dispersion machines and other machineries and equipments, will be, subject to compliance with the applicable PRC Laws, transferred to the Nansha Production Plant. As at 31 January 2010, such moveable productions facilities of each of the Zhuhai Production Plant and the Zhongshan Production Plant amounted to approximately HK\$9 million and HK\$0.8 million respectively, while the immovable production facilities and fixed assets (including lands and buildings) of each of the Zhuhai Production Plant and the Zhongshan Production Plant amounted HK\$14 million

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and HK\$0.1 million respectively. Except for the land owned by the Group for the operation of the Zhuhai Production Plant, the immovable production facilities and fixed assets of each of the Zhuhai Production Plant and the Zhongshan Production Plant will be written off according to the applicable accounting policy of the Group when the closure of the Zhuhai Production Plant and the Zhongshan Production Plant is fixed.

The Group has, in the construction plan of the Nansha Production Plant, provided staff quarters to employees who agree to be relocated from the Zhuhai Production Plant and/or the Zhongshan Production Plant to the Nansha Production Plant and as such, the Group will continue to employ such employees. For those employees who do not agree to be relocated to the Nansha Production Plant, the Group will negotiate with such employees for the termination of their respective employment contracts with severance payment in accordance with applicable regulations to the PRC labour law. Based on the enquiry made by the senior management of the Group with its employees at the Zhuhai Production Plant and the Zhongshan Production Plant and having considered that the location of Nansha Production Plant is much more traffic convenient to most of the employees, the Directors consider that most of the employees will accept the relocation offer as described above. Based on the enquiry made by the Group, there were 16 employees who would refuse the relocation offer as at the Latest Practicable Date. Based on the monthly salaries of such 16 employees and their respective service years in the Group, it is estimated that a severance payment of approximately HK\$204,000 will be incurred in accordance with the Group's severance policy and applicable PRC laws.

Having considered the proximity of the Nansha Production Plant to the Group's customers in the Pearl River Delta Region, the PRC, the relocation of the Zhuhai Production Plant and the Zhongshan Production Plant to the Nansha Production Plant is expected to reduce the delivery cost and time and enhance the efficiency of inventory management of the Group. In addition, since the planned production capacity of the Nansha Production Plant is sufficient to support the demand for the Group's products, the retaining of the Zhuhai Production Plant and the Zhongshan Production Plant may not be necessary for production purpose. The Directors also consider that benefits of operating the Nansha Production Plant only are two-fold – while the Group can more effectively consolidate its human resources of the Zhuhai Production Plant and the Zhongshan Production Plant, especially the senior management and marketing and technical services team, the Group can reduce the overhead expenses in running two production facilities in parallel.

Having considered that the land where the Zhuhai Production Plant situated is owned by the Group which can be disposed of by the Group and the expiry of the tenancy agreement for the land and buildings where the Zhongshan Production Plant situated is in December 2016, save for the possible forfeiture of the security deposit of RMB500,000 in respect of the existing lease for the land where the Zhongshan Production Plant is situated as described below, the Directors are not aware of any material adverse effect to the production and operation of the Group which may be caused by the relocation plan of the existing production plants in the PRC.

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In Vietnam

For efficiency purpose, and having considered that the current production capacity is not expandable and may not be able to meet the possible growing demand, the operation of the Existing Vietnam Production Plant will cease and its production facilities will be relocated to the New Vietnam Production Plant upon commencement of the operation of New Vietnam Production Plant. It is estimated that it will take around two weeks for the relocation to the Existing Vietnam Production Plant to be completed and the relocation cost incurred is estimated to be approximately US\$20,000 (equivalent to approximately HK\$155,600).

Upon completion of the construction of the New Vietnam Production Plant, the existing moveable production facilities of Existing Vietnam Production Plant, including dispersion machines and other machineries and equipment, will be transferred to the New Vietnam Production Plant. As at 31 January 2010, the moveable production facilities of the Existing Vietnam Production Plant amounted to approximately HK\$89,000, while the immoveable production facilities and fixed assets amounted to approximately HK\$70,000. The immoveable production facilities and fixed assets will be written off according to the applicable accounting policy of the Group when the closure of the Existing Vietnam Production Plant is fixed.

Based on the enquiry made by the senior management of the Group with its employees working at the Existing Vietnam Production Plant and having considered that the New Vietnam Production Plant is close to the Existing Vietnam Production Plant, the Directors are not aware of any employees who will refuse to accept the relocation as described above.

Having considered that the tenancy agreement for the land and building where the Existing Vietnam Production Plant situated will expire in June 2011 and the New Vietnam Production Plant is expected to commence operation in December 2010, the Directors are not aware any material adverse effect to the production and operation of the Group which may be caused by the relocation plan of the Group in Vietnam.

Upon completion of the relocation of the production facilities of the Zhuhai Production Plant, the Zhongshan Production Plant and the Existing Vietnam Production Plant, relevant applications and filings for the closure of such production plants will be made by the Group to the respective government authority. After completion of the relevant applications and filings for the closure of the Zhuhai Production Plant, the Zhongshan Production Plant and the Existing Vietnam Production Plant, the Group (i) will, subject to compliance with applicable laws and regulations, dispose of the land and buildings on which the Zhuhai Production Plant is situated and the consideration to be received for the disposal will be used as general working capital; and (ii) will terminate the tenancy agreements for the Zhongshan Production Plant and the Existing Vietnam Production Plant. Since the expiry of the tenancy agreement for the Zhongshan Production Plant is in 2016, the early termination of such tenancy agreement may result in the loss of deposit of RMB500,000 (equivalent to approximately HK\$568,000) by the

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Group. Since the term of the tenancy agreement for the Existing Vietnam Production Plant can be extended to June 2012, which is six months after the planned operation commencement date of the New Vietnam Production Plant, the Directors consider that the balance of the rental payment for the remaining term of such tenancy agreement is minimal and may not cause material financial impact to the Group.

The nature of the land, where the Zhuhai Production Plant located, is situated in the chemical district of Zhuhai, the PRC and is specified for the development of chemical industry by the local government in Zhuhai, the PRC. Having considered that the limited land supply in chemical district in Zhuhai, the PRC and the understanding from property agent for the demand and supply of relevant lands in Zhuhai, the PRC, the Directors believe that such land can be successfully disposed of as a matter of time and price.

In order to avoid any possible effect to the purchase orders from customers during the relocation period of the existing production plants, the existing production plants will produce the required products in advance and deliver the products to the new production plants pending for delivery to the customers. In such regard, the Directors consider that there will be no material disruption to the operation and the production of the Group during the relocation period.

In order to monitor and supervise the expansion plans and relocation of existing production plants, the Group has formed a committee. As an on-going supervision by the senior management of the Group, the committee will review the progress of the expansion plans and discuss with the senior management on a monthly basis in order to monitor the expansion plan of the Group. The senior management will report to the committee on a weekly basis for the progress of the expansion plan. In case there are any matters which may hinder the execution of the expansion plan, an ad-hoc meeting among such senior management and committee will be held for identifying the issues and seeking for solution. In relation to the relocation of the production plants, the senior management of the Group will also be responsible for the supervision of such relocation and will report the progress of such relocation to the committee on a weekly basis. For ensuring the compliance of relevant rules and regulations for the establishment of new production plants and the closure of the existing productions plants, the Group will seek appropriate professional advice and assistance in this regard.

The committee of the expansion plans and relocation of existing production plants is headed by Mr. Jeong, the chairman of the Board and chief executive officer of the Group. The members of the committees comprise the senior management of the Group including Ms. Xiao Wei, the director of production and quality assurance department, Mr. Li Bo Tao, the director of administration department, Mr. Zheng Guo Liang, the regional sales director of the Group in the PRC, Mr. Zhong Xuan Feng, the director of human resources and information technology departments, Mr. Liu Feng, the regional sales director of the Group in Southeast Asia region, and the management of the technical, production and administration from respective production plants. The aforementioned people have been nominated as the committee for expansion and relocation for their strong professional knowledge in different aspects, their valuable experiences in the industry and their familiarity with the Group.

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The Directors expect that the operation of the first phase of the Nansha Production Plant will commence in March 2011 and all existing movable equipment of the Zhuhai Production Plant and the Zhongshan Production Plant will be relocated to the Nansha Production Plant. Hence, the useful life for the equipment would not be adversely affected. However, the useful life of the existing immovable assets of the Zhuhai Production Plant, including land and buildings, and leasehold improvements would be shortened to March 2011 as such assets cannot be relocated. The expected annual depreciation after relocation is expected to be approximately HK\$7.2 million, which represents an increase in annual depreciation of approximately HK\$6 million. Thus the profitability of the Group for the year ending 30 September 2010 and 2011 is expected to be adversely affected as a result. For the existing Vietnam and Zhongshan production plant, the Directors expect that increase in depreciation due to relocation would be minimal.

Apart from the cost of relocation, the possible loss of deposit of RMB500,000 (equivalent to approximately HK\$568,000) in respect of the lease relating to the Zhongshan Production Plant, rental payment for the remaining term of the tenancy agreement for the Existing Vietnam Production Plant, estimated severance payment of approximately HK\$204,000 as at the Latest Practicable Date and the possible financial and taxation impact mentioned above, the Directors are not aware of any material adverse impact to the Group's operation and financial conditions which will be caused by the proposed relocation of production facilities.

COMPLIANCE HISTORY OF THE GROUP

During 1 May 2006 to 1 April 2008, Zhongshan Macson (i) handled goods under the detention of the PRC customs authority without the customs authority's consent resulting in a fine of RMB750,000; (ii) kept dangerous chemicals resulting in a fine of RMB45,000; and (iii) sold tax-exempted imported raw materials involving a tax amount of approximately RMB423,933.3 within the PRC without the PRC customs authority's consent resulting in a fine of RMB200,000. During 1 May 2006 to 1 April 2008 Zhuhai Centresin (i) handled goods under the detention of the PRC customs authority without the customs authority's consent resulting in a fine of RMB940,000; (ii) engaged in production and storage of dangerous chemicals without approval or registration resulting in a fine of RMB130,000; (iii) purchased from Righton toxic chemicals contravening to the relevant PRC rules and regulations resulting in a fine of RMB350,000; (iv) performed after-sale services without business registration document with the relevant PRC authority resulting in a fine of RMB15,000; and (v) sold tax-exempted imported raw materials involving a tax amount of RMB188,756 to a third party resulting in a fine of RMB100,000. Each of the Zhongshan Macson and Zhuhai Centresin has duly paid the fines imposed against them and the enforcement action against each of them has completed. Subsequent to the above penalties incurred in the above period, the Group has taken remedial measures, such as, implementation of a stringent guidance for dangerous good storage and sales and procurement control. The Directors consider that the above penalties were not material and the Group has adopted sufficient measures to remedy such irregularities in the future.

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On 22 January 2010, Vietnam Centresin failed to make declaration to the Vietnamese authority in relation to import of certain chemical substance, which may result in a penalty of VND10,000,000 to VND20,000,000. Vietnam Centresin thereafter duly made declaration with the Ministry of Industry and Trade in relation to the outstanding chemical substance on 13 February 2010. Vietnam Centresin completed its declaration in relation to its import of chemical substance on 13 February 2010.

According to the investment certificate of Vietnam Centresin dated 12 January 2009, the head office of Vietnam Centresin has to be relocated to Road No.2, Dong An Industrial Zone, Thuan An District, Binh Duong Province to D2-3, Dai Dang Industrial Zone, Tan Uyen District, Binh Duong Province, Vietnam, being the address of the New Vietnam Production Plant, within one year from 12 January 2009. However, due to the economic downturn resulting in the delay in the Group's expansion plan in Vietnam and the expected commencement of operation of the new production facilities in Vietnam in September 2011, the Group had not relocated its head office in Vietnam to the said address before the prescribed time limit. However, upon application by Vietnam Centresin, the investment certificate of Vietnam Centresin was amended by relevant Vietnam government authority on 16 April 2010 whereby the deadline for the relocation of its head office to the address of New Vietnam Production Plant has been extended. According to the Company's legal advisers as to Vietnamese law, the failure to relocate the head office of Vietnam Centresin under its old investment certificate constituted a breach of the terms of the investment certificate of Vietnam Centresin but will not cause any material consequence to the Group's business and operation.

On 12 January 2009, the investment certificate of Vietnam Centresin was amended for the increase in (i) its charter capital from US\$300,000 to US\$600,000 and (ii) its investment capital from US\$900,000 to US\$3,000,000. The increased charter capital of US\$300,000 was required to be paid up by the end of 2009 and the Group failed to contribute the increased portion of the charter capital within such prescribed time limit. According to the Company's legal adviser as to Vietnam laws, failure to contribute the charter capital by the prescribed time limit will not result in revocation of Vietnam Centresin's investment certificate or cause any material adverse consequence to its business and operation. Upon application by Vietnam Centresin, the investment certificate of Vietnam Centresin was amended on 16 April 2010 whereby the deadline for contribution of the remaining charter capital contribution of US\$300,000 has been extended to December 2010.

The Group withheld to make further capital contribution by 2009 as the global economy had experienced turbulence since late 2008, which had a negative impact on the consumers market generally and such withholding of making the capital contribution is not due to the expansion plan of Vietnam production facilities. While the Directors consider it is in the interest of the Group to continue to expand its business in Vietnam, in particular in light of the successful of development of the water-based adhesive in early 2009, given that (i) the recovery of the global economy remains fragile, especially in the United States and Europe; and (ii) the various economy stimulation measures adopted by various governments around the world may be adjusted or withdrawn, the Directors also consider that it is prudent for the Group to exercise a high degree of caution in allocation of the funds of the Group.

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The Indemnifiers have agreed to indemnify the Group for any loss or damage sustained by the Group arising out of the Group's failure to contribute the remaining charter capital of Vietnam Centresin by the time limit prescribed by the relevant Vietnam authorities.

Apart from the capital contribution to Vietnam Centresin, the reason for the other non-compliance incidents as mentioned above were mainly due to the Group's lack of experiences and oversight in the relevant regulatory requirements in the initial stage of establishment of the Group's operation in Vietnam.

Save as disclosed above, there has been no further non-compliance under relevant laws and regulations in the respective jurisdiction in all material aspects during the Track Record Period and up to the Latest Practicable Date. In order to prevent occurrence of similar non-compliance events mentioned above, the Group (i) adopted the internal control procedures suggested by Lau & Au Yeung C.P.A. Limited, internal control adviser to the Group including but not limited to tax filing, financial budgeting, operational control and legal compliance and (ii) appoint its Compliance Adviser to control and advise on the Group's future corporate governance. The Directors and senior management will endeavor to oversee the overall compliance procedure in accordance with the suggestion and instruction of Lau & Au Yeung C.P.A. Limited and the Compliance Adviser.

Lau & Au Yeung C.P.A. Limited is satisfied with the actions taken by the Group in response to its recommendations after reviewing the documents and procedures related to aforementioned actions taken by the Group.

After taking into consideration that (i) no further non-compliance under relevant PRC custom regulation since the adoption of the operation guidelines in relation to the exchange of goods outside the bonded areas; (ii) the Group's adoption of relevant internal control procedures suggested by Lau & Au Yeung C.P.A. Limited, certified public accountants, an Independent Third Party, the internal control adviser appointed by the Group to evaluate the documentation, effectiveness and efficiencies of the internal control environment of the Group; and (iii) the appointment of SinoPac as the Compliance Adviser for the provision of on-going advisory in relation to the corporate governance, the Joint Sponsors are of the view that the Group is able to comply with relevant regulations going forward and the internal control system of the Group is considered to be effective.

Despite that the Group has breached relevant regulations in the PRC and Vietnam in the past, having considered the rectification action taken by the Group and the adoption of guideline for prevention of reoccurrence of such non-compliance incidents, the Joint Sponsors concur with the Directors' view that the aforementioned non-compliances were not intentional and merely due to the lack of experiences in the new markets and oversight of the management, and the Group's management has shown an attitude of improving the corporate governance of the Group. The management has adopted an internal control policy to avoid the future non-compliances, details of which are set out in the paragraph headed "Adoption of internal control policy" under this section.

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SALES AND MARKETING

Sales

The products of the Group including adhesives and primers are sold under the brand “Zhong Bu” (“中部”) to the Group’s customers which mainly comprise footwear manufacturers in the PRC and Vietnam. During the Track Record Period, more than 78% of the Group’s turnover were rendered from the sale of the Group’s products under the brand “Zhong Bu” (“中部”). Pursuant to the distribution arrangement between the Group and Huntsman as detailed in the sub-paragraph headed “Hardener products” under the paragraph headed “Suppliers” in this section below, the Group also distributes IRODUR to customers in Hong Kong, Macau, the PRC, Vietnam and Taiwan on an exclusive basis.

The following table shows the turnover breakdown by the Group’s products during the Track Record Period:

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Adhesives	116,567	53.4	161,852	56.3	150,973	56.4	52,242	54.8	48,994	56.2
Primers	54,883	25.2	71,081	24.7	68,741	25.7	24,470	25.7	24,251	27.8
Hardeners	44,752	20.5	49,918	17.3	44,862	16.8	17,707	18.6	13,631	15.6
Others (Note)	1,925	0.9	4,957	1.7	3,003	1.1	879	0.9	344	0.4
Total	218,127	100.0	287,808	100.0	267,579	100.0	95,298	100.0	87,220	100.0

Note: Sale of raw materials, and sale of adhesive and primer produced and sold by the Group under OEM basis.

The following table shows the breakdown of the Group’s sales volume and ASP by products during the Track Record Period:

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	ASP per tonne		ASP per tonne		ASP per tonne		ASP per tonne		ASP per tonne	
	Tonnes	HK\$'000	Tonnes	HK\$'000	Tonnes	HK\$'000	Tonnes	HK\$'000	Tonnes	HK\$'000
Sale of chemical products										
Adhesives	7,999.1	14.6	10,197.0	15.9	9,406.3	16.1	2,472	21.1	2,422	20.2
Primers	2,487.0	22.1	3,057.8	23.2	2,921.3	23.5	1,121	21.8	1,166	20.8
Hardeners	305.2	146.6	307.5	162.3	369.6	121.4	159	111.4	117	116.5
Others	2.4	802.1	2.9	1,709.3	1.0	3,003.0	42	20.9	11	31.3
Total	10,793.7		13,565.2		12,698.2		3,794		3,716	

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As mentioned above, the revenue of the Group during the Track Record Period was mainly derived from the PRC. The following table shows the breakdown of the Group's turnover by geographical area for each of the three years ended 30 September 2009 and the four months ended 31 January 2010.

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
PRC	156,427	71.7	201,197	69.9	172,012	64.3	63,601	66.74	50,508	57.90
Vietnam	61,700	28.3	86,611	30.1	95,567	35.7	31,697	33.26	36,712	42.10
Total	<u>218,127</u>	<u>100.0</u>	<u>287,808</u>	<u>100.0</u>	<u>267,579</u>	<u>100.0</u>	<u>95,298</u>	<u>100.0</u>	<u>87,220</u>	<u>100.0</u>

Marketing and technical service

As at the Latest Practicable Date, the marketing and technical services team of the Group had 90 staff. The marketing and technical services team is primarily responsible for promoting the Group's products to footwear manufacturers in the PRC and Vietnam, in order to reach the sales target set by the senior management of the Group. In addition, the marketing and technical services team also promotes the Group's product directly to those famous footwear suppliers for obtaining the endorsement of the Group's products from them.

In view of the fast changing trend in footwear industry which leads to the rise of different materials for the shoe production, the ad-hoc problems arising from the application of adhesives and primers occur from time to time. In such regard, members of the marketing and technical services team of the Group not only conduct market analysis, sales and marketing, but also provide on-site technical support and advisory services to customers in relation to any ad-hoc problem arising from application of adhesive and primers. Members of the marketing and technical services team also divert the customers' comments on the Group's products to the Group's research and development team so that the research and development team can develop and improve the Group's products to meet customers' expectation.

The marketing and technical services team is also responsible for verification and follow-up works upon the delivery of the products so as to ensure on-time delivery of and the satisfaction of the quality of the Group's products. The marketing and technical services team also reviews the settlement records of its customers on a regular basis to determine the credit terms granted to the customers so as to minimize the Group's credit risk. Provision will be made to the extent that the recoverability of any debt is considered to be doubtful on case-by-case basis.

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CUSTOMERS

During the Track Record Period, the customers of the Group were mainly footwear manufacturers in the PRC and Vietnam. For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, sales to the footwear manufacturers amounted to approximately HK\$204.3 million, HK\$259.7 million, HK\$247.1 million and HK\$81.1 million respectively, representing approximately 93.6%, 90.2%, 92.4% and 93% of the total turnover of the Group respectively. For each of the three financial years ended 30 September 2009 and the four months ended 31 January 2010, the five largest customers accounted for approximately 49.9%, 51.5%, 54.1% and 58.6% of the total turnover of the Group respectively. As at the Latest Practicable Date, the five largest customers have 3 to 17 years business relationships with the Group respectively. Pou Chen Group, being the largest customer of the Group, accounted for approximately HK\$57.2 million, HK\$75.9 million, HK\$79.5 million and HK\$27.4 million, representing approximately 26.2%, 26.4%, 29.7% and 31.4% of the turnover of the Group for each of the three years ended 30 September 2009 respectively and the four months ended 31 January 2010.

Among the five largest customers of the Group, save for a PRC distributor of the Group's products, all of which are footwear manufacturers. The PRC distributor is a trading company in the PRC and an Independent Third Party. With a view to expanding the market share in the PRC footwear adhesive market, the Group entered into a distribution agreement with the PRC distributor in October 2006. Pursuant to the distribution agreement, the PRC distributor is responsible for the distribution of the Group's adhesives and primers under the Group's own brand "Zhong Bu" and "IRODUR" to the footwear manufacturers in the PRC, and the Group will ensure that no sales of the Group's products from third parties in the PRC. The Group would provide marketing and technical supports to the PRC distributor, such as dedicated training sessions or seminars related to the technical issues of the Group's products. For each of the three financial years ended 30 September 2009 and the four months ended 31 January 2010, the sales to the PRC distributor are representing approximately 6.4%, 9.0%, 7.3% and 6.7% of the total turnover of the Group respectively. The Directors confirmed that none of the Directors, their respective associates or, so far as the Directors are aware, any person who own more than 5% of the issued share capital of the Company has any interest in any of the five largest customers of the Group during the Track Record Period. Furthermore, all of the five largest customers of the Group are Independent Third Parties to the Group.

Under the existing practice of footwear manufacturing industry, footwear manufacturers have to purchase its production materials from designated production materials suppliers recognized and approved by their respective customers, being the footwear suppliers, in order to control the quality of footwear products. The Group is one of the adhesive suppliers recognized by numerous footwear suppliers.

PAYMENT TERMS AND CREDIT CONTROL

Turnover derived from sales of the Group's products to customers is recognized when the Group's products are delivered and title to the products has passed to the customers. The Group requires its footwear manufacturer customers to settle their invoices on a monthly basis. The Group generally grants a credit period of 30 days to 90 days, depending on factors such as past sales performance, credit history and expansion plans of a particular customer. The Group provides the PRC distributor a credit limit amounted to RMB5 million and a credit period of 60 days.

The Group will monitor and follow up on the payment status of each customer through the combined efforts of the marketing and technical services team and the accounts department of the Group. The marketing and technical services team will collect feedback from accounts department and assess each customer's payment record and value of historical transactions. Moreover, the marketing and technical services team will visit the customers regularly for better understanding of the operation, production utilisation and financial status of the customers and report back to the Group's accounts department.

PRICING AND SALES RETURN POLICY

Most of the Group's products are sold under the brand "Zhong Bu" ("中部"). In order to position the Group in the first tier segment in the footwear adhesive market, the Group has adopted a pricing policy to fix its price with reference to market price of several competitors in such market segment. The Group has a right to adjust the selling prices to the PRC distributor with reference to the market situation, currency or production cost. However, the Group is required to inform the PRC distributor about the price adjustment at least 30 days in advance. The Directors believe that the products under the first tier market segment represent comparatively high quality and good service.

The Group did not record any sales return due to quality defects during the Track Record Period. In relation to the return policy of the Group for the sale of adhesive, primer and hardener under IRODUR to the customers other than to the PRC distributor, return of the Group's products requested by its customer due to quality defects must notify the Group within 30 days upon delivery. Since the PRC distributor will keep stock for reselling, the Group offer to such PRC distributor a comparatively longer period of sales return for allowing sufficient time for quality check of the Group's PRC distributor and its customer. The PRC distributor can request a sales return within 45 days upon delivery due to quality defects and 7 days upon delivery due to the package defects.

The Group is entitled to claim intrinsic defects of delivered hardener products provided by its supplier if the Group gives written notice (a) within eight days of discovery of such defects of hardener; (b) within the expiration of the shelve life as indicated in the product data sheets; and (c) within thirty days of delivery. During the Track Record Period, there were no sales return of hardener due to quality issues.

SUPPLIERS*Raw materials for production*

The suppliers of the Group are mainly raw material manufacturers and distributors. For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, the five largest suppliers accounted for approximately 72.9%, 54.9%, 50.2% and 50.8% of the total purchase of the Group respectively, while the largest supplier of the Group, accounted for approximately HK\$31.2 million, HK\$33.1 million, HK\$26.4 million and HK\$8.7 million, representing approximately 18.4%, 14.3%, 15.7% and 16.3% of the total purchase of the Group respectively. Such top five suppliers of the Group are Independent Third Parties. The Directors confirmed that none of the Directors, their respective associates or, so far as the Directors are aware, any person who own more than 5% of the issued share capital of the Company has any interest in any of the five largest suppliers of the Group during the Track Record Period.

Hardener products

Since January 1993, the Group has been appointed as an exclusive distribution agent of “IRODUR” hardener products in Hong Kong, Macau and the PRC. The Group’s exclusive distribution right of “IRODUR” hardener products was reconfirmed under a distribution agreement dated 1 July 1997 entered into between the Group and the independent supplier of such products (which business unit was subsequently acquired by Huntsman in 2000). Such agreement was for an initial term of one year and is renewable for successive terms of one year.

The distribution regions of the “IRODUR” hardener products was extended to Taiwan, Vietnam and Indonesia in 1998, pursuant to two separate distribution agreements entered into between the Group and the independent hardener supplier of IRODUR hardener products and certain addenda to such agreements. Currently, the agreement in respect of the distribution in Taiwan and Indonesia is for successive terms of one year each while the agreement in respect of the distribution in Vietnam is for successive terms of three years each.

In January 2001, the Group has been granted the non-transferable, non-exclusive, royalty-free and revocable licence to use “Huntsman” mark and was authorized the Group to represent to others that the Group is independent authorised representative of Huntsman polyurethanes in specified wordings. The Group’s use of “Huntsman” mark and any goodwill that arises therefrom, shall inure to the exclusive benefit of Huntsman.

Under the above distribution agreements, the Group shall promote the sale of “IRODUR” hardener products and shall not distribute any other hardener and/or related products which shall compete with “IRODUR” hardener products in whatever capacity. Under the above distribution arrangement, orders and pricings of the products are negotiated by the Group and the independent hardener supplier on a case by case basis. There is no minimum purchase requirement under the above distribution agreements. The Group shall buy the products of “IRODUR” hardener products from the supplier and hold stock to resell to customers in the agreed territory with the supplier. The Group shall get the remuneration by a mark-up on the

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purchase price. The supplier has a right to adjust the delivery costs and the prices of the products or vary the terms of payment at any time before the delivery. The supplier may terminate the distribution agreements by giving notice to the Group in the event of any breach by the Group of any provision of the distribution agreements not having been remedied by the Group within 30 days after notification.

During the Track Record Period and up to the Latest Practicable Date, the Group had distributed the IRODUR pursuant to the distribution arrangement as described above, on an exclusive basis, in Hong Kong, Macau, the PRC, Taiwan and Vietnam and on a non-exclusive basis, in Indonesia. As at the Latest Practicable Date, the Group had no concrete plan for the development and production of its own hardener product.

RAW MATERIALS

The principal raw materials used by the Group include 丁酮 (methyl ethyl ketone), 丙酮 (acetone), 醋酸乙脂 (ethylene acetate), 合成樹脂 (denka chloroprene) and 聚脂多元醇 (polyester polyol). The purchases of these principal raw materials accounted for approximately 77.8%, 60.5%, 55.5% and 55.8% of the Group's total purchases for each of the three years ended 30 September 2009 and the four months ended 31 January 2010 respectively.

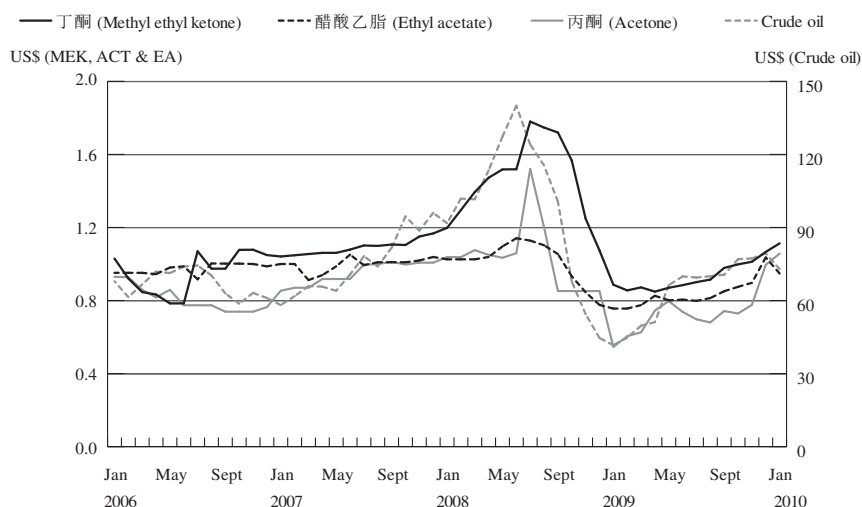
The Group procures majority of the raw materials in the PRC and Hong Kong, with the remaining procured from other regions including Taiwan and Japan. The following table shows the geographical breakdown for the purchase of raw materials during the Track Record Period.

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
PRC	15,507	22.5	47,881	40.9	51,103	46.6	10,350	32.6	20,439	57.5
Taiwan	13,805	20.0	17,587	15.0	17,869	16.3	4,413	13.9	5,103	14.3
Japan	2,148	3.1	9,915	8.5	11,981	10.9	2,677	8.4	2,520	7.1
Hong Kong	36,695	53.2	40,368	34.5	27,703	25.3	13,679	43.1	7,283	20.5
Vietnam	800	1.2	1,338	1.1	1,042	0.9	614	1.9	198	0.6
Total	<u>68,955</u>	<u>100.0</u>	<u>117,089</u>	<u>100.0</u>	<u>109,698</u>	<u>100.0</u>	<u>31,733</u>	<u>100.0</u>	<u>35,543</u>	<u>100.0</u>

The Group centralizes the procurement of most of the Group's raw materials in order to enjoy economies of scale and maximize the bargaining power with suppliers. The production materials are delivered directly by the suppliers to each of the Group's production plants so as to improve the delivery time and cost efficiency. All raw materials delivered by the suppliers to the Group's production plants are inspected before acceptance. The Group maintains at least two suppliers for each of the major raw materials. Furthermore, the Group did not experience any material price fluctuation in raw materials which had adversely affected the Group's profitability during the Track Record Period. As at the Latest Practicable Date, the Group had 11 staff in its procurement department.

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The principal raw materials of footwear adhesive include 丁酮 (methyl ethyl ketone), 丙酮 (acetone), 醋酸乙酯 (ethyl acetate), 合成樹脂 (denka chloroprene) and 聚脂多元醇 (polyester polyol). Since the Group's principal raw materials are mainly the by-products of crude oil, the purchase price of which are sensitive to the fluctuation of the international crude oil price. The following shows the price trend of 丁酮 (methyl ethyl ketone) and 丙酮 (acetone) purchased by the Group during the Track Record Period.



As per the table above, the price of methyl ethyl ketone, acetone and ethyl acetate have been increasing since 2006 to the first half of 2008 and has been substantially decreasing since the second half of 2008. Such fluctuation was in line with the fluctuation of international crude oil price from 2006 to 2009.

RESEARCH AND DEVELOPMENT

As at the Latest Practicable Date, the research and development team of the Group had 15 staff and two technicians assigned by No-Tape Japan to the Group under the Group's co-operation arrangement with No-Tape Japan as described below. Staff in the Group's research and development team has strong academic backgrounds in chemistry and chemical engineering related subjects, 11 of them are bachelor degree holders and 4 of them are master degree holders. Most of them have more than 3 years experience in research and development of chemical products relating to footwear industry. They are responsible for the research, development and modification of the Group's products based on customers' requirements and relevant regulations, such as environmental protection related regulations. The research and development team works closely with the marketing and technical services team to collect the latest market intelligence in relation to the materials used in the production of trendy footwear products and assist in solving adhesive application problem for the customers.

In August 2005, the Group entered into a technical support agreement with No-Tape Japan, which has its headquarters in Japan and has been established for over 60 years and is now a footwear adhesive manufacturer, for strengthening the Group's research and development capability. No-Tape Japan was one of the top-five suppliers of the Group in 2007.

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In March 2009, the Group and No-Tape Japan entered into another technical support agreement (the “Renewed Technical Support Agreement”) for extending the technical support from No-Tape Japan. Pursuant to the Renewed Technical Support Agreement, No-Tape Japan agreed to assign its engineers to the Group’s production facilities from time to time for the provision of assistance in research and development of the Group from time to time. Save as being one of the suppliers of the Group and providing technical support to the Group, there is no other business relationship between No-Tape Japan and the Group. For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, the Group’s turnover attributable to the products solely developed by the methodologies and formulae provided by No-Tape Japan accounted for approximately HK\$92.9 million, approximately HK\$61.8 million, approximately HK\$12.0 million and approximately HK\$5.9 million respectively, representing approximately 42.6%, approximately 21.5%, approximately 4.5% and approximately 6.7% of the Group’s total turnover respectively.

The research and development activities is carried out in the laboratory situated in the production plant in Zhuhai, the PRC, the Group is responsible for the cost of the research and development including the purchase of requisite equipment and raw materials and travelling cost of the engineers assigned from Japan.

The Renewed Technical Support Agreement is for a term of 3 years starting from 1 March 2009, and shall continue for successive terms of three years each upon the expiry of the original term or the relevant extended term if no termination of the Renewed Technical Support Agreement is requested for by either party one month prior to the relevant expiry date.

Furthermore, No-Tape Japan will provide the formula and methodologies on manufacturing of adhesives to the Group and will receive a royalty fee in this regard. The rate of the royalty fee payable to No-Tape Japan is calculated on a diminishing basis from US\$0.1 per kilogram to US\$0.04 per kilogram on the output volume of the Group’s products developed with the technical support by No-Tape Japan. Such rate of royalty fee will be discounted progressively according to aforementioned basis for more than 3 years. The Group is not liable to pay such royalty fee upon the termination of the Renewed Technical Support Agreement.

According to the supplemental agreement entered into between the Group and No-Tape Japan dated 22 January 2010 to the Renewed Technical Support Agreement, save for the formula and methodologies solely provided by No-Tape Japan, all of the formula and methodologies for the development of footwear adhesive jointly developed by No-Tape Japan and the Group will belong to the Group. Besides, both of the Group and No-Tape Japan are obligated to keep the formula, methodologies and other information in relation to the research and development under the Renewed Technical Support Agreement to be confidential. For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, the turnover of the Group attributable to the products jointly developed by the Group and No-Tape Japan are Nil, approximately HK\$68.7 million, approximately HK\$114.7 million and approximately HK\$48.7 million respectively, representing 0%, approximately 23.9%, approximately 42.9% and approximately 54.4% of the Group’s total turnover respectively. The Group shall pay a royalty fee to No-Tape Japan in relation to the products jointly developed

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by the Group and No-Tape Japan and/or solely developed by No-Tape Japan. However, if the technical support agreement between the Group and No-Tape Japan is terminated, no royalty fee shall be paid by the Group to No-Tape Japan for such products jointly developed by the Group and No-Tape Japan.

Designated staffs from No-Tape Japan will station in the manufacturing plants of the Group with a view to providing immediate technical support to the Group. Under the above technical cooperation arrangement, both the Group and No-Tape Japan are not allowed to engage in technical cooperation with other parties in the PRC provided however that where No-Tape Japan is unable to provide the solution to the Group within three months after the request of developing new product or enhancing current product's quality from the Group, the Group has the right to engage a third party to provide the technical supports. Pursuant to the technical support agreement, a technical fee shall be paid by the Group to No-Tape Japan on a project by project basis and a royalty fee shall also be paid by the Group to No-Tape Japan based on certain percentage of total sales amount of adhesives and/or primers developed under the technical assistance provided by No-Tape Japan.

Under the continuous effort of the Group's own research and development team, the Group successfully developed the Vulcanized Shoes Adhesive Related Products in early 2009 without the technical support from No-Tape Japan. Such water-based adhesive has the characteristic of being environmental friendly and is specifically designed to meet the bonding requirements of vulcanized shoes made of different kinds of footwear materials. Since vulcanized shoes are made of different materials and are produced under a vulcanization process during the production process, which may adversely affect the effectiveness of common-used adhesive, a specific adhesive has to be developed. In September 2009, the Group applied to the State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局) for a patent of invention in relation to the Group's self-developed Vulcanized Shoes Adhesive Related Products which has an environmental friendly characteristic.

For each of the three financial years ended 30 September 2009 and the four months ended 31 January 2010, the Group (i) incurred approximately HK\$295,000, approximately HK\$396,000, approximately HK\$487,000 and approximately HK\$227,000 respectively for the staff costs in research and development which accounted for approximately 0.2% of the total turnover of the Group; (ii) paid approximately HK\$2.29 million, approximately HK\$3.34 million, approximately HK\$3.31 million and approximately HK\$0.96 million respectively for the royalty fee to No-Tape Japan, in which (a) approximately HK\$2.29 million, approximately HK\$1.62 million, approximately HK\$0.31 million and approximately HK\$0.07 million was paid for royalty fee for the products solely developed by No-Tape Japan respectively; and (b) nil, approximately HK\$1.72 million, approximately HK\$2.99 million and approximately HK\$0.89 million was paid for royalty fee for the products jointly developed by No-Tape Japan respectively.

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LITIGATION

As at the Latest Practicable Date, none of the members of the Group was involved in or has been involved in any legal or arbitration proceedings of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

INSURANCE

The Group maintains insurance policies in the PRC, Macau and Vietnam that cover its properties, manufacturing facilities, plant and machinery, equipment and inventory against damage caused by accidents. In accordance with general practice, the insurance policies maintained by the Group do not cover any indirect losses such as loss of profits caused by suspension or termination of business. The total insurance premium paid by the Group for each of the three financial years ended 30 September 2009 and the four months ended 31 January 2010, amounted to approximately HK\$141,000, approximately HK\$174,000, approximately HK\$147,000 and approximately HK\$236,000 respectively, representing approximately 0.60%, approximately 0.71%, approximately 0.48% and approximately 1.43% respectively of the Group's total selling and administrative expenses. The Directors consider that the insured amounts taken out for the Group's premises are sufficient.

During the Track Record Period, there has been no past occurrence of product liability claims, third party liability claims or disruptions to business operations. The Group will continue to closely monitor its exposures to various risks and take corresponding actions to mitigate such risks, such as maintaining appropriate insurance policies.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, the Group has a total of 6 registered trademarks in the PRC and Vietnam, and has applied for the registration of a total of 19 trademarks and 8 patents in the PRC, Hong Kong, Vietnam, Bangladesh and Indonesia.

Details of the Group's intellectual property rights are set out in the paragraph headed "Intellectual property rights of the Group" in the section headed "Further Information about the business" in Appendix V to this prospectus.

PROPERTIES

As at the Latest Practicable Date, the Group owned the land use rights of 3 parcels of land in the PRC and Vietnam with an aggregate site area of approximately 46,186.4 square metres and various office units in Macau with an aggregate gross floor area of 1,972.87 square metres, two office units in Zhuhai with an aggregate gross floor area of approximately 328.2 square metres and various buildings comprising the production plant in Zhongshan, the PRC. In addition, the Group entered into a land grant contract in March 2010 with the Land Resources and Housing Management of Guangzhou Municipality, pursuant to which the Group was granted the land use right to use a parcel of land of a site area of approximately 34,172 sq.m. for a term of 50 years. The Group plans to construct the Nansha Production Plant on such parcel of land.

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The independent valuer had valued the properties owned by the Group as at 31 May 2010. The text of the letter and the valuation certificates issued by the independent professional surveyor are set out in Appendix III to this prospectus.

Regarding each of the properties that may or may not have defective title, namely (i) the Zhongshan production plant located at Xinfeng Industrial Zone, Huangpu Town, Zhongshan, Guangdong, the PRC; (ii) the Existing Vietnam Production Plant located at Road No.2, Dong An Industrial Park, Thuan An District, Binh Duong Province, Vietnam; and (iii) a piece and parcel of leased land of 5,000 square meters located at D2-3 Dai Dang Industrial Zone, Tan Uyen District, Binh Duong Province, Vietnam (“Vietnam Sublease Property”), the Group has taken and/or will take the following rectification actions:

- (i) as to the Zhongshan Production Plant, the Group has requested the landlord to obtain the land use right certificate in respect of the Zhongshan Production Plant. The Zhongshan State Land Resources Bureau (中山市國土局資源局黃圃分局) confirmed on 18 December 2009 that the application for the land use certificate in respect of the Zhongshan Production Plant had been submitted;
- (ii) as to the Existing Vietnam Production Plant, the Vietnam Centresin has approached Binh Duong Industrial Zones Authority (“BIZA”) for registration of the lease agreement of Vietnam Production Plant by way of certification by BIZA. However, the Company was informed by BIZA that the lease agreement in respect of the Existing Vietnam Production Plant and the appendix signed on 20 January 2010 do not have to be certified by BIZA. Vietnam Centresin will approach BIZA for certification of the lease agreement or to obtain written confirmation from BIZA that certification is not necessary; and
- (iii) as to the Vietnam Sublease Property, the Group will proceed with the registration with the relevant government authorities in Vietnam for obtaining a land use right certificate in respect of the Vietnam Sublease Property. The Group will also approach Dai Dang Investment and Construction Co., Ltd. (“Dai Dang”) (大登建設開發有限公司) for assistance in obtaining the said land use right certificate including but not limited to submission of Dai Dang’s own land use right certificate or the relevant land lease agreement between Dai Dang and the Vietnam government authorities.

As at the Latest Practicable Date, the land use right certificates in respect of the Zhongshan Production Plant and the Vietnam Sublease Property have not been duly obtained. To safeguard the Group’s interest, the Indemnifiers have agreed to indemnify the Group in respect of any liabilities arising from the failure to obtain the above land use rights certificates. Details of the indemnity in favour of the Group have been disclosed under the paragraph headed “Tax and other indemnities” of Appendix V to this prospectus.

Since (i) the production capacity of adhesive and primer of the Zhongshan Production Plant was approximately 20.8% and 24.3% of the Group’s total production capacity of adhesives and primers respectively during the Track Record Period; (ii) the turnover

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attributable to the sale of products processed by the Zhongshan Production Plant amounted to approximately HK\$64.6 million, HK\$72.9 million and HK\$68.9 million, representing approximately 29.6%, 25.3% and 25.7% of the Group's total turnover for each of the three years ended 30 September 2009 respectively; and (iii) the production plant of the Group located at Zhuhai, Guangdong, the PRC has the capability to take over the production of the Zhongshan Production Plant, the Directors are of the view that the Zhongshan Production Plant is not crucial to the Group's operation and financial performance.

QUALITY CONTROL

The Directors believe that provision of consistent quality of products is one of key factors leading to the Group's success. The Group has adopted a quality assurance guideline to ensure the quality of the Group's products. As at the Latest Practicable Date, the Group had 8 quality control staff working with different departments of the Group to ensure that the quality control are properly implemented. In 2007, the Group obtained ISO 9001:2000 and ISO 14001:2004 certification for the development and manufacture of adhesives and primers. The Group is also a member of SATRA, which is a leading research and technology centre in the world. The Group generally focuses its quality control efforts on the following critical stages of the production process:

Procurement

The procurement department of the Group purchases the raw materials from qualified suppliers only. The suppliers provided the sample to the research and development team and quality assurance team for testing. After the quality is confirmed as acceptable, the pilot test will be performed. The suppliers will be qualified after satisfying the aforesaid testing. The procurement department will place the orders in accordance with the factors regarding the quality, cost and services from suppliers. Upon the arrival of the raw materials, the quality assurance department conducts tests on sampling basis to ensure the quality of each purchase of the raw materials. The Group performs the assessments on the qualified suppliers regularly in accordance with, among other factors, the capabilities of research and development, quality, supply stability and service qualities. The qualified suppliers' list will be updated regularly according to the results of the assessments.

Research and development

The marketing and technical services team of the Group visits the customers regularly and understands the demand of customers. The research and development team works closely with the marketing and technical services team to ensure that new products meet the quality assurance standards and also meet the customers' need and the market trend on footwear materials and the requirement of environmental protection.

Production

The Group's designed quality control checking point between each production stage during the production process. The quality control staffs conduct quality control tests as to quality of the semi-finished products and reliability at different stages during the production process.

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Finished products

All of the finished products are tested on sampling basis. The tests include inspection of the external appearance, application tests and chemical test for the stability of the chemical products under different environmental conditions such as temperature and humidity. The sample of each finished product will be retained for the long term observation of stability or other purposes.

The Group has obtained and maintained all the necessary permits and licenses required in connection with the Group's operation.

Set out below are the principal permits or licenses of the Group regarding the operation in Zhuhai:

Permits or licenses	Expiry date	Status
安全生產許可證 Safety Manufacturing Permit	28 March 2013	Effective
危險化學品經營單位儲存核定書 Dangerous Chemicals Operating Unit Storage Approval Letter	29 December 2012	Effective
危險化學品經營許可證 Dangerous Chemicals Operation Permit	29 December 2012	Effective
危險化學品生產單位登記證 Dangerous Chemicals Manufacturing Unit Registration Certificate	10 September 2012	Effective

Here are the principal permits or licenses of the Group regarding the operation in Zhongshan:

Permits or licenses	Expiry date	Status
安全生產許可證 Safety Manufacturing Permit	4 December 2010	Effective
危險化學品經營許可證 Dangerous Chemicals Operation Permit	15 January 2011	Effective

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AWARDS AND ACCREDITATIONS

The following has set out some of the significant awards and accreditations that were granted in relation to the Group's brand names or products up to the Latest Practicable Date:

Awards/accreditation	Endorsing organisation	Awarding year
二零零零年度安全生產先進企業 (Safety production and innovative enterprise 2000)	中山市黃圃鎮人民政府 (Zhongshan city Huangpu Town People's government)	2001
International Quality Crown Award London 2003	Business Initiative Directions	2003
SATRA Membership	SATRA TECHNOLOGY CENTRE	2007
2008年度企業安全生產工作先進單位 (Enterprise safety production and innovative organisation 2008)	珠海高欄港經濟區 (Zhuhai Gaolan Port Economic Region)	2009
2008年度安全生產工作先進單位 (Safety production and innovative organisation 2008)	中山市安全生產監督管理局 (Administration of Work Safety of Zhongshan Municipality)	2009
2008年度安全生產工作優秀獎 (Safety production award 2008)	中山市黃圃鎮人民政府 (Zhongshan city Huangpu Town People's government)	2009
2009年度中國最具創新力企業 (The Most Innovative Enterprise China 2009)	中國生產力學會/中國企業報社 Chinese Association of Productivity Science/ China Enterprise News	2010

The International Quality Crown Award granted by the Business Initiative Directions is given in accordance with the criteria of (i) excellence in leadership and business management, (ii) quality and excellence, (iii) business and brandname prestige and (iv) technology, innovation and projection.

The SATRA Membership is subject to the annual audit by SATRA Technology Centre. The annual audit focuses on the laboratory control system. The audit is performed in various aspects, such as the testing methods, staff training, equipment, laboratory conditioning, reference materials, testing work and reporting, and retained materials and work records etc.

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The award of safety production and innovative organisation is granted, among other things, according to the criteria that the organisation must (i) obey the safety production and related regulation in its own initiative, (ii) establish the code of safety production, responsibility of safety production, (iii) establish the safety production system and operation regulation and (iv) promote and educate the importance of safety production.

The Zhuhai Gaolan Port Economic Region grants the award of enterprise safety production and innovative organisation in the aspect of safety. To obtain the award, the candidate must be innovative and well organised, strengthen the supervisory and inspection, and persistently improve from experiences.

ENVIRONMENTAL PROTECTION AND SAFETY MEASURES

Since the raw materials of the products of the Group are mainly by-products of crude oil, the improper use, disposal and/or storage may cause pollution to the environment and, to certain extent, is toxic and harmful to human being. As advised by the Company's PRC and Vietnam legal advisers, the Group complied with the relevant environmental, health and safety laws and regulations of the PRC and Vietnam on the handling of chemical materials. Details of compliance issue of the Group are set out in the paragraph headed "Compliance History of the Group" in this section.

The production facilities of the Group in the PRC are subject to relevant PRC national and local environmental laws and regulations, including but not limited to Regulations on the Safety Administration of Dangerous Chemicals (危險化學品安全管理條例), Fire Control Law of the People's Republic of China (中華人民共和國消防法) and Law of People's Republic of China 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). On the other hand, the production facilities of the Group in Vietnam are also subject to various Vietnamese environmental laws and regulations, which apply to the use of water, discharge of wastewater into rivers, fire prevention and the management of toxic waste.

To ensure compliance with statutory standards, the Group has obtained a wastewater discharge permit, registered the handling of toxic waste generated from production processes such as production waste and drums, put various internal measures in place, and contracted with local independent environmental companies to deal with pollutants and toxic waste released in connection with its production operations. The Group has adopted the following specific measures to ensure that the Group's operations comply with environmental laws and regulations in the PRC and Vietnam:

- implementing an environmental protection inspection system and internal rules for all employees to follow, particularly those involved in production;
- setting up internal environmental training programmes; and
- checking safety and environmental protection compliance periodically.

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The Group had appointed 廣州市環境保護投資及發展公司 (Guangzhou Environmental Protection Investment Development Company) to assess the effect from pollution in relation to the planned production plant in Nansha. It issued a report related to the assessment result, which was approved by the Guangzhou Nansha Development Zone Environmental Protection Bureau. The report is of the view that the pollutions from the production of the Group's products are controllable under normal circumstances. However, it may not be controllable under the extreme circumstances, such as under fire and explosion. It was suggested that the Group's production is feasible in the parcel of land situated in Nansha, given that the proper prevention and control measures are adopted and the establishments of risk management and control for the environmental protection, and the assurance regarding the stable amount of emission of the pollutants.

The Group is in compliance, in all material respects, with applicable environmental laws and regulations currently in force, including the requirement to submit third-party environmental audits. The Group did not receive any notice of material environmental non-compliance during the Track Record Period. The Group intends to continue to invest in the equipment and operational measures required for environmental protection and regulatory compliance.

The Group implements safety measures on the handling of toxic and inflammable substances, including:

- the maintenance of ventilation facilities in the raw material warehouse and production plant in order to control the concentrations of chemical vapours in the air. The Group regularly monitor the air quality in its plants;
- the requirement for workers who need to have contact with the toxic substances to wear appropriate protective gears and/or face masks;
- the introduction of various safety guidelines such as prohibition of smoking in the plants; and
- the formation of emergency plans and regular disaster drills.

During the Track Record Period, the Group had not received from its employees any report or claim of significant occupational diseases caused by exposure to harmful substances.

COMPETITION

The Group competes with a large number of adhesive manufacturers in the PRC and faces competition in terms of product quality, pricing, marketing, production capacity and customer service. Apart from pricing, quality of adhesive and primer products and after sales services are becoming more important factors for footwear manufacturers in the selection of suppliers. The Directors believe that the competition in the PRC market, especially for export market, is gradually moving away from a price-based competition to the competition on quality and the

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ability to meet customers' specific requirements. Such change is attributable to higher standard required by footwear manufacturers and end-user. The Directors consider that the reputation and credibility that the Group built over the last two decades, the ability of research and development of new products and modification of products, the high and stable product quality and after sales services are the key factors for the Group to remain competitive in the market. The Group targets the first tier segment in the footwear adhesive market with emphasis on the environmental friendliness and non-toxic substance for the footwear manufacturers, including both the PRC footwear manufacturers and foreign footwear manufacturers in the PRC.

According to the Adhesive Industry Report, the adhesive products in the PRC can be divided into two groups namely (i) high-end adhesive products, with comparatively good quality and higher price, produced by foreign investment enterprises in the PRC; and (ii) low-end adhesive products, with unstable product quality, comparatively less environmental friendly and comparatively lower market price, produced by small local adhesive manufacturers in the PRC. Although the quality of locally produced adhesive will gradually be approaching the quality of adhesive manufactured by foreign manufacturers, a period of time is required for such local adhesive manufacturers to improve their product quality such as increase in investment in research and development, production capacity and the establishment of technical support team.

Having considered that the Group's ultimate customers, being the footwear suppliers with emphasis on product quality, demanding higher and more stable quality of production materials with environmental friendliness for their products as compared to the local footwear manufacturers as well as suppliers in the PRC, the Directors believe that the Group falls within the first tier market like foreign adhesive suppliers providing high-end products with comparatively good quality and higher price. Furthermore, in view of (i) the Group's cooperation with No-Tape Japan, a renowned chemical company based in Japan, for the research and development of high quality and reliable footwear adhesive; (ii) the Group's record with no sales return due to dissatisfaction of product quality during the Track Record Period; (iii) the increasing contribution of footwear adhesive by the Group to its major customers during the Track Record Period; and (iv) the long term communication and business relationship with the major customers of the Group, the Directors are of the view that, among the foreign adhesive suppliers, the products of the Group are comparatively stable in quality and the after-sale technical services is comparatively efficient and fast responding. Under the Group's continuous effort on its research and development and competitive edges, the Directors believe that the Group will continue to be one of the key market players in the footwear adhesive market in the future.

The Directors consider that there are certain barriers for the new entrants for the footwear adhesive industry in view of the need of the extensive requirements of technical know-how, research and development capability, experienced marketing team with technical knowledge and substantial capital expenditures. The strong network and relationship with customers of the Group are the other factors of barrier for the new entrants. The Directors believe that the requirement for in-depth knowledge of the market, production and technological knowledge, comprehensive utilisation of production technologies, poses significant barriers for new competition into the footwear adhesive industry.

ADOPTION OF INTERNAL CONTROL POLICY

General internal control policy

In order to strengthen its compliance mechanism for relevant regulations and to enhance the strength and effectiveness of the Group's corporate governance, the Group has taken and will take the following steps to incorporate the following internal control policy to ensure compliance with various applicable rules and regulations:

- (a) distribution to and review by the Directors of detailed memorandum prepared by the legal adviser to the Company setting out the requisite on-going regulatory requirements and obligations of the Directors after Listing;
- (b) training sessions attended by the Directors and senior management of the Group conducted by legal adviser to the Company on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange;
- (c) the appointment of three independent non-executive Directors with experience in financial, accounting and legal industries respectively. The Company will be able to draw on their experience with respect to the compliance with applicable legal, regulatory and financial reporting requirements;
- (d) the company secretarial team will have access to external professional retained or to be retained by the Group from time to time if applicable, including the compliance adviser, external legal counsel, auditors and other advisers as necessary and will report directly to the Board;
- (e) the establishment of an audit committee which comprises the independent non-executive Directors who would, among other things, review the internal control systems and procedures for compliance with the relevant accounting, financial and Listing Rules requirements. Such audit committee has adopted a term of reference setting out in details its duties and obligations for ensuring compliance of regulatory requirements; and
- (f) the appointment of SinoPac as the Company's compliance adviser to advise the Company on compliance matters in accordance with Rule 3A.19 of the Listing Rules.

Internal control policy in relation to land title

In order to minimize the risks the Group may face in relation to deficiencies of land title to property to be occupied by the Group in the future, and ensure adequate procedures will be made for obtaining valid entitlement of land use right, the Group has adopted the following internal control policy:

1. Prior to the signing of relevant agreement for the purchase or lease (as the case may be) of property, the Group shall obtain from the seller or lessor (as the case may be) relevant documents showing its valid entitlement to such property; and

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2. legal adviser will be engaged by the Group for (i) inspecting and verifying the validity of relevant land title documents provided by the seller or lessor (as the case may be); (ii) advising the Group in relation to the terms of the sale and purchase agreement or leasing agreement (as the case may be) for protecting the interest of the Group; and (iii) advising the Group to register and obtain relevant documents for the valid entitlement of the property.

In the future, should the Group discover that there is defective title to a prospective property, the Group will not lease or acquire (as the case may be) such property. Furthermore, in order to protect the Group's interest further, the Group will request, if applicable after obtaining advice from its legal advisers, to state in the relevant acquisition or leasing agreement (as the case may be) that the lessor should register and/or obtain the valid land title of the Group.

Internal control policy in relation to the historical non-compliance incidents

The reason for the non-compliance incidents as mentioned above were mainly due to the lack of experiences in the relevant regulatory requirements in the initial stage of production and sale of adhesive related product business of the Group since 2006 and in the initial stage of establishment of the processing operation in Vietnam.

Such non-compliance incidents were mainly related to the breach of relevant PRC custom regulations and improper handling of chemical goods. In order to prevent further non-compliance under relevant PRC custom regulations, the Group adopted its operation guideline in relation to the exchange of goods outside the bonded areas in October 2008 which satisfies the requirements of relevant regulation of the custom. The Group invites the custom and related government authorities to perform a regular check on the Group's factories in order to enhance the system. Furthermore, in order to prevent improper handling of chemical goods in the future, the Group has adopted its internal control guidelines to provide guidance and internal approval procedures to its production and procurement departments in purchase, production and storage of chemical goods. Such internal guideline has been revised from time to time to cope with the latest regulations governing the handling of chemical goods in the PRC, Vietnam and/or other jurisdiction where the Group operates.

Moreover, in order to ensure the obtaining of requisite license or registration of requisite documents for the prevention of carrying out after-sale services without business registration document, establishment and business operation and carry out after-sale services of the Group in the future, the Group will engage a legal adviser for advising on handling, registration and filing of necessary documents to relevant government authority for obtaining requisite documents for operation and carry out after-sale services in various jurisdictions.

In addition to the above, in order to ensure the timely contribution to capital for future company establishment by the Group under relevant laws and regulations, the Group has adopted an internal procedure in relation to the filing of various documents of company including application of incorporation related documents and to review the timeline for contribution capital regularly.

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The Joint Sponsors consider that the above corporate governance measures will enable the Group to strengthen its control environment both at the working level and at the monitoring level. The Joint Sponsors are of the view that these measures, in addition to the standard measures employed by other newly listed companies, will provide a stronger foundation for the Group to more effectively identify and deal with compliance related matters and will provide assistance to the Directors in monitoring compliance of the Group with regulatory and legal requirements as a whole.

Indemnity regarding land title

On 28 July 2010, the Indemnifiers executed a deed of indemnity in favour of the Group, whereby each of the Indemnifiers has jointly and severally agreed and undertaken to indemnify and hold harmless the Company and each member of the Group, among other matters, against any and all damages, losses, fees, costs, expenses of any actual claims, actions or proceedings which may be made or established against the Company or any member of the Group arising out of or in connection with:

- (i) the failure of Zhongshan Macson to obtain the land use right certificate in respect of the Zhongshan Production Plant;
- (ii) the failure of Vietnam Centresin to obtain the land use right certificate in respect of a piece of land located at D2-3 Dai Dang Industrial Zone, Tan Uyen District, Binh Duong Province (the “**Vietnam Sublease Property**”) leased by Vietnam Centresin pursuant to a land sublease agreement dated 6 March 2008 and entered into between Dai Dang Investment and Construction Co., Ltd as lessor and Vietnam Centresin as lessee; or
- (iii) Vietnam Centresin’s rights to use the property situated at Road No. 2, Dong An Industrial Park, Thuan District, Binh Duong Province, Vietnam (the “**Existing Vietnam Leased Property**”) have been adversely affected by reason of failure to have the relevant lease certified by Binh Duong Industrial Zones Authority.

The indemnity referred to above shall be extended to cover:

- (1) all damages, losses, fees, costs, expenses incurred by any member of the Group in the event a member of the Group (the “**Affected Group Company**”) being evicted from any of the Zhongshan Production Plant, the Vietnam Sublease Property or the Existing Vietnam Leased Property, it uses or occupies (the “**Affected Premises**”) by the landlord or the relevant governmental authority thereof by reason only of the defective title (the “**Defective Title**”) of the land due to the absence of land use right certificate or non-registration or non-certification of the relevant lease agreement, the Indemnifiers shall as soon as reasonably practicable and in any event before the expiry of two months after such eviction, secure for the use and occupation by the Affected Group Company of a property (the “**Substitute Premises**”) which is comparable and substantially similar to the Affected Premises in location, area and user, for a term which is in no way shorter than the remaining leased term under the relevant lease agreement for the Affected Premises; and

BUSINESS

- (2) any costs, expenses, claims, losses and liabilities which may be incurred or suffered by the Affected Group Company by reason only of the occurrence of the Defective Title and in respect of:
- (a) any difference in rentals between the Substitute Premises and the Affected Premises for the remaining term of the relevant lease for the Affected Premises;
 - (b) any costs or expenses arising from the relocation of the Affected Group Company's business or assets from the Affected Premises to the Substitute Premises;
 - (c) any operating and business losses which the Affected Group Company may suffer as a direct result of a relocation of its business from the Affected Premises to the Substitute Premises;
 - (d) any concluded or unconcluded litigation, claim, action, prosecution, arbitration, mediation or alternative dispute resolution relating to the Defective Title (collectively the "Proceedings"); and
 - (e) any dispute with any person(s) not resulting in Proceedings;

and insofar as (d) and/or (e) above are concerned, whether resulting from an award, judgment or finding or from a negotiated settlement or otherwise.

During the due diligence process, the Joint Sponsors have not identified any material matter which will raise their concern as to the competence, integrity and characters of the Directors nor as to their suitability to act as directors of the Company.

EXEMPT CONTINUING CONNECTED TRANSACTION

On 31 March 2010, the Group entered into an agreement for renting from Mr. Jeong an office unit with approximately 2,000 square metres located at Nos. 201-210 on Level 2, Nos. 79-111 Yiju Street, Nanzhou Road, Haizhu District, Guangzhou, Guangdong Province, the PRC for a term of approximately 34 months from 31 March 2010 at a monthly rent of RMB60,000.

Such lease agreement is expected to continue after the Listing. Mr. Jeong, being an executive Director and a Controlling Shareholder, is a connected person of the Company. The transaction contemplated under the above lease agreement constitutes continuing connected transaction (within the meaning of Chapter 14A of the Listing Rules) for the Company.

BUSINESS

The applicable percentage ratios (as defined in the Listing Rules) in respect of the aforementioned leasing agreement, on an annual basis, are less than 0.1%. Therefore, the transaction under the above lease agreement will constitute de minimis transactions for the Company under the Rule 14A.33(3) of the Listing Rules after the Listing and will be exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the rent payable to Mr. Jeong under the above lease agreement to be fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

The Directors are of the view that the Group is capable of carrying out its business independently of the Controlling Shareholders and their associates after the Listing as (i) the Group's clients and suppliers are independent of the Controlling Shareholders; and (ii) apart from Mr. Jeong, the other executive Directors, the independent non-executive Directors, the senior management and staff of the Group are independent of the Controlling Shareholders.

Operational and management independence

The Controlling Shareholders will retain a controlling interest in the Group after the Listing. However, the Group has full authority to make all decision on its business operations independently. The Group holds all equipment to operate the businesses independently from the Controlling Shareholders. All of the licenses necessary to carry on the existing business of the Group are held by the Group.

Save for the continuing connected transaction disclosed in the paragraph headed "Exempt continuing connected transaction" in this section, it is not expected that there will be other transaction between the Group and the Controlling Shareholders upon or shortly after the Listing.

Administrative independence

The Group has its own resources to perform all administrative functions such as financial and accounting management, inventory management and research and development. The senior management staff and the company secretary are independent of the Controlling Shareholders.

BUSINESS

Financial independence

The Group has its own financial management system and is able to operate the business independently from the Controlling Shareholder in the financial aspect. The terms of the loans will not change after the withdrawal of the guarantee provided by Mr. Jeong, being one of the Controlling Shareholders. The Group is expected to be able to obtain financing from external sources without reliance on the Controlling Shareholders after Listing.

Competing interest

Having made all reasonable enquiries, as at the Latest Practicable Date, neither the Controlling Shareholder nor the Directors had any interest in a business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

EXECUTIVE DIRECTORS

Mr. Jeong Un, aged 55, being a founder of the Group, is the chairman of the Board and the Chief Executive Officer of the Group. Mr. Jeong is primarily responsible for (i) the Group's strategic planning including geographical and network expansion of the Group's business such as expansion of customers' base and penetration of business in the domestic adhesive industry in the PRC; (ii) product research and development; (iii) enhancement of the Group's capability in marketing and promotion as well as technical assistance to customers; and (iii) positioning the Group in the adhesive industry. Mr. Jeong, being one of the founders of the Group in 1990, has been leading the Group from engaging in adhesive distribution business to adhesive development, sale and production business. Mr. Jeong has approximately 20 years experience in the adhesive related industry. Prior to the establishment of the Group in 1990, Mr. Jeong held a senior management position of Luen Ying Hong Company Limited, a distributor of petroleum related products for more than 6 years in Macau. During such employment, Mr. Jeong was responsible for the management of the business operation, and the marketing and technical services team. Mr. Jeong is the sole shareholder and sole director of All Reach, the Controlling Shareholder.

Mr. Ip Chin Wing, aged 55, is a deputy general manager of the Group. He is responsible for the management and daily operation of the Group and also assists the chairman of the Board in formulating the business strategies and implementing corporate and operational decisions. Prior to joining the Group in 2001, Mr. Ip served as a general manager of Dongguan Advanced Coatings Company Limited, a sino-foreign joint venture company registered in the PRC. In 2009, Mr. Ip was awarded by 中國生產力學會 (China Society of Productivity) and 中國企業報社 (China Enterprise Newspapers Office) as China enterprise innovative and outstanding person of the year 2009 (2009年度中國企業創新優秀人物). Mr. Ip obtained a certificate in industrial trade instruction from The Hong Kong Technical Teachers' College in 1982.

Mr. Ip Ka Lun, aged 55, is a deputy general manager of the Group. He is responsible for overseeing the treasury and administrative functions of the Group and also assists the chairman of the Board in formulating the business strategies and implementing corporate and operational decisions. Mr. Ip has 16 years experience of overseeing the operation of accounting and finance departments. Prior to joining the Group in 2000, he was the manager of finance and accounts department of Yaohan Department Store (H.K.) Limited in Hong Kong from 1984 to 1997. He joined Noble City Holdings Limited, a holding company carrying out construction materials related business in the PRC, as a finance manager from 1998 to 2000. Mr. Ip obtained a bachelor degree in business from Tamkang University in 1977.

Mr. Stephen Graham Prince, aged 47, is an executive Director and also the director of business and marketing of the Group. He is responsible for overseeing all sales and marketing functions of the Group. Prior to joining the Group in 2005, Mr. Prince worked as a general manager of Interliance LLC. and was the chief representative of this company in Shanghai, responsible for project management, business intelligence and operational strategy. Mr. Prince graduated from Audrey Cohen College in the U.S. with a bachelor of business administration degree in 1992 and obtained a master degree of business administration from Fordham University in 2001.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Poon Yick Pang, Philip, aged 40, was appointed as an independent non-executive Director in March 2010. Mr. Poon has over 15 years of corporate finance and accounting experience. He is a company secretary of Ruinian International Limited (stock code: 2010), a company listed on the main board of the Stock Exchange. He was the director of finance of China Medical Technologies, Inc., a NASDAQ listed company engaged in the manufacture and sales of advanced medical devices in the PRC from 2007 to 2008, and the senior vice president and company secretary of Paradise Entertainment Limited (formerly known as LifeTec Group Limited) (stock code: 1180), a company listed on the main board of the Stock Exchange, from 2002 to 2007. Mr. Poon also served various positions in Advent International Corporation, a global private equity firm, and worked at Legend Holdings Limited and Sun Hung Kai Properties Limited (stock code: 16), a company listed on the main board of the Stock Exchange. Mr. Poon obtained a bachelor of commerce degree from the University of New South Wales in 1993 and is a holder of a Chartered Financial Analyst charter awarded by the CFA Institute in 2001, obtained a Certified Practising Accountant of the CPA Australia in 1996 and a fellow member of the Hong Kong Institute of Certified Public Accountants in 2006.

Mr. Ho Gilbert Chi Hang, aged 33, is an independent non-executive Director. He joined the Group in March 2010. He is the senior investment director of New World Development Company Limited (stock code: 17), and an executive director of New World Strategic Investment Limited. He is also a non-executive director of New Environmental Energy Holdings Limited (stock code: 3989) and Renhe Commercial Holdings Company Limited (stock code: 1387) and an independent non-executive director of Kam Hing International Holdings Limited (stock code: 2307), all of which are companies listed on the main board of the Stock Exchange. Mr. Ho has extensive experience in the area of corporate management, investments, corporate finance and merger and acquisition transactions and was a partner of an international law firm, Fried, Frank, Harris, Shriver and Jacobson LLP. He is a committee member of the Chinese People's Political Consultative Conference of Shenyang. Mr. Ho obtained a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia in 1998 and 1999, respectively, and he was admitted as a solicitor in New South Wales and Australia in 1999 and England and Wales in 2001.

Mr. Chan Wing Yau, George, aged 55, is an independent non-executive Director. He joined the Group in March 2010. He is the Chairman and Chief Executive Officer of Capital Focus Asset Management Limited and an independent non-executive director of Weiqiao Textile Company Limited (stock code: 2698), a company listed on the main board of the Stock Exchange. He had been a director of Jardine Fleming Investment Services Limited. After leaving Jardine Fleming Investment Services Limited, he joined HSBC Asset Management Hong Kong Limited as an executive director. He has extensive experience in fund management. Mr. Chan had held several positions of public services, such as a member of the Financial Services Advisory Committee of the Hong Kong Trade Development Council, the chairman of Investment Sub-Committee of and board member of Ocean Park Corporation, and the chairman of the Hong Kong Investment Funds Association China Sub-Committee. Mr. Chan obtained a bachelor of mathematics from the University of Waterloo in 1978.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

SENIOR MANAGEMENT

Mr. Zheng Guo Liang, aged 47, is the regional sales director of the Group in the PRC. Mr. Zheng joined the Group as a sales representative in 1990. Prior to joining the Group, he was working for a mechanical engineering company in Zhuhai and responsible for the mechanical maintenance for more than five years. Mr. Zheng finished his secondary education in 1987. He is currently a regional sales director in the PRC. Mr. Zheng is responsible for the planning of sales and marketing strategies, achieving sales target and development of the Group. He is also responsible for customer relationship management.

Mr. Li Bo Tao, aged 41, is the director of administration department of the Group. He graduated from 哈爾濱工程大學 (Harbin Engineering University) (formerly known as 哈爾濱船舶工程學院 (Harbin Ship Engineering Institute)) and obtained bachelor degree in engineering in 1990. He was a general manager of a business consultancy company responsible for the provision of testing, verification, technical consultancy and inspection of products from customers in the PRC for seven years before joining the Group in 2007. Mr. Li is responsible for implementation of policies and rules of the Group for monitoring and strengthening guidelines for the administration and logistics of the Group. He is also responsible for establishing and promoting the enterprise culture of the Group.

Mr. Liu Feng, aged 36, is the regional sales director of the Group in Southeast Asia region. Mr. Liu joined the Group in 2000 as an assistant sales manager in Vietnam and has been promoted to regional sales director of the Group in Southeast Asia region since 2006. He finished a vocational education with major in physics in 1992. Mr. Liu is responsible for the management and development of the Group's business in Southeast Asia region. Prior to joining the Group, he had seven years of experience in the industry of the shoes manufacturing. He was a supervisor of a footwear manufacturing plant, being responsible for management in Punyu for about a year. Mr. Liu is responsible for devising sales and management strategies, achieving sales target and development of the Group. He is also responsible for customer relationship management.

Ms. Xiao Wei, aged 41, is the director of production and quality assurance department of the Group. Ms. Xiao obtained her Bachelor Degree in Science from Nanjing University in 1989 and received her Master Degree in Business Administration from Jinan University in 2005. Prior to joining the Group in 2005, she served as the department head of business department and corporate administration department of 中山大橋化工有限公司 (Zhongshan Daqiao Chemical Company Limited), being responsible for corporate administration for about three years; and a deputy general manager of Ohashi Chemical (Qingdao) Industry Company Limited (鷗哈希化學(青島)工業有限公司), being responsible for general management for about a year. Ms. Xiao is responsible for production planning, formulating and execution of the quality assurance policy of the Group.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Zhong Xuan Feng, aged 39, is the director of human resources and information technology departments of the Group responsible for diverse range of human resources activities of the Group including recruitment, compensation and benefits, staff training and employee relationship management. Apart from human resources, he is also responsible for the development of information technology platform to support the operation of the Group in accordance with development needs. Mr. Zhong joined the Group in 1998. He had 6 years experiences of accounting. He was a head of accounting of an investment company. In 2006, Mr. Zhong was sponsored by the Group to study in Hong Kong, he obtained a master degree in business administration from Hong Kong Baptist University in 2008.

Mr. Wu Xiang Ming, aged 41, is the director of research and development department of the Group responsible for the establishment and implementation of the research and development plan in accordance with the requirements of the customers of the Group and the market. He is also responsible for the general management of the research and development team of the Group, such as resources allocation, staff promotion and the appraisal of the overall team. Prior to joining the Group in 2007, Mr. Wu had more than 11 years research and development working experience. He was a research and development manager of a Hong Kong based chemical science company for seven years. Mr. Wu graduated from 華東理工大學 (East China University of Science and Technology) (formerly known as 華東化工學院 (East China Institute of Science and Technology)) in 1990 with a bachelor degree in engineering and obtained a master of engineering from Zhejiang University in 1996.

Mr. Ke Jia Min, aged 47, is the regional director of commerce of the Group in Southeast Asia. Prior to joining the Group in 2003, Mr. Ke served as a senior management position responsible for the operation of a hotel in Zhuhai. Mr. Ke also served as a representative of Zhuhai's Fourth National People's Congress from 1994 to 1999. As a regional director of commerce of the Group in Southeast Asia, he is responsible for promoting the Group's products to footwear suppliers with a view to gaining the recognition of the Group by footwear suppliers as their approved raw material suppliers. He is also responsible for the relationship management with both footwear suppliers and footwear manufacturers. To provide the support to the sales and marketing functions, Mr. Ke organises the regional commercial team to provide all aspects support to the marketing and technical services team of the Group.

Mr. Lau Chan Wing Raymond, aged 53, is the chief financial officer and company secretary of the Group. Graduated from Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) with a diploma in accountancy in 1977, Mr. Lau is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of International Accountants of United Kingdom. Before joining the Group in March 2010, Mr. Lau was the financial controller of Soundwill Holdings Limited (stock code: 878), a company listed on the main board of the Stock Exchange, from September 2004 to June 2009. Prior to that, Mr. Lau had been the financial controller of China Grand Pharmaceutical and Healthcare Holdings Limited (formerly known as Maxx Bioscience Holdings Limited) (stock code: 512), a company listed on the main board of the Stock Exchange, from June 1995 to September 2004. Prior to that, Mr. Lau had over 15 years' experience in financial management and accounting and held senior financial management positions in several multinational and listed companies in Hong Kong and overseas. From October 1977 to November 1980, Mr. Lau also had three years' auditing experience with KPMG in Hong Kong.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

AUDIT COMMITTEE

The Group established an audit committee on 26 March 2010 with written terms of reference as suggested under 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 supervise the Group's financial reporting processes and internal control system.

The audit committee has three members comprising Mr. Poon Yick Pang Philip, Mr. Chan Wing Yau George and Mr. Ho Gilbert Chi Hang, all of whom are independent non-executive Directors. The chairman of the audit committee is Mr. Poon Yick Pang Philip.

REMUNERATION COMMITTEE

The Group established a remuneration committee on 26 March 2010 with written terms of reference as suggested under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

The primary responsibilities of the remuneration committee are to make recommendations to the Board on the remuneration package of the Directors and senior management personnel and to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The remuneration committee has four members comprising Mr. Chan Wing Yau George, Mr. Poon Yick Pang Philip, Mr. Ho Gilbert Chi Hang and Mr. Ip Ka Lun, a majority of whom are independent non-executive Directors. The chairman of the remuneration committee is Mr. Chan Wing Yau George.

NOMINATION COMMITTEE

The Group established a nomination committee on 26 March 2010 with effect from Listing to make recommendations to the Board regarding candidates to fill vacancies on the Board.

The nomination committee has four members comprising Mr. Ho Gilbert Chi Hang, Mr. Chan Wing Yau George, Mr. Poon Yick Pang Philip and Mr. Ip Ka Lun, a majority of whom are independent non-executive Directors. The chairman of the nomination committee is Mr. Ho Gilbert Chi Hang.

COMPANY SECRETARY

Mr. Lau Chan Wing Raymond is the chief financial officer of the Group and company secretary of the Company. Please refer to his biography under the paragraph headed "Senior management" above.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS AND SENIOR MANAGEMENT REMUNERATION

The remuneration committee will regularly review and determine from time to time the remuneration and compensation of the Directors and the senior management of the Group.

For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, the aggregate remuneration paid to the Directors amounted to approximately HK\$1,907,000, HK\$2,112,000, HK\$2,825,000 and HK\$1,305,000 respectively.

Under the arrangements currently in force, the aggregate emoluments payable by the Group to and benefits in kind receivable by the Directors for the year ending 30 September 2010 will be approximately HK\$3,900,000.

STAFF

As at the Latest Practicable Date, the Group had a total of 274 full-time employees. The following table sets forth the breakdown of the Group's employees by functions:

	Total
Management	24
Administration	33
Finance and accounting	19
Production	93
Research & development	15
Marketing and technical services	90
	<hr/>
Total	274
	<hr/> <hr/>

RELATIONSHIP WITH STAFF

The Directors recognize the importance of good relationship with the employees of the Group. The remuneration payable to the Group's employees includes salaries, allowance and bonus.

The Group has not experienced any significant problems with the employees of the Group and any disruption to the operation of the Group, nor have we experienced any difficulties in the recruitment and retention of experienced staff. The Directors believe that the Group has good working relationship with the employees.

STAFF BENEFITS

The Group complies in all material aspects with all statutory requirements on retirement contribution in the jurisdictions where the Group operates. In accordance with applicable PRC laws and regulations on social insurance, the Group contributes to various social insurance

DIRECTORS, SENIOR MANAGEMENT AND STAFF

plans such as pension contribution plans and unemployment insurance plans for the employees in the PRC. With respect to the Group's non-PRC employees, the Group also complies in all material respects with all statutory insurance obligations applicable to the Group under the laws on the respective jurisdictions.

The Group also offers its employees other benefits, including provident funds, company sponsored training. For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, the Group's contribution to pension schemes amounted to approximately HK\$819,000, HK\$947,000, HK\$1,418,000 and HK\$367,000 respectively.

COMPLIANCE ADVISER

The Company has appointed SinoPac, in accordance with Rule 3A.19 of the Listing Rules, as its Compliance Adviser for the period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The material terms of the compliance adviser's agreement between the Company and SinoPac are as follows:

1. the Compliance Adviser's appointment shall be for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the financial results of the Company for the financial year ending 30 September 2011;
2. the Compliance Adviser shall provide the Company with services including guidance and advice as to compliance with the requirement of the Listing Rules and other applicable laws, rules, codes and guidelines, and accompany the Company to any meetings with the Stock Exchange; and
3. during the period of appointment, the Company must consult with, and if necessary, seek advice from the Compliance Adviser on a timely basis in the following circumstances:
 - (i) before the publication of any regulatory announcement, circular or financial report;
 - (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
 - (iii) where the Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the Group's business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
 - (iv) where the Stock Exchange makes an inquiry of the Company under Rule 13.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, immediately following completion of the Share Offer and the Capitalisation Issue, the persons/corporations will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name	Capacity	No. of Shares held	Position	Percentage of issued share capital
All Reach (<i>note 1</i>)	Beneficial owner	337,500,000	Long	67.50%
Mr. Jeong (<i>note 1</i>)	Interest in controlled corporation	337,500,000	Long	67.50%
Mrs. Jeong (<i>notes 1 and 2</i>)	Interest of spouse	337,500,000	Long	67.50%
Raffles Partners	Beneficial owner	37,500,000	Long	7.50%
Tang Tsz Kit (<i>note 3</i>)	Interest in controlled corporation	37,500,000	Long	7.50%

Notes:

- (1) The entire issued share capital of All Reach is wholly and beneficially owned by Mr. Jeong. By virtue of the SFO, Mr. Jeong, an executive Director, is deemed to be interested in the entire 337,500,000 Shares held by All Reach. Mrs. Jeong, being the spouse of Mr. Jeong, is also deemed to be interested in the 337,500,000 Shares under the SFO.
- (2) According to the laws of Macau, the regime of matrimonial property of Mr. Jeong and Mrs. Jeong is community (共同財產制).
- (3) The entire issued share capital of Raffles Partners is wholly and beneficially owned by Tang Tsz Kit. By virtue of the SFO, Tang Tsz Kit is deemed to be interested in the entire 37,500,000 Shares held by Raffles Partners.

SHARE CAPITAL

SHARE CAPITAL

The authorised share capital of the Company is set forth below:

	<i>HK\$</i>
<u>5,000,000,000</u> Shares	<u>50,000,000</u>

The share capital of the Company immediately following completion of the Share Offer and the Capitalisation Issue will be as follows:

Issued and to be issued, fully paid or credited as fully paid:

	<i>HK\$</i>
2,000 Shares in issue as at the date of this prospectus	20
374,998,000 Shares to be issued pursuant to the Capitalisation Issue	3,749,980
<u>125,000,000</u> Shares to be issued pursuant to the Share Offer	<u>1,250,000</u>
<u>500,000,000</u> Total number of Shares	<u>5,000,000</u>

Assumptions

The above table assumes that the Share Offer has become unconditional and the issue of Shares pursuant to the Share Offer and Capitalisation Issue are made. It does not take into account any Shares which may fall to be issued pursuant to the exercise of any option that may be granted under Share Option Scheme, or which may be allotted and issued under the general mandate to allot, issue and deal with Shares (see below), or which may be purchased by the Company pursuant to the general mandate to repurchase securities (see below).

Ranking

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in the prospectus and, in particular, will qualify for all dividends or other distributions declared, paid or made on the Shares after the date of this prospectus save for any entitlement to the Capitalisation Issue.

Share Option Scheme

The Group has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the section headed “Share Option Scheme” in Appendix V to this prospectus.

SHARE CAPITAL

General mandate to issue Shares

Subject to the conditions set forth in the section headed “Structure of the Share Offer” in this prospectus being fulfilled, the Directors have been granted a general mandate to exercise all the powers of the Company to allot, issue and deal with the Shares or securities convertible into Shares and to make an offer or agreement or to grant an option which would or might require such Shares to be allotted and issued subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than by way of rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or pursuant to the exercise of the options granted under the Share Option Scheme or an allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association), shall not exceed:

- (a) 20 per cent. of the aggregate nominal value of the Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue; and
- (b) the aggregate nominal value of the share capital of the Company purchased by the Company (if any) under the authority referred to under the paragraph headed “General mandate to repurchase Shares” below.

This general mandate will remain in effect until:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the Company’s next annual general meeting is required to be held by the Articles of Association; or
- (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting,

whichever is the earliest.

Further information on this general mandate is set forth in the paragraph headed “Written resolutions of all Shareholders” in Appendix V to this prospectus.

General mandate to repurchase Shares

Subject to the conditions set forth in the section headed “Structure of the Share Offer” being fulfilled, the Directors have been granted a general mandate to exercise all the powers of the Company to purchase its own Shares on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10 per cent. of the aggregate nominal value of our Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue.

SHARE CAPITAL

This mandate only relates to purchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and requirements of the Listing Rules. An explanatory statement related to the general mandate to purchase Shares is set forth in the paragraph headed “Repurchase of the Company’s own securities” in Appendix V to this prospectus.

This general mandate to purchase Shares will remain in effect until:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the Company’s next annual general meeting is required to be held by the Articles of Association; or
- (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest.

Further information on this general mandate is set forth under the paragraph headed “Written resolutions of all Shareholders” in Appendix V to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis of the financial conditions and results of operations of the Group together with the audited combined financial statements of the Group as at and for each of the years ended 30 September 2007, 2008 and 2009 and the four months ended 31 January 2010, and the accompanying notes included in the accountants' report set out in Appendix I to this prospectus. The accountants' report has been prepared in accordance with the Hong Kong Financial Reporting Standards. Potential investors should read the whole of the accountants' report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. In evaluating the business of the Group, please also refer to the section headed "Risk factors" in this prospectus.

RESULTS OF OPERATIONS OF THE GROUP

The following table is a summary of the Group's audited combined results during the Track Record Period as extracted from the accountants' report as set out in Appendix I to this prospectus and the Group's unaudited combined results for the four months ended 31 January 2009. Potential investors should read this section in conjunction with the accountants' report as set out in Appendix I to this prospectus and not rely merely on the information contained in this section.

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Combined statements of comprehensive income

	Year ended 30 September			Four months ended 31 January	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Turnover	218,127	287,808	267,579	95,298	87,220
Cost of goods sold	<u>(177,522)</u>	<u>(240,525)</u>	<u>(202,505)</u>	<u>(78,327)</u>	<u>(66,228)</u>
Gross profit	40,605	47,283	65,074	16,971	20,992
Other income	3,070	3,655	3,880	3,311	804
Changes in fair value of investment properties	1,425	5,517	(3,970)	–	320
Selling and distribution costs	(6,357)	(8,246)	(10,318)	(3,915)	(3,139)
Administrative expenses	(16,977)	(16,141)	(20,601)	(8,385)	(8,542)
Other expenses	–	–	–	–	(4,914)
Interest on bank borrowings wholly repayable within five years	<u>(1,647)</u>	<u>(2,731)</u>	<u>(1,988)</u>	<u>(936)</u>	<u>(481)</u>
Profit before taxation	20,119	29,337	32,077	7,046	5,040
Taxation	<u>(224)</u>	<u>(753)</u>	<u>(1,380)</u>	<u>(694)</u>	<u>(354)</u>
Profit for the year/period attributable to the owners of the Company	19,895	28,584	30,697	6,352	4,686
Other comprehensive income					
– exchange differences arising on translation of foreign operations	<u>1,518</u>	<u>2,763</u>	<u>(332)</u>	<u>(348)</u>	<u>(188)</u>
Total comprehensive income for the year/period attributable to the owners of the Company	<u>21,413</u>	<u>31,347</u>	<u>30,365</u>	<u>6,004</u>	<u>4,498</u>
Earnings per Share – Basic (Note)	<u>5.3 cents</u>	<u>7.6 cents</u>	<u>8.2 cents</u>	<u>1.7 cents</u>	<u>1.2 cents</u>

Note: The calculation of the basic earnings per Share for the Track Record Period is based on the combined profit attributable to the owners of the Company for each of the relevant year/period, and on the 375,000,000 Shares, comprising 2,000 Shares in issue as at the date of this prospectus and 374,998,000 Shares to be issued pursuant to the Capitalisation Issue, in issue during such periods on the assumption that the Reorganisation and the Capitalisation Issue have become effective on 1 October 2006.

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PRINCIPAL COMBINED STATEMENTS OF COMPREHENSIVE INCOME COMPONENTS

The following is an overview of the major turnover and expense components contributing to the audited trading record of the Group during the Track Record Period:

Turnover

The turnover of the Group during the Track Record Period was mainly derived from the sale of adhesives, primers and hardeners. The following summarises the turnover contribution by the Group's product groups:

- Adhesives – The Group's adhesives are used for bonding all components of footwear including outsoles, insoles and uppers. For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, sales of adhesives contributed approximately 53.4%, 56.3%, 56.4% and 56.2% respectively to the Group's total turnover, making it the largest turnover contributor during the Track Record Period.
- Primers – The Group's primers are used in the pretreatment of footwear components including outsoles, insoles and uppers of footwear prior to the application of adhesives. For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, sales of primers contributed approximately 25.2%, 24.7%, 25.7% and 27.8% respectively to the Group's total turnover.
- Hardeners – The Group's hardeners, being a curing agent, are used by mixing with adhesives for controlling and promoting the curing effect of adhesives. All of the hardeners were sold by the Group pursuant to the distribution arrangement with an independent hardener supplier, details of which are set out in the paragraph headed "Suppliers" under the section headed "Business" in this prospectus. For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, sales of hardeners contributed approximately 20.5%, 17.3%, 16.8% and 15.6% respectively to the Group's total turnover.

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The Group also, to a lesser extent, produced and sold adhesives and primers on OEM basis, and sold raw materials of adhesives and primers to its customers. For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, sales of raw materials as well as the sales of adhesives and primers on OEM basis contributed an aggregate of approximately 0.9%, 1.7%, 1.1% and 0.4%, respectively to the Group's total turnover.

The following table shows the breakdown of the Group's turnover by customer type during the Track Record Period:

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Footwear										
manufacturer	204,255	93.6	259,665	90.2	247,171	92.4	85,750	90.0	81,023	92.9
PRC										
distributor ⁽¹⁾	13,872	6.4	25,863	9.0	19,660	7.3	9,167	9.6	5,877	6.7
Others ⁽²⁾	–	–	2,280	0.8	748	0.3	381	0.4	320	0.4
Total	218,127	100	287,808	100	267,579	100	95,298	100	87,220	100

Notes:

- This refers to the sale to the PRC distributor which has entered into a distribution agreement with Group for the distribution of the Group's adhesives and primers under the Group's own brand "Zhong Bu" and hardeners under third party's brand "IRODUR" in the PRC. Details of which are set out under the paragraph headed "Customers" under the section headed "Business" in this prospectus.
- Production and sales of adhesives related products on OEM basis for footwear adhesive manufacturers.

The Group positioned itself and promoted its products in the first tier segment in the footwear adhesive market. Sales of the Group experienced satisfactory growth in the year ended 30 September 2008, which recorded a growth of approximately 32.0% compared to that of the year ended 30 September 2007. Such growth in turnover was mainly attributable to the increasing demand on footwear products, especially in the PRC, which led to the increase in demand of footwear production materials such as adhesives, primers and hardeners. The turnover derived from the sales of adhesives increased by approximately 38.9%, while the turnover of primers and hardeners grew by approximately 29.5% and 11.5% respectively for the year ended 30 September 2008 from the year ended 30 September 2007. The Directors believe that the growth in turnover of the Group was attributable to the continuous efforts and resources made by the Group in research and development team as well as marketing and technical services team and the increase in the ASP per tonne of the Group's products.

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The Group experienced a slight decrease in turnover of approximately 7.0% for the year ended 30 September 2009. The decrease in turnover was mainly due to the global financial turmoil in the second half of 2008, which led to a decrease in the global demand for footwear products. The economic downturn had an adverse impact on the export of footwear products in the PRC, which led to a decrease in the demand for footwear production materials such as adhesives, primers and hardeners. Despite the market slowdown, the negative influence on the Group's turnover has been well managed by the Group.

The Directors believe that as most of the Group's footwear manufacturer customers had received purchase orders from their footwear suppliers before the financial turmoil in 2008 and had to deliver footwear products to their footwear suppliers within 2008, the demand for the Group's products during the year ended 30 September 2008 was not materially affected by the negative impact of financial turmoil in the second half of 2008. However, such financial turmoil has continued to adversely affect the footwear industry and the purchase orders from footwear suppliers to footwear manufacturers in the first half of 2009. In such regard, the footwear suppliers became conservative in 2009, which led to the decrease in demand for footwear materials from footwear manufacturers and also led to the decrease of the Group's adhesive related products. Thus the turnover of the Group decreased by approximately 8.5% from approximately HK\$95.3 million for the four months ended 31 January 2009 to approximately HK\$87.2 million for the four months ended 31 January 2010.

The following table shows the breakdown of the Group's turnover by products during the Track Record Period:

	Year ended 30 September					Four months ended 31 January				
	2007		2008		2009	2009		2010		
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Adhesives	116,567	53.4	161,852	56.3	150,973	56.4	52,242	54.8	48,994	56.2
Primers	54,883	25.2	71,081	24.7	68,741	25.7	24,470	25.7	24,251	27.8
Hardeners	44,752	20.5	49,918	17.3	44,862	16.8	17,707	18.6	13,631	15.6
Others (Note)	1,925	0.9	4,957	1.7	3,003	1.1	879	0.9	344	0.4
Total	218,127	100.0	287,808	100.0	267,579	100.0	95,298	100.0	87,220	100.0

Note: Sale of raw materials, and sale of adhesives and primers produced and sold by the Group under OEM basis.

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The following table shows the breakdown of the Group's sales volume and ASP by products during the Track Record Period:

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	ASP		ASP		ASP		ASP		ASP	
	per tonne		per tonne		per tonne		per tonne		per tonne	
	Tonnes	HK\$'000	Tonnes	HK\$'000	Tonnes	HK\$'000	Tonnes	HK\$'000	Tonnes	HK\$'000
Adhesives	7,999.1	14.6	10,197.0	15.9	9,406.3	16.1	2,472	21.1	2,422	20.2
Primers	2,487.0	22.1	3,057.8	23.2	2,921.3	23.5	1,121	21.8	1,166	20.8
Hardeners	305.2	146.6	307.5	162.3	369.6	121.4	159	111.4	117	116.5
Others (Note)	2.4	802.1	2.9	1,709.3	1.0	3,003.0	42	20.9	11	31.3
Total	10,793.7		13,565.2		12,698.2		3,794		3,716	

Note: Sale of raw materials, and sale of adhesives and primers produced and sold by the Group under OEM basis.

For the year ended 30 September 2008, the ASP of adhesives, primers and hardeners increased by approximately 8.9%, 5.0% and 10.7% respectively. Such increase was mainly resulted from the Group's increase in its selling prices to cope with the increased crude oil price as well as the cost of raw materials. The growth in ASP of each of adhesive, primer and hardener also led to the increase in the total turnover of the Group for the year ended 30 September 2008. For the year ended 30 September 2009, the ASP of adhesives and primers were relatively stable as compared with those for the year ended 30 September 2008. However the ASP of hardeners dropped by approximately 25.2%, which was mainly due to the increase in the proportion of sale of hardeners with lower ASP. Hardeners are used as curing agent by mixing with adhesive for controlling or promoting the curing effect of adhesive, therefore different types of hardener will be applied to different types of adhesive. The ASP of other products increased by 75.7% for the year ended 30 September 2009 as compared with the ASP for the other products for the year ended 30 September 2008. Although the average ASP of adhesive and primer were relatively stable and the ASP of other products recorded an increase during the year 30 September 2009, the turnover of the Group dropped from approximately HK\$287.8 million for the year ended 30 September 2008 to approximately HK\$267.6 million for the year ended 30 September 2009, which was due to the fact that (i) the sale of adhesive and primer dropped by approximately 6.7% and 3.3% respectively; and (ii) ASP of hardener dropped by approximately 25.2%, for the year ended 30 September 2009.

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For the four months ended 31 January 2010, the ASP of each of adhesives and primers dropped approximately HK\$1,000 per tonne compared to that for the corresponding period in 2009. Such drop in ASP was mainly due to the adjustment made by the Group in view of the drop in the Group's cost of goods sold resulting from the global decline in prices of petroleum by-products. The ASP of each of hardeners and raw materials increased for the four months ended 31 January 2010 compared to the corresponding period in 2009 was mainly due to the sale of the type of hardeners and raw materials with relatively higher selling price.

The following table shows the breakdown of the Group's turnover by geographical locations during the Track Record Period:

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Turnover										
PRC	156,427	71.7	201,197	69.9	172,012	64.3	63,601	66.7	50,508	57.9
Vietnam	61,700	28.3	86,611	30.1	95,567	35.7	31,697	33.3	36,712	42.1
Total	<u>218,127</u>	<u>100.0</u>	<u>287,808</u>	<u>100.0</u>	<u>267,579</u>	<u>100.0</u>	<u>95,298</u>	<u>100.0</u>	<u>87,220</u>	<u>100.0</u>

During the Track Record Period, the Group's sales to the PRC dropped gradually from approximately 71.7% for the year ended 30 September 2007 to approximately 64.3% for the year ended 30 September 2009 and further to approximately 57.9% for the four months ended 31 January 2010. Such decrease was mainly due to the increase in turnover contribution of the Vietnam market. The Group's sales to the Vietnam market (as a proportion to the Group's total turnover) increased from approximately 28.3% for the year ended 30 September 2007 to approximately 35.7% for the year ended 30 September 2009 and was further increased to approximately 42.1% for the four months ended 31 January 2010. The Directors believe that the increase in sales to Vietnam during the Track Record Period was due to the growing footwear manufacturing industry in Vietnam. In view of the low labour cost and preferential policy offered to foreign investments such as tax benefit and land-use right in Vietnam and barring unforeseen circumstances, the Directors believe that the footwear manufacturers will continue to invest in Vietnam.

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Cost of goods sold

The following table shows the breakdown of the cost of goods sold of the Group during the Track Record Period:

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Cost of										
inventories	174,135	98.1	235,587	97.9	197,748	97.7	76,559	97.7	64,869	98.0
Royalty fees	2,286	1.3	3,341	1.4	3,309	1.6	1,226	1.5	956	1.4
Business tax	1,101	0.6	1,597	0.7	1,448	0.7	542	0.7	403	0.6
Total	177,522	100.0	240,525	100.0	202,505	100.0	78,327	100.0	66,228	100.0

Major component of the cost of goods sold was the cost of inventories during the Track Record Period. The cost of inventories arose from the cost of raw materials used for the production of adhesives and primers, and the purchase of hardeners under the distribution arrangement. During the Track Record Period, the cost of inventories represented more than 97% of the total cost of goods sold of the Group.

The total cost of goods sold increased by approximately 35.3% for the year ended 30 September 2008 compared to the year ended 30 September 2007, which was mainly due to the increase in purchase of raw materials to cope with the growth in turnover during such period. For the year ended 30 September 2009, the cost of goods sold recorded a decrease of approximately 15.8%. Such decrease was mainly attributable to the global decline in prices of petroleum by-products, being the raw materials for adhesive, primer and hardener. For the four months ended 31 January 2010, the cost of goods sold decreased by approximately 16.7% compared to the four months ended 31 January 2009. Such decrease was due to the decrease in cost of raw materials and was also in line with the decrease of the Group's turnover during such period. Apart from the cost of inventories, the remaining cost of goods sold included business tax and royalty fees.

During the Track Record Period, the fluctuation in the business tax and royalty fees paid by the Group was substantially in line with the fluctuation of the turnover of the Group.

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Gross profit and gross profit margin

The following table shows the breakdown of the Group's gross profit and gross profit margin of the Group during the Track Record Period:

	Year ended 30 September			Four months ended	
				31 January	
	2007	2008	2009	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Turnover	218,127	287,808	267,579	95,298	87,220
Gross profit	40,605	47,283	65,074	16,971	20,992
Gross profit margin	18.6%	16.4%	24.3%	17.8%	24.1%

The purchases of the principal raw materials accounted for approximately 77.8%, 60.5%, 55.5% and 55.8% of the Group's total purchases for each of the three years ended 30 September 2009 and the four months ended 31 January 2010 respectively. Since the raw materials of the Group are mainly the by-products of crude oil, the cost of the raw materials of the Group is sensitive to the fluctuation of the global crude oil price. The average of the global crude oil price was approximately US\$66.92 per barrel, US\$107.95 per barrel, US\$58.36 per barrel and US\$76.63 per barrel for each of the years ended 30 September 2009 and the four months ended 31 January 2010 respectively, representing an increase of approximately 61.3% from 2007 to 2008 and a decrease of approximately 45.9% from 2008 to 2009. The fluctuation of the global crude oil price had direct influence on the cost of goods of the Group during the Track Record Period. For each of the three financial years ended 30 September 2009 and the four months ended 31 January 2010, the gross profit margin of the Group was approximately 18.6%, 16.4%, 24.3% and 24.1% respectively, which was in line with the fluctuation of the global crude oil price from 2007 to early 2010. Should there be any increase in the price of any raw materials and the Group is unable to pass on such increase to the customers, the financial performance of the Group may be adversely affected.

For the year ended 30 September 2009, the gross profit increased by approximately 37.6% compared with the year ended 30 September 2008, and the gross profit margin also recorded a significant increase from approximately 16.4% to 24.3%. The main reasons for the improved gross profit margin were (1) the Group constantly positioned and promoted its products in the first-tier segment in the footwear adhesive market with relatively higher selling prices; and (2) the decrease in costs of raw materials resulted from the global decline in prices of petroleum by-products.

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For the four months ended 31 January 2010, the gross profit increased by approximately 23.7% compared with the four months ended 31 January 2009, and the gross margin also recorded a significant increase from approximately 17.8% to 24.1%. The main reason for such improved gross profit margin was due to the decrease in cost of raw materials resulted from the global decline in prices of petroleum by-products.

Other income

Other income mainly consists of (a) interest income from bank balance deposit, (b) foreign exchange gains and (c) rental income.

Changes in fair value of investment properties

Investment properties are the interest in land and buildings held to earn recurring income and/or for capital appreciation. The investment properties of the Group currently comprise commercial properties held for rental purpose and/or for capital appreciation. The investment properties were revalued by LCH (Asia-Pacific) Surveyors Limited as of 31 May 2010 by reference to comparable market transactions and where appropriate on the basis of capitalisation of their net property income.

The fair value of investment properties owned by the Group substantially appreciated from approximately HK\$1.4 million for the year ended 30 September 2007 to approximately HK\$5.5 million for the year ended 30 September 2008, but recorded a loss of approximately HK\$4.0 million in 2009 due to the downturn in property market in Macau for the year ended 30 September 2009. In view of the property market recovery in late 2009, the fair value of investment properties owned by the Group slightly increased by approximately HK\$0.3 million as at 31 January 2010.

Selling and distribution costs

Selling and distribution costs represented marketing and promotion costs of the Group's products, which grew from approximately HK\$6.4 million to HK\$8.2 million and HK\$10.3 million for each of the three years ended 30 September 2009 respectively. The constant increase in selling and distribution costs was mainly due to the increased allocation in resources to in marketing and technical services team. The objective of the team is to capture the growing demand for the Group's products and to further enhance the market share in the first-tier segment in the footwear adhesive market.

For the four months ended 31 January 2010, the selling and distribution costs decreased by approximately 19.8% compared with the four months ended 31 January 2009. Such decrease was in line with the decrease in turnover of the Group.

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Administrative expenses

Administrative expenses mainly comprise salaries, bonuses, allowances and retirement benefit scheme contributions, depreciation, rental expenses and general administrative related expenses. The administrative expenses were approximately HK\$17.0 million, HK\$16.1 million and HK\$20.6 million, representing approximately 7.8%, 5.6% and 7.7% of the Group's turnover for each of the three years ended 30 September 2009 respectively. The increase in approximately 27.6% in administrative expenses for the year ended 30 September 2009 (as compared with that for the year ended 30 September 2008) was mainly due to the additional expenses for the preparation for the establishment of the new production plants in Bangladesh, Vietnam and the PRC. For the four months ended 31 January 2010, the administrative expenses of the Group were relatively stable as compared to the corresponding period in 2009.

Finance costs

The Group's finance costs mainly comprise interest on bank borrowings wholly repayable within five years and bank overdrafts. The interest costs on bank borrowings recorded approximately HK\$1.6 million, HK\$2.7 million, HK\$2.0 million and HK\$0.5 million for each of the three years ended 30 September 2009 and the four months ended 31 January 2010 respectively.

Taxation and effective tax rate

Background

The tax expense was calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operated, based on existing legislation, interpretations and practices in respect thereof.

Great Oasis was the principal trading arm of the Group during the Track Record Period and up to the Latest Practicable Date. It acted as the account-holder of purchases and sales transactions dealt with outsiders unrelated to the Group. It is responsible for the procurement of raw materials from suppliers and in turn selling to Zhongshan Macson and Zhuhai Centresin for processing and production. Great Oasis, with its business activities in Macau, shall be subject to Macau Complimentary Tax, a corporate tax.

Zhongshan Macson and Zhuhai Centresin are the manufacturing arms of the Group. The finished products of Zhongshan Macson and Zhuhai Centresin will be sold to Great Oasis for sale to the footwear manufacturer customers. Zhongshan Macson and Zhuhai Centresin were established in the PRC and should be subject to PRC Enterprise Income Tax.

Vietnam Centresin is principally engaged in simple processing for the Group's products where raw materials were basically imported for processing and all the processed goods were delivered by Vietnam Centresin to the Group's customers in Vietnam. In this regard, Vietnam Centresin was not subject to import and export taxes and export sales are subject to Value

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Added Tax (“VAT”) rate of 0% as according to the Vietnamese law on VAT. Vietnam Centresin was entitled to Corporate Tax exemption from years 2006 to 2008 and was loss-making in years 2008 and 2009. For the four months ended 31 January 2010, the profit was set off by losses brought forward.

ISH is principally engaged in trading activities for the Group. ISH was established and registered in Macau, and its profits should be subject to Macao Complimentary Tax at progressive rates from 9% and capped at 12%, with tax liabilities discharged timely and properly. Except for motor vehicles, tobacco and beverages, Macau is a free port and basically no import duties are levied, thus the adhesives and related chemical products imported by ISH were not subject to import duties.

For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, the Group recorded an effective tax rate of approximately 1.1%, 2.6%, 4.3% and 7.0% respectively. Such low effective tax rate was due to the fact that certain portion of the Group’s profits were not chargeable due to the following situations:

- set off by losses of the relevant PRC subsidiaries (i.e. Zhongshan Macson and Zhuhai Centresin) brought forward from previous years.
- after the losses were used up, the initial 2 years were exempted by a tax holiday.

In addition to the above, certain portion of the Group’s profits were contributed by Bracorp and Benino, which carried out technology development/technical assistance and marketing/promotion activities in the PRC. The Directors are of the view that these activities represent as the Group’s key success factors for its expansion and sustainability. They were compensated by charging services fees to Great Oasis, a trading company, based on the latter’s turnover driven by means of these activities.

Such service fees charged by each of Bracorp and Benino were determined with reference to the size of orders contributed by their services, which was similar to the market practice. Having discussed with the management of the Group in relation to the transfer pricing policy of the Group and reviewed the cost structure of each of Bracorp and Benino and relevant tax filings of each of Bracorp and Benino in the PRC, where they were operated, the Joint Sponsors concur with the Director’s view that the transfer pricing policy of the Group is fair and reasonable.

As the aforementioned activities were rendered in the PRC, Bracorp and Benino should be subject to PRC Business Tax at 5% of the gross income. According to the management of the Group, PRC Business Tax was duly paid; whereas, Bracorp and Benino were not subject to PRC EIT on their net profits, after the PRC Business Tax were paid, on the grounds that they did not maintain a permanent establishment in the PRC. The PRC Business Tax was levied on the gross income directly and charged before “Profit before taxation”, on top of the income taxes.

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As indicated above, though the income of Bracorp and Benino were principally derived from the PRC, they did not have any regular presence, such as permanent establishment in the PRC. According to Article 2 of the PRC EIT Law, a non-resident company shall be subject to EIT only when it has a taxable set-up/permanent establishment in the PRC. The PRC EIT regime follows the general guidelines of the Organization of Economic Cooperation and Development (“OECD”) that a permanent establishment shall be constituted inter alia when a factory, office or a building site is set up. The Group’s management confirmed that the servicing activities of Bracorp and Benino were more by the ad hoc projects than a regular servicing base.

Since there is no agreement between the government of the PRC and BVI for the avoidance of double taxation, the staff assigned by Bracorp and Benino to provide their respective service to Zhuhai Centresin and Zhongshan Macson will be deemed to have permanent establishment in the PRC and subject to PRC EIT. However the Company’s legal adviser as to the PRC laws is of the view that, having considered that the tax reportings were duly agreed and processed by the PRC authorities in-charge of Bracorp and Benino, and there was neither challenge nor enquiry from such PRC authorities in-charge regarding EIT, the permanent establishment or related exposure of Benino and Bracorp is minimal in the PRC.

As to Great Oasis, it was the principal trading arm of the Group by selling raw materials to Zhongshan Macson and Zhuhai Centresin, followed by sales of the finished products back to Great Oasis. Having considered that the operation of Great Oasis were carried out in Macau and should be considered as trading with the PRC, without a taxable presence in the PRC, Company’s legal adviser as to PRC laws is of the view that Great Oasis’s trading activities with the PRC companies aforementioned could be considered as not constituting as a permanent establishment and should be duly acceptable as not subject to the EIT.

Tax effect of tax exemption

The following table shows the tax effect of tax exemption granted to Zhuhai Centresin, Vietnam Centresin, Bracorp and Benino during the Track Record Period.

	Year ended 30 September			Four months ended	
	2007	2008	2009	31 January 2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Zhuhai Centresin	–	–	3,716	917	877
Vietnam Centresin	858	–	–	–	70
Bracorp	2,314	2,282	1,921	736	580
Benino	3,471	4,084	3,672	1,378	935
	<u>6,643</u>	<u>6,366</u>	<u>9,309</u>	<u>3,031</u>	<u>2,462</u>
Total	<u>6,643</u>	<u>6,366</u>	<u>9,309</u>	<u>3,031</u>	<u>2,462</u>

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Zhuhai Centresin was established in the PRC on 29 July 1999 to carry out manufacturing operations. It was entitled to tax holiday of PRC EIT and should be exempted from PRC EIT for the years ended 31 December 2008 (being its first profit making year) and 2009, followed by 50% reduction during the three years ending 31 December 2010, 2011 and 2012. No PRC EIT exemption for 2007 and 2008 as Zhuhai Centresin is loss-making for both years.

In addition to the tax exemption granted to the abovementioned companies, Zhongshan Macson was established in the PRC on 22 September 1998 to carry out manufacturing operations. It was entitled to tax holiday of PRC EIT and should be exempted from PRC EIT for the years ended 31 December 2002 and 2003, followed by 50% reduction during the three years ended 31 December 2004, 2005 and 2006. Zhongshan Macson made profits in years 2007 and 2008 where its PRC EIT was partially set off by losses brought forward from previous years. The fluctuation was in line with the profits before tax of Zhongshan Macson.

Vietnam Centresin was established in Vietnam to carry out processing operations. It was entitled to tax holiday of Vietnam Corporate Income Tax for the years ended 31 December 2006, 2007 and 2008, followed by 50% reduction for 7 years starting from 2009. No EIT exemption for the years ended 31 December 2008 and 2009 as Vietnam Centresin is loss-making for both years. Vietnam Centresin made profit in the 4 months ended 31 January 2010, and it was set off by losses brought forward.

Bracorp and Benino, though being non-PRC established companies, carry out certain of their servicing activities in the PRC. Since they did not maintain any permanent establishment in the PRC, they should not fall into the scope of charge of the PRC EIT, and the effect indicated above was in connection with this. Whereas, according to the Business Tax Regulations of the PRC, they shall be subject to Business Tax at 5% of the gross income, despite the absence of permanent establishment in the PRC; and it was noted that they had reported and settled the Business Tax in accordance with the regulations aforementioned.

Great Oasis was the principal trading arm of the Group. Its business activities were carried out by the directors and management who habitually resided in Macau during the Track Record Period. Hence it shall be prima facie subject to Macau Complimentary Tax up to 12%. It was noted that the relevant tax liability was insignificant and adequately accrued at the accounts of Great Oasis.

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The following table shows the effective tax rate including PRC EIT, PRC Business Tax and Macau Complementary Tax of each of the Group's companies during the Track Record Period:

	Year ended 30 September			Four months ended	
	2007	2008	2009	31 January 2009	2010
				(unaudited)	
PRC EIT					
Zhongshan Macson (<i>Note 1</i>)	0%	14%	(9%)	15%	0%
Zhuhai Centresin (<i>Note 2</i>)	0%	0%	10%	0%	10%
PRC Business Tax (<i>Note 3</i>)					
Bracorp	6%	6%	7%	6%	7%
Benino	6%	6%	6%	6%	7%
Macau Complementary Tax					
Great Oasis	7%	6%	0%	0%	0%
Greenfield (<i>Note 4</i>)	0%	0%	0%	0%	0%
ISH (<i>Note 5</i>)	9%	11%	(12%)	14%	0.2%
Macson (<i>Note 4</i>)	0%	0%	0%	0%	0%
Righton (<i>Note 4</i>)	0%	0%	0%	0%	0%
Vietnam Corporate Tax					
Vietnam Centresin (<i>Note 6</i>)	0%	0%	0%	0%	0%

Notes:

1. For the year ended 30 September 2007 and the four months ended 31 January 2010, profits set off by losses brought forward. For the year ended 30 September 2009, negative effective tax rate resulted from a ratio of accrual of tax payment through quarterly filing versus loss (negative profits).
2. For the year ended 30 September 2007, at loss. For the year ended 30 September 2008, tax holiday. For the year ended 30 September 2009, tax holiday, but anticipated profits distribution subject to withholding tax (deferred tax).
3. Tax rate at 5% on the gross income.
4. Non-profitable
5. Tax rate from 9% and capped at 12%. For the year ended 30 September 2009, negative effective rate resulted from the deferred tax impact on the revaluation loss of real property. For the four months ended 31 January 2010, effective tax rate represents deferred tax impact on the revaluation gain of real property.
6. Loss and/or tax holiday. For the four months ended 31 January 2010, profits set off by losses brought forward.

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The following tables show the relevant taxes of the Company's subsidiaries during the Track Record Period:

(HK\$'000)	Year Ended 30 September 2007											
	Zhongshan	Zhuhai	Vietnam								Great	Total
	Macson	Centresin	Centresin	ISH	Righton	Greenfield	Macson	Oasis	Bracorp	Benino		
Profit/(Loss) before tax	1,017	(3,561)	2,600	2,017	(4)	-	(1)	522	7,011	10,518	20,119	
Current Tax												
Macau Complimentary Tax	-	-	-	44	-	-	-	36	-	-	80	
PRC EIT	-	-	-	-	-	-	-	-	-	-	-	
PRC BT	-	-	-	-	-	-	-	-	427	674	1,101	
Deferred Tax												
Macau Complimentary Tax	-	-	-	144	-	-	-	-	-	-	144	
PRC EIT	-	-	-	-	-	-	-	-	-	-	-	

(HK\$'000)	Year Ended 30 September 2008											
	Zhongshan	Zhuhai	Vietnam								Great	Total
	Macson	Centresin	Centresin	ISH	Righton	Greenfield	Macson	Oasis	Bracorp	Benino		
Profit/(Loss) before tax	981	(1,258)	(1,583)	5,297	(8)	(27)	1	471	9,128	16,335	29,337	
Current Tax												
Macau Complimentary Tax	-	-	-	76	-	-	-	29	-	-	105	
PRC EIT	142	-	-	-	-	-	-	-	-	-	142	
PRC BT	-	-	-	-	-	-	-	-	562	1,036	1,598	
Deferred Tax												
Macau Complimentary Tax	-	-	-	506	-	-	-	-	-	-	506	
PRC EIT	-	-	-	-	-	-	-	-	-	-	-	

(HK\$'000)	Year Ended 30 September 2009												
	Zhongshan	Zhuhai	Vietnam	Bangladesh								Great	Total
	Macson	Centresin	Centresin	Centresin	ISH	Righton	Greenfield	Macson	Oasis	Bracorp	Benino		
Profit/(Loss) before tax	(1,446)	14,632	(1,612)	(141)	(1,792)	(5)	(9)	(10)	89	7,683	14,688	32,077	
Current Tax													
Macau Complimentary Tax	-	-	-	-	234	-	-	-	-	-	-	234	
PRC EIT	132	-	-	-	-	-	-	-	-	-	-	132	
PRC BT	-	-	-	-	-	-	-	-	-	500	947	1,447	
Deferred Tax													
Macau Complimentary Tax	-	-	-	-	(449)	-	-	-	-	-	-	(449)	
PRC EIT	-	1,463	-	-	-	-	-	-	-	-	-	1,463	

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(HK\$'000)	Four Months Ended 31 January 2009 (unaudited)											Total
	Zhongshan	Zhuhai	Vietnam								Great	
	Macson	Centresin	Centresin	ISH	Righton	Greenfield	Macson	Oasis	Bracorp	Benino		
Profit/(Loss) before tax	(489)	3,593	(1,156)	1,853	(2)	(10)	(3)	(5,197)	2,943	5,514	7,046	
Current Tax												
Macau Complimentary Tax	-	-	-	260	-	-	-	-	-	-	260	
PRC EIT	74	-	-	-	-	-	-	-	-	-	74	
PRC BT	-	-	-	-	-	-	-	-	187	355	542	
Deferred Tax												
Macau Complimentary Tax	-	-	-	-	-	-	-	-	-	-	-	
PRC EIT	-	360	-	-	-	-	-	-	-	-	360	

(HK\$'000)	Four Months Ended 31 January 2010													Total
	Zhongshan	Zhuhai	Vietnam	Zhong Bu					Macau	Great				
	Macson	Centresin	Centresin	Centresin	Bangladesh	ISH	Righton	Greenfield	Macson	Centresin	Oasis	Bracorp	Benino	
Profit/(Loss) before tax	59	3,427	558	(346)	(247)	(4,691)	(2)	1	(2)	30	193	2,320	3,740	5,040
Current Tax														
Macau Complimentary Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PRC EIT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PRC BT	-	-	-	-	-	-	-	-	-	-	-	157	246	403
Deferred Tax														
Macau Complimentary Tax	-	-	-	-	-	11	-	-	-	-	-	-	-	11
PRC EIT	-	343	-	-	-	-	-	-	-	-	-	-	-	343

Other comprehensive income

The other comprehensive income included the translation differences arising from foreign operations in the PRC and Vietnam. The Group recorded other comprehensive income of approximately HK\$1.5 million, HK\$2.8 million and a loss of approximately HK\$0.3 million for each of the three years ended 30 September 2009 and the four months ended 31 January 2010 respectively. The loss on translation of foreign exchange in the year ended 30 September 2009 was mainly due to the depreciation of VND against US\$ and HK\$.

Legal reserve in Macau

In accordance with the provisions of the Macau Commercial Code issued by the government of Macau, the Macau subsidiaries of the Company are required to transfer from their annual net profit at a minimum rate of 25% to a legal reserve before the appropriation of profits to dividend until the legal reserve reaches 50% of the respective subsidiaries' registered capital. The legal reserve is not distributable to shareholders.

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During the Track Record Period, the following Macau subsidiaries of the Company are subject to the above requirements:

1. ISH
2. Greenfield
3. Macson
4. Righton
5. Macau Centresin

As at the Latest Practicable Date, no legal reserve was noted for Greenfield, Macson, Righton and Macau Centresin during the Track Record Period because these Macau subsidiaries were either making losses or their respective legal reserves are immaterial.

Legal reserve of the Group wholly represents that from ISH, details as below:

		As at 30 September			As at 31 January	
		2007	2008	2009	2009	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
						(unaudited)
Registered capital of ISH	(A)	874	874	874	874	874
Maximum legal reserve (50% of A)	(B)	437	437	437	437	437
Profit (loss) for the year/period	(C)	1,829	4,715	(1,577)	1,593	(4,702)
Transfer to legal reserve (25% of C)	(D)	457	1,179	–	–	–
Legal reserve at year end (lower of B or D)		437	437	437	437	437

The HK\$24,588,000 dividend paid by ISH in 2008 was distributed after satisfaction of the legal reserve requirement.

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FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The Group's results of operations and financial condition have been and will continue to be affected by a number of factors, including but not limited to the following factors as set forth below:

Business environment and impact on global economic turmoil

Demand for the Group's products is generally affected by the global general economic conditions. In view of the financial turmoil in late 2008, the economic slowdown continued and affected the operating results of the Group. The Group's turnover decreased from approximately HK\$287.8 million for the year ended 30 September 2008 to approximately HK\$267.6 million for the year ended 30 September 2009. However, such economic slowdown has caused approximately 7.0% drop in the Group's turnover for the year ended 30 September 2009 (as compared to that for the year ended 30 September 2008). The Directors believe that such limited reduction in turnover was mainly due to the Group's competitive edge such as good product quality and after-sales services offered to its customers. Although the economic slowdown has adversely affected the turnover of the Group, the corresponding decrease in prices of petroleum by-products, being the principal raw materials of the Group's products, improved the profit margin of the Group for the year ended 30 September 2009 and the four months ended 31 January 2010.

The Directors believe that the financial condition and results of operations of the Group are and will continue to be affected by the overall economic conditions. In order to maintain and/or further increase the Group's market share in the footwear adhesive market and to improve the results of operations of the Group, the Group will expand its production capacity, improve its product quality and after-sales services, and enhance the research and development capability of the Group.

Production capacity

The Directors believe that the financial condition and result of operation of the Group will be subject to the Group's ability to maintain high level of production capacity. In anticipation of the growing demand for the Group's products, the Group has expanded, and will continue to expand the scale of its operation. For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, the capital expenditures of the Group in relation to such expansion were approximately HK\$9.7 million, HK\$1.6 million, HK\$1.1 million and HK\$0.55 million respectively. As at the Latest Practicable Date, the Group had, in aggregate, three production plants located in the PRC and Vietnam. Such production plants have an aggregate annual production capacity of approximately 14,610 tonnes of adhesives and approximately 9,369 tonnes of primers. In order to capture the expected increase in the Group's products, the Group planned to establish three additional production plants in the PRC, Vietnam and Bangladesh. Details of which are set out in the paragraph headed "Production facilities" in the "Business" section to this prospectus.

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Cost of raw materials

The principal raw materials used by the Group include 丁酮 (methyl ethyl ketone), 丙酮 (acetone), 醋酸乙脂 (ethylene acetate), 合成樹脂 (denka chloroprene) and 聚脂多元醇 (polyester polyol). The purchases of these principal raw materials accounted for approximately 77.8%, 60.5%, 55.5% and 55.8% of the Group's total purchases of materials for each of the three years ended 30 September 2009 and the four months ended 31 January 2010 respectively. Since these raw materials are petroleum by-products, the prices for these raw materials may be volatile in line with the market price of petroleum and beyond the Group's control. Since the Group has not entered into any long-term agreements with its raw materials suppliers, the cost of goods sold and gross profit margin will be subject to fluctuations in the cost of raw materials and the Group's ability to pass on any increase in raw materials price to its customers.

Foreign exchange rates

During the Track Record Period, the products of the Group were sold and delivered to the foreign customers whose production facilities are located in the PRC and Vietnam. As most of the customers of the Group have their respective headquarters in Taiwan and the sale of the Group have been classified as export sale under relevant regulation in the PRC, although the goods were delivered in the PRC, the sales of the Group was denominated in NTD and were billed to the headquarters of its customers in Taiwan and was settled in USD.

For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, approximately 15.8%, 16.6%, 12.8% and 8.7% of the sales of the Group were denominated in NTD respectively, and approximately 31.1%, 35.8%, 43.4% and 50.9% of the sales of the Group were denominated in US dollar respectively, while the cost of goods sold, except the raw material costs, and operating expenses have been denominated primarily in RMB. For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, approximately 44.2%, 33.0%, 39.5% and 38.7% respectively of the Group's total purchase were denominated in US dollars.

As at the Latest Practicable Date, the Group had not entered into any hedging transactions to reduce the exposure to foreign currency risk. Therefore, any significant fluctuation in the exchange rate of RMB against US dollars and/or NTD may adversely affect the financial results of the Group.

Taxation

During the Track Record Period, one of subsidiaries of the Company was entitled to the preferential tax treatment exemption from the enterprise income tax for the first two years and a 50% reduction in the enterprise income tax for the following three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprise in the PRC. Furthermore, according to the new Enterprise Income Tax Law passed by the National Peoples' Congress of the PRC, the

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income tax rate for both domestic and foreign-investment enterprise was unified at 25% effective from 1 January 2008 as opposed to 33% prior to such date.

On the other hand, Vietnam Centresin was entitled to exemption from Vietnam income tax for three years commencing from its first profit making-year in 2006, following by a 50% reduction from 2009 to 2015. The Directors believe that any expiration and/or termination of such preferential tax treatment currently applicable to the Group companies may materially and adversely affect the financial condition and results of operation of the Group.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATION

Four months ended 31 January 2009 comparing to the four months ended 31 January 2010

Turnover

The Group recorded a turnover of approximately HK\$87.2 million for the four months ended 31 January 2010, representing a decrease of approximately 8.5% compared with the four months ended 31 January 2009. The Directors attribute such decrease to the continued effect of the global financial turmoil in the second half of 2008. The Directors believe that most of the Group's footwear manufacturer customers had received purchase orders from their footwear suppliers before the financial turmoil in late 2008 and had to deliver footwear products to their footwear suppliers within 2008, the demand for the Group's products during 2008 were therefore not significantly affected by the negative effect of the financial turmoil in late 2008. However such financial turmoil has continued to affect adversely the footwear industry and the purchase orders from footwear suppliers to footwear manufacturers in the first half of 2009. In such regard, the footwear suppliers with the footwear manufacturers had become conservative in 2009, which led to the decrease in demand of footwear materials from footwear manufacturers and also led to the decrease in sales of the Group's adhesive related products.

Cost of goods sold

The cost of goods sold decreased by approximately 15.4% from approximately HK\$78.3 million for the four months ended 31 January 2009 to approximately HK\$66.2 million for the four months ended 31 January 2010. Such decrease was mainly due to the drop of the market price of the Group's raw materials.

Gross profit and gross profit margin

The gross profit of the Group increased by approximately 23.7% from approximately HK\$17.0 million for the four months ended 31 January 2009 to approximately HK\$21.0 million for the four months ended 31 January 2010. The principal reason for such increase was the increase in gross profit margin resulting from the decrease in the costs of raw materials resulted from the global decline in prices of petroleum by-products.

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Other income

Other income decreased significantly by approximately 75.7% from approximately HK\$3.3 million for the four months ended 31 January 2009 to approximately HK\$0.8 million for the four months ended 31 January 2010, which was mainly due to the fact that an exchange gain of approximately HK\$2.8 million was recorded for the four months ended 31 January 2009 and approximately HK\$0.4 million was recorded for the four months ended 31 January 2010.

Change in fair value of investment properties

The increase in value was due to appreciation of marketable value of a property located in Zhuhai, the PRC, which was benefited from the continuous booming of the property price in PRC.

Selling and distribution costs

The selling and distribution costs dropped by approximately 19.8% from approximately HK\$3.9 million for the four months ended 31 January 2009 to approximately HK\$3.1 million for the four months ended 31 January 2010 which was in line with the decrease in turnover.

Administrative expenses

For the four months ended 31 January 2010, the administrative expenses of the Group remained relatively stable as compared to the corresponding period in 2009.

Other expenses

For the four months ended 31 January 2010, other expenses of approximately HK\$4.9 million, being the listing expenses paid by the Group in relation to the Share Offer, was incurred. No such expenses was recorded for the four months ended 31 January 2009.

Finance costs

The finance costs of the Group decreased significantly by approximately 48.6% from approximately HK\$936,000 for the four months ended 31 January 2009 to HK\$481,000 for the four months ended 31 January 2010. Such decrease was mainly due to the decrease in the interest rate.

Profit before taxation

The profit before taxation of the Group decreased by approximately 28.5% from approximately HK\$7.0 million for the four months ended 31 January 2009 to approximately HK\$5.0 million for the four months ended 31 January 2010. Such decrease was mainly attributable to the fact that the listing expenses of approximately HK\$4.9 million as mentioned above were incurred during the four months ended 31 January 2010.

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Taxation

The members of companies incorporated in Macau have sustained more expenses due to the commencement of the preparatory work in connection with the Listing since October 2009 which reduced the profits and thereby reducing the amount of tax provision for the four months ended 31 January 2009.

Profit for the period

The profit attributable to the owners of the Company decreased by 26.2% from approximately HK\$6.4 million for the four months ended 31 January 2009 to approximately HK\$4.7 million for the four months ended 31 January 2010, which was primarily due to the factors aforementioned.

Financial year ended 30 September 2009 comparing to the financial year ended 30 September 2008

Turnover

The Group recorded a turnover of approximately HK\$267.6 million for the year ended 30 September 2009, representing a slight decrease of approximately 7.0% compared with that for the year ended 30 September 2008. Each of the product groups of the Group, being adhesives, primers and hardeners, experienced approximately 6.7%, 3.3% and 10.1% decline in sales for the year ended 30 September 2009 respectively. Such decreases were mainly due to the effect of global financial crisis in late 2008, which led to significant decline in the global demand for footwear products and thus the demand for footwear production materials.

Such decrease of turnover was reflected by the drop of sales volume from approximately 13,565 tonnes for the year ended 30 September 2008 to approximately 12,698 tonnes for the year ended 30 September 2009 and a slight decrease in ASP per tonne from approximately HK\$21,220 for the year ended 30 September 2008 to approximately HK\$21,100 for the year ended 30 September 2009.

Cost of goods sold

The cost of goods sold decreased by approximately 15.8% from approximately HK\$240.5 million for the year ended 30 September 2008 to approximately HK\$202.5 million for the year ended 30 September 2009. Since the cost of goods sold mainly comprised the cost of inventories, the decline in price of petroleum in late 2008 led to the reduction of the price of petroleum by-products as well as the cost of goods sold of the Group for the year ended 30 September 2009.

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Gross profit and gross profit margin

The gross profit of the Group increased by approximately 37.6% from approximately HK\$47.3 million for the year ended 30 September 2008 to approximately HK\$65.1 million for the year ended 30 September 2009. The Group's gross profit margin increased from approximately 16.4% for the year ended 30 September 2008 to approximately 24.3% for the year ended 30 September 2009. The main reasons for the improved gross profit margin were due to: (1) the Group constantly positioned and promoted its products in the first tier segment in the footwear adhesive market with relatively higher selling prices; and (2) decrease in costs of raw materials resulted from the global decline in prices of petroleum by-products.

Other income

Other income increased by approximately 6.2% from approximately HK\$3.7 million for the year ended 30 September 2008 to approximately HK\$3.9 million for year ended 30 September 2009, which was mainly due to the increase in interest income.

Changes in fair value of investment properties

The Group recorded approximately HK\$4.0 million losses for the year ended 30 September 2009 in the fair value of the investment properties, which was mainly due to the downturn in property market in Macau as a result of the global financial crisis in late 2008.

Selling and distribution costs

Selling and distribution costs increased by approximately 25.1% from HK\$8.2 million for the year ended 30 September 2008 to approximately HK\$10.3 million for the year ended 30 September 2009. Such increase was mainly due to the increased allocation of resources to marketing and technical services team.

Administrative expenses

The administrative expenses of the Group increased by approximately 27.6% from approximately HK\$16.1 million for the year ended 30 September 2008 to approximately HK\$20.6 million for the year ended 30 September 2009. Such increase was mainly due to the additional administrative expenses for the preparation for the establishment of the three new production plants in the PRC, Vietnam and Bangladesh.

Finance costs

The finance costs of the Group decreased by approximately 27.2% from approximately HK\$2.7 million for the year ended 30 September 2008 to approximately HK\$2.0 million for the year ended 30 September 2009.

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Profit before taxation

The profit before taxation of the Group increased by approximately 9.3% from approximately HK\$29.3 million for the year ended 30 September 2008 to approximately HK\$32.1 million for the year ended 30 September 2009. Such increase was in line with the increase in profit for the year ended 30 September 2009.

Taxation

The tax expenses of the Group increased by approximately 83.3% from approximately HK\$0.8 million for the year ended 30 September 2008 to approximately HK\$1.4 million for the year ended 30 September 2009. The increase was mainly due to the record of the withholding tax on the undistributed profits of approximately HK\$1.5 million during 2009 (nil for 2008).

Profit for the year

The profit attributable to the owners of the Group increased by approximately 7.4% from HK\$28.6 million for the year ended 30 September 2008 to approximately HK\$30.7 million for the year ended 30 September 2009, which was primarily due to the factors aforementioned.

Other comprehensive income

The other comprehensive income of the Group recorded a loss of approximately HK\$0.3 million for the year ended 30 September 2009, which was due to exchange losses arising from the depreciation of VND against US\$ and HK\$.

Total comprehensive income

The total comprehensive income of the Group slightly decreased by approximately 3.1% from approximately HK\$31 million in the year ended 30 September 2008 to approximately HK\$30 million in the year ended 30 September 2009. Such decrease was mainly due to the loss on translation of foreign exchange aforementioned.

Financial year ended 30 September 2008 comparing to the financial year ended 30 September 2007

Turnover

The Group recorded an increase in turnover of approximately 32.0% from approximately HK\$218.1 million for the year ended 30 September 2007 to approximately HK\$287.8 million for the year ended 30 September 2008. Such increase in turnover was mainly attributable to the increase in global demand for footwear products, which led to the increased demand in footwear adhesive products.

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Such increase of turnover was reflected from the increase in sales volume from approximately 10,800 tonnes for the year ended 30 September 2007 to approximately 13,600 tonnes for the year ended 30 September 2008 and increase in ASP per tonne from approximately HK\$20,210 for the year ended 30 September 2007 to approximately HK\$21,220 for the year ended 30 September 2008.

Cost of goods sold

The cost of goods sold increased by approximately 35.5% from approximately HK\$177.5 million for the year ended 30 September 2007 to approximately HK\$240.5 million for the year ended 30 September 2008. Such increase was in line with the turnover growth of the Group for the year ended 30 September 2008.

Gross profit and gross profit margin

The gross profit of the Group increased by approximately 16.5% from HK\$40.6 million for the year ended 30 September 2007 to approximately HK\$47.3 million for the year ended 30 September 2008, while the gross profit margin slightly decreased from approximately 18.6% for the year ended 30 September 2007 to approximately 16.4% for the year ended 30 September 2008.

Other income

Other income increased by approximately 19.1% from approximately HK\$3.1 million for the year ended 30 September 2007 to approximately HK\$3.7 million for year ended 30 September 2008, which was mainly due to the increase in interest income.

Changes in fair value of investment properties

The fair value of the investment properties of the Group appreciated by approximately HK\$1.4 million for the year ended 30 September 2007 and by approximately HK\$5.5 million for the year ended 30 September 2008, which was due to the growth of commercial property market in Macau.

Selling and distribution costs

Selling and distribution costs increased by approximately 29.7% from HK\$6.4 million for the year ended 30 September 2007 to approximately HK\$8.2 million for the year ended 30 September 2008. Such increase was mainly due to the increase in manpower in marketing and technical services team for capturing the growing demand of footwear adhesive industry.

Administrative expenses

The administrative expenses of the Group slightly decreased by approximately 4.9% from approximately HK\$17.0 million for the year ended 30 September 2007 to approximately HK\$16.1 million for the year ended 30 September 2008, despite the increase in turnover of the Group for the year ended 30 September 2008. Such decrease was attributable to the effective cost management.

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Finance costs

The finance costs of the Group increased by approximately 65.8% from approximately HK\$1.6 million for the year ended 30 September 2007 to approximately HK\$2.7 million for the year ended 30 September 2008. Such increase was mainly due to the increased utilisation of bank borrowings of the Group in order to support the Group's working capital for its increased operating activities.

Profit before taxation

The profit before taxation of the Group substantially increased by approximately 45.8% from approximately HK\$20.1 million for the year ended 30 September 2007 to approximately HK\$29.3 million for the year ended 30 September 2008. Such increase was mainly due to growth in turnover and the appreciation in fair value of investment properties for the year ended 30 September 2008.

Taxation

The tax of the Group increased from HK\$0.2 million in the year ended 30 September 2007 to approximately HK\$0.8 million in the year ended 30 September 2008. Such increase was in line with the growth in profit before tax.

Profit for the year

The profit attributable to the owners of the Group increased by approximately 43.7% from approximately HK\$19.9 million for the year ended 30 September 2007 to approximately HK\$28.6 million for the year ended 30 September 2008, which was primarily due to the factors described above.

Other comprehensive income

The other comprehensive income of the Group increased from approximately HK\$1.5 million in the year ended 30 September 2007 to approximately HK\$2.8 million in the year ended 30 September 2008, which was due to the exchange gains arising from the appreciation of VND against US\$ and HK\$.

Total comprehensive income

The total comprehensive income of the Group increased by approximately 46.4% from HK\$21.4 million in the year ended 30 September 2007 to HK\$31.3 million in the year ended 30 September 2008. Such increase was mainly due to the gain on translation of foreign exchange aforementioned.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This management discussion and analysis of the Group's financial condition and results of operations is based upon the Group's combined financial information for each of the three years ended 30 September 2009 and four months ended 31 January 2010, which have been prepared in accordance with the Hong Kong Financial Reporting Standards. The Group's reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underline the preparation of the financial statements. The Group bases its estimates on its historical and industry experience and on various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The Group can give no assurance that these judgments will prove correct, and actual results may differ from the Group's estimates.

The selection of critical accounting policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Group's financial statements. The Group believes the following critical accounting policies are among those that involve the most significant judgments and estimates used in the preparation of its combined financial information.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts, value added tax and sales related taxes.

Sales of goods is recognised when goods are delivered and title has passed.

Rental income, including rentals invoiced in advance from investment properties let under operating leases, is recognised on a straight line basis over the relevant lease terms.

Interest income from a financial asset 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

An item of property, plant 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

For land and buildings where the cost of land use right cannot be reliably separated from the cost of land and buildings, the cost of land and buildings is depreciated and amortised on a straight line basis over the lease terms or 20 years, whichever is shorter.

The cost of buildings in the PRC is depreciated over 20 years using the straight line method.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Furniture, fixtures and equipment	20% – 25%
Leasehold improvements	20%
Motor vehicles	16 $\frac{2}{3}$ % – 20%
Plant and machinery	10% – 20%

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The following tables show the book values of the properties owned by the Group during the Track Record Period:

		As at 30 September			As at
		2007	2008	2009	31 January
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2010</i> <i>HK\$'000</i>
1	A workshop complex located at Dong Rong Road Chemical Industry Specialized Area Harbour Industrial Zone Zhuhai City Guangdong Province The People's Republic of China	13,718	14,166	13,231	12,948
2	Portion No. 3 of Unit 801 on Level 8 Huaye Building No. 2158 Ming Zhu Nan Road Qianshan Zhuhai City Guangdong Province The People's Republic of China	1,423	1,394	1,365	1,356
3	16 ^o Andar A – D, M, N and a portion of L and parking space known as No.7 on Basement 3 Centro Financeiro (also known as Macau Finance Centre) N ^o 202A – 246 Rua de Pequim SÉ, Macao	3,572	3,493	3,414	3,387
4	16 ^o Andar G and J Centro Financeiro (also known as Macau Finance Centre) N ^o 202A – 246 Rua de Pequim SÉ, Macao	2,270	3,330	2,340	2,340

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	As at 30 September			As at	
	2007	2008	2009	31 January	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2010	
				<i>HK\$'000</i>	
5	Portions Nos. 1 and 2 of Unit 801 on Level 8 Huaye Building No. 2158 Ming Zhu Nan Road Qianshan Zhuhai City Guangdong Province The People's Republic of China	2,330	2,300	2,310	2,630
6	16° Andar E, F, H, I, K and a portion of Unit L Centro Financeiro (also known as Macau Finance Centre) N° 202A – 246 Rua de Pequim SÉ, Macao	6,120	9,220	6,230	6,230
7	16° Andar D, E and F Centro Commercial Kong Fat N° 170 – 174 Rua De Pequim SÉ, Macao (廣發商業中心)	3,513	N/A	N/A	N/A
8	A workshop complex located at Road No. 2 Dong An Industrial Park Thuan An District Binh Duong Province Vietnam (越南平陽省順安縣同安工業區 2號路)	195	141	87	69
	Total	33,141	34,044	28,977	28,960

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Impairment of non-current assets other than financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-current assets other than financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the reasonable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but to the extent 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years/periods, and it further excludes income or expense items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and 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 deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises 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 arising on investments in subsidiaries, 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 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.

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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 is realised, based on tax rate (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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Transfer pricing policy

According to Article 9 of the Organization for Economic Co-operation and Development (“OECD”) Model Tax Convention and the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations issued by OECD, transfer pricing policy of related parties’ transactions should be determined on the arm’s length basis. This means that the transactions should be priced as if the relevant parties were unrelated, and the open market conditions should be taken into account. The OECD guidelines are generally accepted by most of the global tax jurisdictions.

Relevant rules and regulations in relation to transfer pricing arrangement in each of the PRC, Bangladesh, Macau, and Vietnam:

The PRC

The PRC tax authorities have been on the same position as OECD ever since 1991, if not earlier. The State Administration of Taxation (“SAT”) issued Guoshuifa 1998 No.59 (“國家稅務總局關於印發《關聯企業間業務往來稅務管理規程》的通知”) on 23 April 1998 (“Circular No.59”), detailing amongst others the mechanism of transfer pricing audits, definition of related party transactions and the annual disclosure requirements for related party transactions. The relevant definition and reporting requirements remain applicable with the enactment of new PRC Enterprise Income Tax Law (“EIT Law”) and its Implementation Rules (“Rules”), effective on 1 January 2008. The EIT Law and its Implementation Rules encompass the annual disclosure requirements for related party transactions, and also set out the right of tax authorities to make Special Tax Adjustments on taxpayers’ filings if the tax authorities are in the view that the related parties transactions are not at arm’s length.

Following the enactment of EIT Law and as part of the tax administration campaign, the PRC tax authorities have been strengthening the control by speeding up investigations right after the annual tax filings in cases where they do not accept the transfer pricing policy. The SAT also intensified the relevant controls by issuing a new Transfer Pricing Circular, Guoshuifa 2009 No.2 (“國家稅務總局關於印發《特別納稅調整實施辦法(試行)》的通知”) on 8 January 2009 (“Circular No.2”). It stipulates comprehensive regulations on transfer pricing in the PRC, while continuing on the arm’s length basis, relevant principles and policies of transfer pricing in the PRC.

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Notwithstanding to the above, there is no mandatory requirement in the PRC for a taxpayer to apply an advance pricing arrangement (“APA”) to its transactions with affiliates. According to Article 42 of EIT Law and Article 113 of the Implementation Rules, APA shall remain at the election from the side of taxpayer. The directors are of a view that none of the group’s companies, nor transactions, were in need of any APA application.

The PRC tax authorities shall keep on reviewing the basis of transfer pricing policies adopted by taxpayers, through their quarterly tax returns and the annual tax clearance submissions, to evaluate whether the relevant prices remain reasonable and justifiable. As indicated above, since 1998, the PRC tax authorities have been tightening up the controls over transfer pricing policies of intra-group transactions; in the event where they considered any of the transfer prices of intra-group transactions falling outside the reasonable range, they should pose challenges, probably followed by investigations without delay.

Having reviewed relevant tax clearance annual submission by the Group to the PRC tax authorities, the Company’s legal adviser as to PRC laws is of the view that the Group complied with the requirements under Circular 59 and is not aware of any challenge, investigation and enquiries from the PRC tax authorities under Circular 2.

During the Track Record Period, the transfer pricing policy was principally applied to the following transactions:

- (a) sales of raw materials by Great Oasis to Zhongshan Macson and Zhuhai Centresin, followed by sales of the finished products back to Great Oasis; and
- (b) services fees charged by Benino and Bracorp to Great Oasis.

For (a), the prices of raw materials and finished products were duly agreed with the PRC Customs, as when they were imported into and exported from the PRC respectively.

Zhongshan Macson and Zhuhai Centresin compiled their financial statements for the relevant years of the Track Record Period, based on these prices, and submitted them for tax filings. Up to the Latest Practicable Date, the tax filings of Zhongshan Macson and Zhuhai Centresin, including the finalized annual tax clearance, were all agreed by their tax authorities-in-charge. Based on the confirmation of Zhongshan Macson and Zhuhai Centresin and the confirmation letter issued by the related tax authorities, the Company’s legal adviser as to PRC laws confirmed that the transfer pricing policies of relevant transactions between Zhongshan Macson/Zhuhai Centresin were based on open market conditions, in line with the arm’s length principles and did not induce any reductions to the PRC tax liabilities of the relevant companies, and that there was neither transfer pricing challenge, other tax investigation and enquiries, nor any tax adjustment/penalties imposed by the tax authorities.

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For (b), as the services of Benino and Bracorp, i.e. technical assistance and marketing/promotion, made the most contribution to the relevant operations and the sustainability of Great Oasis, the fee re-charges represented substantial portion of its performance. Benino and Bracorp reported their income and profits to the PRC tax authorities, since their operations were principally located in the PRC. The tax reportings were duly agreed and processed by the tax authorities in charge of Benino and Bracorp. The Directors confirmed that when Benino and Bracorp submitted their tax returns in the PRC, both the operational arrangement and transfer pricing policies were reviewed by the PRC tax authorities in charge, as the details of operational arrangement between Benino/Bracorp and Great Oasis had been included in the submissions to the PRC tax authorities. The Company's legal adviser as to PRC laws was aware that the submissions of Benino and Bracorp were agreed by the PRC tax authorities in charge and tax payment certificates were issued along the lines of the submissions; and according to the opinion of the Company's legal adviser as to PRC laws, the transactions entailed by production of Zhongshan Macson and Zhuhai Centresin and subsequent sales, should not induce any reductions to the PRC tax liabilities of the relevant companies.

On the basis of the disclosure of transactions of Zhongshan Macson and Zhuhai Centresin dealt with Great Oasis and transactions of Benino and Bracorp dealt with Great Oasis, through the tax reporting to their respective PRC tax authorities in charge, it can be concluded that the overall operational arrangement has been made known to the PRC tax authorities. Up to the Latest Practicable Date, there was neither challenge nor enquiry from the tax authorities-in-charge.

The fact that the PRC subsidiaries' annual tax filings were agreed by the tax authorities in charge, and according to the Group's management no challenge has been raised on the relevant annual tax filings up to the date of this prospectus, it can be considered, as confirmed by the Company's legal adviser as to PRC laws, that the transfer pricing policy (as applied by the Group towards transactions of PRC subsidiaries) has been duly endorsed. In addition, the Group's management confirmed that there was neither transfer pricing challenge, nor other tax investigation and enquiries, from the tax authorities in connection with the Group's operations, and they had met all the compliance requirements in connection with the tax reportings up to the Latest Practicable Date.

Bangladesh

As advised by the Group's legal adviser as to Bangladesh laws, there is no relevant rules and regulation in relation to transfer pricing in Bangladesh.

Macau

As advised by the Group's legal adviser as to Macau laws, there is no relevant rules and regulation in relation to transfer pricing in Macau.

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Vietnam

Vietnam generally follows the OECD guidelines and applies arm's length principle in its transfer pricing policies. Vietnam's Ministry of Finance issued Circular 117/2005/TT-BTC on 19 December 2005 ("Circular 117") which provides comprehensive regulations on transfer pricing. Circular 117 is applied to both foreign invested and domestic enterprises having related party transactions. The transfer pricing rules laid out in Circular 117 set out the mechanism for establishing arm's length transfer prices for related party transactions, including different related party relationship tests, transfer pricing methods, benchmarking standards, transfer pricing documentation and annual filing. In addition, it also requires foreign invested and domestic enterprises to maintain contemporaneous documentation, which serves as the basis for application of the methods of determining the arm's length price. If the enterprise does not comply with the transfer pricing rules, the tax authorities may impose a deemed appropriate price, deem profits to be taxable or apply a deemed tax to the enterprise.

Vietnam Centresin is principally engaged in routine processing for the Group. As the processing function performed Vietnam Centresin is on a risk-free basis, without taking any title of inventories, the cost-plus method currently used, which is one of the acceptable transfer pricing methods in Vietnam, would be reasonable and justifiable. On the other hand, the fact that Vietnam Centresin's annual tax filings were agreed by the Vietnam tax authorities in charge, and according to the Group's management no challenge has been raised on the relevant annual tax filings up to the date of this letter, it can be presumed on reasonable grounds that the transfer pricing policy adopted by Vietnam Centresin has been accepted by the Vietnam tax authorities.

The Directors are of the view that the operational arrangements they have set up, including the transfer pricing policies adopted, complied with all the relevant applicable laws, rules and regulations of the respective jurisdictions in which the Group operated and carried out its arrangements as a whole, throughout the Track Record Period.

General

The Indemnifiers have agreed to indemnify the Group in respect of any taxation liabilities falling on all members of the Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the date on which the Share Offer becomes unconditional which might be payable by any member of the Group where such liabilities have not been provided for in the audited financial statements of the Group for the year ended 30 September 2009.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Overview

During the Track Record Period, the Group's operations were generally financed through a combination of shareholder's equity, internally generated cash flows and bank borrowings. The Directors believe that in long term, the Group's operation will be funded by internally generated cash flows and, if necessary, additional equity financing and bank borrowings.

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Net current assets

Details of the Group's current assets and liabilities as of respective dates of the combined statements of the financial position are extracted as follows:

	As at 30 September			As at 31 January	As at 31 May
	2007	2008	2009	2010	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Current assets					
Inventories	36,534	49,534	37,559	34,867	37,119
Trade and other receivables	50,905	69,809	56,993	69,297	63,581
Amount due from a director	6,472	13,408	–	1,614	33,756
Pledged bank deposits	14,605	19,818	34,476	35,560	31,397
Bank balances and cash	5,931	4,248	6,087	10,690	3,977
	<u>114,447</u>	<u>156,817</u>	<u>135,115</u>	<u>152,028</u>	<u>169,830</u>
Current liabilities					
Trade and other payable	35,368	42,955	34,961	35,805	42,647
Taxation	80	270	419	419	419
Current portion of secured long-term bank loans	5,617	6,407	3,150	3,534	4,640
Secured short-term bank loans	19,280	30,134	16,353	22,791	28,700
Bank overdrafts – secured	10,392	10,031	3,495	4,950	17,398
	<u>70,737</u>	<u>89,797</u>	<u>58,378</u>	<u>67,499</u>	<u>93,804</u>
Net current assets	<u>43,710</u>	<u>67,020</u>	<u>76,737</u>	<u>84,529</u>	<u>76,026</u>

The net current assets of the Group increased by approximately 53.3% from approximately HK\$43.7 million as at 30 September 2007 to approximately HK\$67.0 million as at 30 September 2008. Such increase was mainly due to the increase in pledged bank deposits and increase in inventories and trade and other receivables, which was partly offset by the increase in trade and other payable and secured short term bank loans. The increase in pledged bank deposit was mainly attributable to the increase in refundable security deposits placed by the Group at the banks. Pursuant to the customs laws of the PRC, raw materials imported for processing and assembling can be bonded and are exempt from taxation if the products (for which the raw materials are utilised) are exported. However consignee is required to place a refundable security deposits for avoidance of tax evasion. Therefore the increase in security deposits by the Group means the increase in import of raw materials as well as increase in production volume.

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The net current assets of the Group further increased from approximately HK\$67.0 million as at 30 September 2008 to approximately HK\$76.7 million as at 30 September 2009, representing an increase of approximately HK\$9.7 million or approximately 14.5%. Such increase was mainly due to the decrease in short-term bank borrowings and trade and other payable.

The net current assets of the Group further increased from approximately HK\$76.7 million as at 30 September 2009 to approximately HK\$84.5 million as at 31 January 2010, comprising current assets of approximately HK\$152.0 million and current liabilities of approximately HK\$67.5 million. Such increase was mainly attributable to the increase in trade receivable as well as bank balance and cash.

The net current assets of the Group decreased from approximately HK\$84.5 million as at 31 January 2010 to approximately HK\$76.0 million (unaudited) as at 31 May 2010, representing a decrease of HK\$8.5 million or approximately 10.1%. Such decrease was mainly attributable to the decrease in trade receivable and the increases in the short-term bank loans and the bank overdrafts.

Financing instruments

Banking facilities

As of the Latest Practicable Date, the utilised banking facilities of the Group were approximately HK\$54.5 million and the unutilised banking facilities were approximately HK\$36.9 million.

In the view of the uncertainty after the financial turmoil in the second half of 2008, the Directors decided to strengthen the Group's financial capability for any possible further financial crisis. Expansion of the banking facilities is one of the methods to strengthen the Group's financial capability. The Group would like to obtain more banking facilities by placing more deposits to the banks. The management of the Group is of the view that obtaining more standby banking facilities could help to catch up more business opportunities while the rebound of the world economies.

Bank overdrafts

The management of the Group is of the view that overdraft facilities provide a flexibility to the Group of cash flow planning, because there are no fixed regular repayment. The Group could save more expenses by repaying the bank overdraft amount from time to time when the Company has sufficient cash. The management of the Group considers that the daily operation financing should be made through short term financing. Overdraft is the best way of short term financing. Overdraft facilities is being reviewed annually. Once it is approved by banks, the Group can drawdown anytime. Utilised banking facilities is secured by guarantees provided by Mr. Ieong and such guarantees will be released upon Listing. Save for the replacement security, the terms of the loans are not expected to be changed after the withdrawal of the guarantee provided by Mr. Ieong.

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Cash flows

Overview

The following table shows the changes in cash flow of the Group for the Track Record Period:

	Year ended 30 September			Four months ended	
	2007	2008	2009	31 January	
	HK\$'000	HK\$'000	HK\$'000	2009	2010
				HK\$'000	HK\$'000
				(unaudited)	
Cash and cash equivalents at beginning of the year/period	(7,920)	(4,461)	(5,783)	(5,783)	2,592
Net cash generated from/(used in) operating activities	18,224	8,459	58,155	37,764	(2,345)
Net cash used in investing activities	(34,837)	(12,971)	(27,008)	(12,304)	(5,481)
Net cash generated from/(used in) financing activities	20,232	3,063	(22,787)	(21,012)	11,038
Effect of foreign exchange rate changes	(160)	127	15	2	(64)
	<u>(160)</u>	<u>127</u>	<u>15</u>	<u>2</u>	<u>(64)</u>
Cash and cash equivalents at the end of the year/period	<u>(4,461)</u>	<u>(5,783)</u>	<u>2,592</u>	<u>(1,333)</u>	<u>5,740</u>

Operating activities

Net cash generated from operating activities primarily consists of profit before tax adjusted for certain major non-cash items such as interest income/expenses, depreciation, operating lease rentals in respect of land use rights, loss on disposal of property, plant and equipment, changes in fair value of investment properties, and the net effect of changes in working capital.

For year ended 30 September 2007, net cash generated from the Group's operating activities was approximately HK\$18.2 million, while the Group's profit before taxation for the same year was approximately HK\$20.1 million. The difference of approximately HK\$1.9 million was mainly attributable to the adjustment of the interest income and the changes in fair value of investment properties.

For year ended 30 September 2008, net cash generated from the Group's operating activities was approximately HK\$8.5 million, while the Group's profit before taxation for the same year was approximately HK\$29.3 million. The difference of approximately HK\$20.8 million was mainly attributable to the adjustment of the trade and other receivables of approximately HK\$18.5 million and the changes in fair value of investment properties of approximately HK\$5.5 million.

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For year ended 30 September 2009, net cash generated from the Group's operating activities was approximately HK\$58.2 million, while the Group's profit before tax for the same year was approximately HK\$32.1 million. The difference of approximately HK\$26.1 million was mainly attributable to the adjustment of the changes in fair value of investment properties of approximately HK\$4.0 million and the net cash inflow arising from the combined effect of the increase in the decrease in inventories, trade and other receivables and trade and other payables.

For the four months ended 31 January 2010, net cash used in the Group's operating activities was approximately HK\$2.4 million, while the Group's profit before tax for the same period was approximately HK\$5.0 million. The difference of approximately HK\$7.6 million was mainly attributable to the net cash inflow arising from the combined effect of the decrease in inventories and increase in trade and other payables of an aggregate amount of approximately HK\$3.5 million, and offset by the increase in trade and other receivables of approximately HK\$12.3 million.

Investing activities

Net cash used in investing activities primarily consists of interests received, proceeds from disposal of investment properties/property, plant and equipment, purchase of land use rights/property, plant and equipment, advances made to a director and increase pledged bank deposits.

For the year ended 30 September 2007, net cash used in the Group's investing activities was approximately HK\$34.8 million, which was mainly due to the purchase of property, plant and equipment, and advances made to a director of approximately HK\$9.7 million and HK\$24.2 million respectively.

For the year ended 30 September 2008, net cash used in the Group's investing activities was approximately HK\$13.0 million, which was mainly due to the purchase of land use rights of approximately HK\$2.5 million, increase in pledged bank deposits and advances made to a director of approximately HK\$5.2 million and HK\$9.2 million respectively.

For the year ended 30 September 2009, net cash used in the Group's investing activities was approximately HK\$27.0 million, which was mainly due to the advances made to a director and the substantial increase in pledged bank deposits with approximately HK\$11.4 million and HK\$14.7 million respectively.

For the four months ended ended 31 January 2010, net cash used in the Group's investing activities was approximately HK\$5.5 million, which was mainly due to the deposits paid on acquisition of property, plant and equipment of approximately HK\$2.2 million, advances made to a director of HK\$1.6 million and the increase in pledged bank deposits with approximately HK\$1.1 million and acquisition of plant and equipment of approximately HK\$0.6 million.

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Financing activities

Net cash generated from/(used in) financing activities primarily consists of payment of interest, bank loans raised and repayment of bank loans.

For the year ended 30 September 2007, net cash generated from the Group's financing activities was approximately HK\$20.2 million, which was mainly due to the net bank loans raised with approximately HK\$33.6 million.

For the year ended 30 September 2008, net cash generated from the Group's financing activities was approximately HK\$3.1 million, representing a decrease of approximately HK\$17.2 million comparing with that for the year ended 30 September 2007. Such decrease was mainly due to repayment of bank loans with approximately HK\$25.8 million.

For the year ended 30 September 2009, net cash used in the Group's financing activities was approximately HK\$22.8 million, which was mainly due to the repayment of bank loans of approximately HK\$37.2 million.

For the four months ended 31 January 2010, net cash generated from the Group's financing activities was approximately HK\$11.0 million, which was mainly due to the new bank loans raised of approximately HK\$22.4 million, offset by repayment of bank loans of approximately HK\$10.9 million and interest payment of approximately HK\$0.5 million.

Major financial ratios

Key financial ratios and other information

	Year ended 30 September			Four months ended 31 January
	2007	2008	2009	2010
Trade receivables turnover days (<i>Note 1</i>)	76	77	69	81
Trade payables turnover days (<i>Note 2</i>)	66	57	51	60
Inventories turnover days (<i>Note 3</i>)	75	75	68	65
Return on equity (<i>Note 4</i>)	26.9%	28.3%	26.0%	NA

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	As at 30 September			As at 31
	2007	2008	2009	January 2010
Gearing ratio (<i>Note 5</i>)	28.4%	25.0%	13.7%	19.0%
Current ratio (<i>Note 6</i>)	1.62	1.75	2.31	2.25

Notes:

- (1) Trade receivables turnover days equals to the closing trade receivables of the period divided by the revenue during such period and then multiplied by the number of days during such period.
- (2) Trade payables turnover days equals to the closing trade payables of the period divided by the cost of goods sold during such period and then multiplied by the number of days during such period.
- (3) Inventories turnover days equals to the closing inventories of the period divided by the cost of goods sold during such period and then multiplied by the number of days during such period.
- (4) Return on equity equals to the profit for each period divided by the closing balance of the total equity as at the end of the respective period multiplied by 100%. No return on equity is calculated for the four months ended 31 January 2010.
- (5) Gearing ratio is calculated by dividing total borrowings and both derivative component and liability component of convertible loans by total assets as at the end of the respective period multiplied by 100%.
- (6) Current ratio is calculated by dividing current assets by current liabilities as at the end of the respective period.

Trade and bills receivables analysis

The following table sets forth the aging analysis of trade and bills receivables as at the respective dates of combined statements of financial position:

	Year ended 30 September			Four months ended	
	2007	2008	2009	31 January 2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	30,071	40,189	36,277	33,846	24,663
31 to 60 days	9,007	11,775	8,534	11,642	17,398
61 to 90 days	2,642	4,461	4,066	3,396	9,057
More than 90 days	3,945	4,164	1,723	1,514	7,274
Total	<u>45,665</u>	<u>60,589</u>	<u>50,600</u>	<u>50,398</u>	<u>58,392</u>

The Group generally grants its customers a normal credit period between 30 days to 90 days, the exact term of which is based on factors such as past sales performance, credit history and its expansion plans. As a matter of policy, the Group does not grant credit periods of over 90 days to any of its customers under normal circumstances.

FINANCIAL INFORMATION

Trade receivables as at 30 September 2008 were approximately HK\$60.6 million, representing an increase of approximately 32.7% as compared with that as at 30 September 2007. Such increase was mainly due to the substantial growth of the Group's turnover for the year ended 30 September 2008.

Trade receivables as at 30 September 2009 were approximately HK\$50.6 million, representing a decrease of approximately 16.5% as compared with that as at 30 September 2008. Such decrease was in line with the decrease in turnover of the Group as a result of the economic downturn in late 2008.

Trade and bills receivables as at 31 January 2010 were approximately HK\$58.4 million, representing an increase of approximately 15.4% as compared with that as at 30 September 2009. Such increase was mainly due to a slight delay in collection of trade receivables before Lunar New Year.

In determining the recoverability of the trade receivables, the Group monitored changes in the credit quality of the trade receivables since the credit was granted and up to the reporting date. Trade receivables turnover days during the Track Record Period ranged from approximately 69 days to approximately 81 days, which were stable and effectively managed within the credit policy of the Group.

As at the Latest Practicable Date, the subsequent settlements for three financial years ended 30 September 2009 was 100% and approximately HK\$57.9 million or 99.8% of the trade receivables of approximately HK\$58 million as at 31 January 2010 was settled.

Inventories turnover days

The inventories turnover days were 75 days, 75 days, 68 days and 65 days for the three year ended 30 September 2009 and the four months ended 31 January 2010 respectively. It was the Group's intention to keep the inventories turnover days from 60 to 90 as it believed that would be sufficient for the Group to meet customers' demand from time to time.

After the financial tsunami in 2008, as there were an uncertainty on the economy, the Group intended to reduce the inventory level in order to release the pressure of the cost of inventory, the inventory levels was dragged down from approximately HK\$49.5 million as at 30 September 2008 to approximately HK\$37.6 million as at 30 September 2009.

The inventories turnover days slightly decreased from 68 days for the year ended 30 September 2009 to 65 days for the four months ended 31 January 2010, which was mainly due to the decrease in turnover during the four months ended 31 January 2010 and was also consistent with the Group's policy and sufficient to meet customers' demand on time.

The Group controlled the inventory level through collecting the information on the estimated purchase amount from the customers on a monthly basis to plan the production schedule.

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The raw material costs were relative stable in 2009, the Group did not intend to accumulate the stock as there were no anticipation of the rises of raw material costs. It resulted to the relative lower inventory level during 2009.

Trade and bills payables

Set out below is the breakdown of the Group's trade and bills payables incurred by suppliers as at the respective dates of the combined statements of the financial position:

	Year ended 30 September			Four months ended 31 January	
	2007	2008	2009	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)				
0 to 30 days	13,299	22,853	10,676	10,789	14,843
31 to 60 days	13,406	9,129	9,751	10,860	10,986
61 to 90 days	5,148	5,460	7,296	1,155	3,518
More than 90 days	151	428	600	852	2,761
Total	32,004	37,870	28,323	23,656	32,108

The Group normally receives credit terms of 30 to 60 days from its suppliers. Trade and bills payables as at 30 September 2008 were approximately HK\$37.9 million, representing an increase of approximately 18.3% compared with that as at 30 September 2007. Such increase was mainly due to the growth of turnover of the Group in 2008.

Trade and bills payables as at 30 September 2009 were approximately HK\$28.3 million, representing a decrease of approximately 25.2% compared with that as at 30 September 2008. Such decrease was in line with the decrease in turnover of the Group in 2009.

Trade and bills payables as at 31 January 2010 were approximately HK\$32.1 million, representing an increase of approximately 13.4% compared with that as at 30 September 2009 of approximately HK\$28.3 million. Such increase was in line with the increase in trade receivables of the Group as at 31 January 2010. During the period, the Group reasonably delayed the payment to suppliers when the proceeds from trade receivables delayed.

The Group's trade and bills payables mainly relate to the purchase of raw materials from suppliers with credit period of 30 to 60 days. The trade and bills payables turnover days decreased from approximately 66 days for the year ended 30 September 2007 to approximately 57 days and 51 days for the year ended 30 September 2008 and 2009 respectively. Such decrease was mainly due to the Group's ability to finance its trade and bills payables with cash for the year ended 30 September 2008 and 2009.

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Return on equity

For each of the three years ended 30 September 2009, the return of equity of the Group was approximately 26.9%, 28.3%, 26.0% respectively. Such stable return of equity illustrates the Group's prudent financial management and capital expenditure for business development.

Gearing ratio

The gearing ratio of the Group decreased from approximately 28.4% as at 30 September 2007 to approximately 25.0% as at 30 September 2008. Such decrease was mainly due the increase in shareholders' equity from approximately HK\$79.5 million as at 30 September 2007 to approximately HK\$110.9 million as at 30 September 2008.

The gearing ratio of the Group further decreased from approximately 25.0% as at 30 September 2008 to approximately 13.7% as at 30 September 2009. Such substantial decrease was mainly due to the decrease in bank borrowings of the Group for the year ended 30 September 2009.

The gearing ratio of the Group increased from approximately 13.7% as at 30 September 2009 to approximately 19.0% as at 31 January 2010. Such increase was mainly due to the increase in bank borrowings for the capital investment in the expanded production facilities in the PRC, Bangladesh and Vietnam and working capital needs.

Current ratio

The current ratio of the Group steadily increased from approximately 1.62 as at 30 September 2007 to approximately 1.75 as at 30 September 2008, which was attributable to the increase in turnover of the Group in 2008 offset the increase in bank borrowings.

The current ratio of the Group further steadily increased from approximately 1.75 as at 30 September 2008 to approximately 2.31 as at 30 September 2009, which was mainly attributable to substantial decrease in bank borrowings in 2009.

The current ratio of the Group slightly dropped to approximately 2.25 as at 31 January 2010, as compared to approximately 2.31 as at 30 September 2009.

STATEMENT OF INDEBTEDNESS

Borrowings and contingent liabilities

At the close of business on 31 May 2010, being the latest practicable date for the indebtedness statement prior to the printing of this prospectus, the Group had outstanding indebtedness of approximately HK\$68.0 million, comprising bills payables of approximately HK\$7.8 million, bank loans of approximately HK\$42.8 million and bank overdrafts of approximately HK\$17.4 million and were secured by certain of the Group's assets, including properties and bank deposits of approximately HK\$28.7 million and HK\$17.1 million respectively as at 31 May 2010.

FINANCIAL INFORMATION

Some of the Group's banking facilities are also secured by personal guarantees given by Mr. Jeong. It is expected that such personal guarantees will be released upon Listing and will be replaced by other security to be provided by the Group.

Save as aforesaid or as otherwise disclosed herein, the Group did not have outstanding as at the close of business on 31 May 2010 any 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.

Having considered the past contribution of Mr. Jeong to the Group, the Group conditionally declared a special dividend of HK\$35 million on 19 March 2010 to Mr. Jeong, being the registered shareholder of the Group as at 9 June 2009, which dividend is expected to be paid by the Group's internal resources prior to the Listing.

DIVIDEND POLICY

The Shareholders will be entitled to receive dividends the Company declares. The amount to be paid will be at the discretion of the Directors and will depend upon the Group's future operations and earnings, capital requirements and surplus, general financial conditions and other factors which the Directors consider to be relevant. Furthermore, the Controlling Shareholders will be able to influence the dividend policy of the Group.

Subject to the above factors, the Directors plan to distribute regular dividends after the Listing. The Directors intend to distribute approximately 20% of the profits attributable to owners of the Company of a year as dividends. Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividend in such manner or declare and pay any dividend at all.

WORKING CAPITAL

The Directors confirm that the Group has sufficient working capital for the requirements for at least the next 12 months from the date of this prospectus, taking into account the estimated net proceeds from the Share Offer, available banking facilities and cash flows from operations.

PROPERTY INTERESTS AND PROPERTY VALUATION

LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, has valued the property interests of the Group as at 31 May 2010 and is of the opinion that the value of its property interests in aggregate was HK\$33.5 million as at 31 May 2010. There is a net revaluation surplus, representing the excess market value of the properties over their book value as of 31 January 2010. The full text of the letter, summary of the values and valuation certificates with regard to such property interests are set forth in Appendix III to this prospectus.

FINANCIAL INFORMATION

Disclosure of the reconciliation between the valuation of the interests in properties attributable to the Group and such property interests in the Group's combined statements of financial position as of 31 January 2010 contained in the Accountants' Report as required under Rule 5.07 of Listing Rules is set forth below:

	<i>HK\$'000</i>
Carrying value of the property interests as at 31 January 2010 (audited)	28,960
Add: Changes in fair value of investment properties	90
Less: Depreciation for the four months ended 31 May 2010	<u>365</u>
Carrying value of the property interests as at 31 May 2010 (unaudited)	28,685
Add: Valuation surplus as of 31 May 2010	<u>4,785</u>
Valuation as of 31 May 2010 as per Appendix III in this prospectus	<u><u>33,470</u></u>

DISTRIBUTABLE RESERVES

The Company had no distributable reserves available for distribution to the owners of the Company as at 31 January 2010, being the date on which the latest audited combined financial statements of the Group were made up.

NO INTERRUPTION

The Directors confirm that there was no interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the 12 months prior to the Latest Practicable Date.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure obligation pursuant to Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading positions or prospects of the Company and its subsidiaries since 31 January 2010, the date on which the latest audited combined financial statements of the Group were made up.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets of the Group is prepared based on the audited combined net tangible assets of the Group as at 31 January 2010, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus and adjusted as described below.

The unaudited pro forma adjusted net tangible assets has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules, is set out here to illustrate the effect of the Share Offer on the net tangible assets of the Group as at 31 January 2010 as if it had taken place on 31 January 2010. This unaudited pro forma adjusted net tangible assets, without taking into account the special dividend of HK\$35 million payout, has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Group.

	Audited combined net tangible assets attributable to owners of the Company as at 31 January 2010 <i>HK\$'000</i> <i>(Note a)</i>	Add: Estimated net proceeds from Share Offer <i>HK\$'000</i> <i>(Note b)</i>	Unaudited pro forma adjusted net tangible assets <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets per Share <i>HK\$</i> <i>(Note c)</i>
Based on an Offer Price of HK\$0.585 per Offer Share	<u>121,136</u>	<u>52,198</u>	<u>173,334</u>	<u>0.35</u>
Based on an Offer Price of HK\$0.75 per Offer Share	<u>121,136</u>	<u>72,307</u>	<u>193,443</u>	<u>0.39</u>

FINANCIAL INFORMATION

Notes:

- (a) Audited combined net tangible assets attributable to owners of the Company as at 31 January 2010 is based on the net assets extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (b) The estimated net proceeds from the Share Offer are based on 125,000,000 Shares at the Offer Price of HK\$0.585 and HK\$0.75 per Share, after deduction of the underwriting fees and other related expenses payable by the Company.
- (c) The number of shares used for the calculation of unaudited pro forma adjusted net tangible assets per Share is based on 500,000,000 shares in issue immediately after the Share Offer.
- (d) The Group conditionally declared a special dividend of HK\$35 million on 19 March 2010 to Mr. Jeong, being the registered shareholder of certain members of the Group as at 9 June 2009, which dividend is expected to be paid by the Group's internal resources prior to the Listing. The above adjustment does not take into account the above special dividend. Taking into consideration (i) the estimated net proceeds from Share Offer at the low end of the Offer Price of HK\$0.585 and the special dividend of HK\$35 million, the unaudited pro forma adjusted net tangible assets per Share is approximately HK\$0.28; and (ii) the estimated net proceeds from Share Offer at the maximum Offer Price of HK\$0.75 and the special dividend of HK\$35 million, the unaudited pro forma adjusted net tangible assets per Share is approximately HK\$0.32.
- (e) As of 31 May 2010, the Group's property interests were valued by LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, and the relevant property valuation report is set out in Appendix III to this prospectus. The net valuation surplus, representing the excess of market value of the properties over their book value, is approximately HK\$4,785,000. Such revaluation surplus has not been incorporated in the Group's combined financial information for the four months ended 31 January 2010 and will not be incorporated in the Group's financial statements in the year ending 30 September 2010. The above adjustment does not take into account the above revaluation surplus. Had the properties been stated in such valuation, an additional depreciation of approximately HK\$322,000 per annum would have been charged against the combined statements of comprehensive income.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Group is exposed to various types of market risks, including changes in capital risk, credit risk, currency risk, liquidity risk and interest rate risk in the normal course of business.

Capital risk

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of bank loans, bank deposits, cash and cash equivalents and equity attributable to owners of the Company, comprising paid-in capital/share capital, reserves and retained profits.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues of the Group as well as the raising of bank loans.

FINANCIAL INFORMATION

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the statement of financial position.

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimize the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on pledged/restricted bank deposits and bank balances is minimal as such amounts are placed in banks with good reputation.

The Group has no significant concentration of credit risk. Trade receivables consist of a large number of customers which spread across diverse industries and geographical areas.

Currency risk

Certain subsidiaries of the Group have foreign currency sales, which expose the Group to risk in RMB, NTD and Euro. For each of the three years ended 30 September 2009 and the four months ended 31 January 2010, approximately 51%, 56%, 66% and 67% of the Group's sales respectively are denominated in currency other than the functional currency of the group entity. The details of the Group's carrying amounts of the foreign currency are set out in note 5 of the accountants' report of the Company set out in Appendix I to this Prospectus. The exchange rates used by the Group during the Track Record Period are set out below:

Currency against HKD	Year ended 30 September			Four months ended
	2007	2008	2009	31 January 2010
RMB	0.966	0.881	0.881	0.881
VND	2,065.12	2,135.32	2,308.99	2,433.36
NTD	4.205	4.001	4.27	4.18
EUR	10.62	11.51	11.13	11.15

The PRC Government established a new exchange rates mechanism since 2005, the RMB was no longer pegged to the USD but to a basket of currencies. It resulted in the appreciation of RMB against USD and HKD by approximately 20% as of 30 September 2009.

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During the Track Record Period, the highest of NTD/HKD was approximately 3.89 and the lowest was approximately 4.46. The exchange rate dropped rapidly since the financial tsunami of 2008 and reached 4.46 at February 2009. The trend of NTD/HKD was rising since February 2009 and reached approximately 4.10 at January 2010.

The exchange rate of VND/HKD was relative stable on the first year of the Track Record Period. The rate was on downturn since the beginning of 2008, it was mainly attributable to the economy downturn of Vietnam. It reached approximately 2,380.95 at the beginning of 2010. The highest rate was approximately 2,040.82 during the Track Record Period.

Under the pegged exchange rate system, the Directors consider that the financial exposure on exchange rate fluctuation between HK\$ and United States dollar is insignificant. The sensitivity analysis below includes only outstanding foreign currency denominated monetary items of the end of each reporting period and has been determined based on the exposure to exchange rates of Renminbi, New Taiwan dollar and Euro against HK\$. For a 5% weakening of these currencies against HK\$ and all other variables being held constant, the Group's profit for the Track Record Period are as follows:

	Year ended 30 September			Four months ended
	2007	2008	2009	31 January 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase (decrease) in profit for the year/period				
– Renminbi	122	183	(382)	(681)
– NTD	(77)	(164)	(74)	(161)
– Euro	261	274	108	300
	<u>306</u>	<u>293</u>	<u>(348)</u>	<u>300</u>
	<u>306</u>	<u>293</u>	<u>(348)</u>	<u>(542)</u>

The capital expenses of Vietnam operation are mainly on USD, VND is only used for daily expenses, which is considered to be minor. It is not a material exposure for the Group's overall business.

Liquidity risk

The Directors have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

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Interest rate risk management

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest bearing pledged/restricted bank deposits, bank balances, bank overdrafts and bank loans at variable interest rates. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing pledged/restricted bank deposits, bank balances, bank overdrafts and bank loans at the end of each reporting period and assumed that the amount of assets and liabilities outstanding at the end of each reporting period was outstanding for the whole year/period. 50 basis points increase was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The management does not anticipate a decrease in interest rate in the next financial year having regard to the trends in market interest rates and global economic environment. Accordingly, sensitivity analysis on a decrease in interest rates is not presented.

If interest rates on pledged/restricted bank deposits, bank balances and bank loans had been 50 basis points higher and all other variables were held constant, the potential effect on profit for each year/period is as follows:

	THE GROUP			Four months ended
	Year ended 30 September			31 January
	2007	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Decrease) increase in profit for the year/period	<u>(111)</u>	<u>(122)</u>	<u>71</u>	<u>39</u>

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the period end exposure does not reflect the exposure during the year/period.

FUTURE PLANS AND USE OF PROCEEDS

STRATEGIES AND FUTURE PLANS

The principal goal of the Group is to become a leading and professional manufacturer of chemical products specialized in footwear adhesive industry by leveraging its competitive edge. The Group aims to achieve such goal by implementing the following strategies:

- **Proximity to customers**

Although the PRC has emerged as the largest footwear producer and exporter country worldwide, representing approximately 66% of the world's total footwear production in 2008, the Directors were aware that footwear manufacturers were gradually expanding their production bases to other Asian countries such as Vietnam, Bangladesh, Indonesia and Cambodia. In such regard, the Group established its subsidiary and production facilities in Vietnam in 2005 which is independently operated from the Group's business and production facilities in the PRC. In 2009, the Group proposed to enter into the Bangladesh market by entering into a lease agreement with Bangladesh Export Processing Zones Authority, an Independent Third Party, for renting of a parcel of land for a term of 30 years for the establishment of production facilities. Furthermore, the Group also rented a parcel of land in Vietnam in 2008 and purchased a piece of land in Nansha, the PRC for establishing its new production facilities and expanding its production capacity in the PRC, Bangladesh and Vietnam. The Group will continuously explore the development in other markets after assessing and evaluating the potential demand for the Group's products, and availability of management personnel.

- **Promotion of “Zhong Bu” (“中部”) to footwear suppliers**

Under the existing practice of footwear manufacturing industry, footwear manufacturers have to purchase production materials from designated production materials suppliers recognized and approved by their respective customers, being the footwear suppliers, in order to control the quality of footwear products. Except for the recognition process performed by the footwear suppliers as mentioned below, there is no direct business dealing between the Group and footwear suppliers. The Directors understand that it is a common practice in the footwear manufacturing industry that most of the footwear suppliers will provide their respective footwear manufacturers with an internal list of approved production materials suppliers, and only limited number of footwear suppliers will have formal approval notification issued to production materials suppliers for such recognition. As at the Latest Practicable Date, the Group has received such formal approval notifications from three footwear suppliers in approving the Group as one of the approved adhesive material suppliers. The Directors understand that in general, each such approved internal list contains around five adhesive materials suppliers and only limited number of footwear suppliers will have formal approval notification issued to product material supplier for such recognition. Such footwear manufacturers are only allowed to purchase the required production materials from its suppliers as

FUTURE PLANS AND USE OF PROCEEDS

shown in such approved internal list. The Directors understand that under the recognition process, footwear suppliers will usually assess the production materials suppliers mainly on the following areas:

1. production capacity and quality management;
2. capability for improving product quality and modifying the product to adapt the brand's requirements and product development of footwear suppliers;
3. control of chemical materials;
4. capability for solving technical problems arising from the application of adhesive; and
5. satisfaction of after-sale technical services and performance of production efficiency.

In assessing the production materials suppliers, the footwear suppliers will directly conduct on-site assessment, inspection and testing of the adhesives and related products of the Group. Furthermore, the footwear suppliers may visit the production materials suppliers from time to time for ensuring the continuous fulfillment of the requirements mentioned above.

Although the recognition is not subject to any conditions or periodic renewal, the Group has closely cooperated with both the footwear suppliers and their manufacturers for the future development of footwear products. As at the Latest Practicable Date, the Group has not experienced any termination by the footwear suppliers in relation to the recognition of the Group as the approved production materials suppliers.

In order to become a recognized and approved adhesive supplier for other footwear suppliers as well as footwear manufacturers, the Group will continue to actively promote its products to other footwear suppliers, which in turn is expected to expand the Group's customers base.

FUTURE PLANS AND USE OF PROCEEDS

- **Promotion of Vulcanized Shoes Adhesive Related Products**

Since the production of vulcanized shoes involves an additional vulcanization process, which is a chemical process for converting rubber into more durable materials via the addition of sulfur, the production process of vulcanized shoes is thus different from that of traditional shoes. This leads to the need for different requirements of adhesives and related products. Based on the past communication with the Group's footwear manufacturer customers, the Directors understand that the current adhesive market for the production of vulcanized shoes has the following characteristics:

- The result of the application of the traditional adhesive products on the production of vulcanized shoes is not satisfactory since the chemical structure and viscosity of traditional adhesive will be changed during the vulcanization process;
- current adhesive related products applied on the production of vulcanized shoes are solvent-based and mainly produced by the vulcanized shoes manufacturers themselves;
- such solvent-based adhesive applied on the production of vulcanized shoes and produced by the footwear manufacturers themselves contain organic solvent with high VOCs, which is not environmental friendly and may not be an approved raw material in view of the consideration of environmental protection by certain footwear suppliers;
- in view of the fast development in style and shoes materials of vulcanized shoes, the adhesive produced by footwear manufacturers themselves may not be able to cope with such changing development of vulcanized shoes; and
- since there is no specific adhesive for the production of vulcanized shoes, it is difficult for the footwear manufacturers and suppliers to standardise the quality.

Having considered that (i) the Vulcanized Shoes Adhesive Related Products are water-based with environmental friendly characteristic; (ii) the Vulcanized Shoes Adhesive Related Products can assist vulcanized shoes manufacturers in solving technical problem regarding the application of adhesive during production; and (iii) certain vulcanized shoes suppliers have passed the assessment of the quality of the Vulcanized Shoes Adhesive Related Products and taking into account the fact the Group commenced its commercial sale of Vulcanized Shoes Adhesive Related Products in October 2009, the Directors believe that the Vulcanized Shoes Adhesive Related Products can capture the market demand in the vulcanization adhesive industry and will provide the Group with an entire coverage of adhesive industry and will be adopted by vulcanized shoe manufacturers for replacing those adhesive currently produced by themselves on the production of vulcanized shoes.

FUTURE PLANS AND USE OF PROCEEDS

Having considered the above factors, the Directors are of the view that the Vulcanized Shoes Adhesive Related Products and the Traditional Adhesive Related Products serve two different market segments and do not compete with each other in a material respect.

In September 2009, the Group applied to the State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局) for a patent of innovation in relation to the Group's self-developed Vulcanized Shoes Adhesive Related Products. In view of the potential of the vulcanized shoes market, the Group will continue to promote the Vulcanized Shoes Adhesive Related Products to footwear suppliers with vulcanized shoes products.

- **Expansion of domestic market in the PRC**

Since the establishment of the Group, the Group has been principally selling to the footwear manufacturers in the PRC, whose footwear products were mainly sold to the footwear suppliers and exported to other countries. In view of the fast growing domestic footwear industry in the PRC, which leads to the diversification of footwear materials and increase in customers' expectation in product quality and technical services provided by suppliers, the Group plans to expand its business in the domestic market by expanding the current distribution network in the PRC by promoting its products to the domestic footwear manufacturers for domestic sale in the PRC.

- **Expansion of production facilities**

Reasons for the expansion

In order to expand its production capacity, the Group has planned to construct new production facilities in the PRC, Vietnam and Bangladesh. Details of the planned expansion of production facilities are set out in the paragraph headed "Production facilities" in the section headed "Business" in this prospectus. Moreover, the expansion of the Group's production capacity is subject to the utilisation rate of the production capacity in view of the demand for the Group's products. The Group may continue to expand or retard the expansion of the production facilities as and when appropriate. The following shows the planned increase in annual production capacity under the Group's expansion plan.

FUTURE PLANS AND USE OF PROCEEDS

Annual production capacity/planned annual production capacity⁽²⁾ of the Group

	As at the Latest Practicable Date ⁽¹⁾ Production capacity <i>tonnes</i>	Upon commencement of the new production plant in Bangladesh in October 2010 Production capacity <i>tonnes</i>	Upon commencement of the Nansha Production Plant in Nansha, the PRC ⁽³⁾		Upon commencement of the New Vietnam Production Plant in Vietnam ⁽⁴⁾ in September 2011 Production capacity <i>tonnes</i>
			Phase 1 in March 2011 Production capacity <i>tonnes</i>	Phase 2 in September 2011 Production capacity <i>tonnes</i>	
Adhesive					
– Traditional	14,050	15,750	16,742	16,742	18,100
– Vulcanized shoes	560	760	4,600	9,000	9,280
	<u>14,610</u>	<u>16,510</u>	<u>21,342</u>	<u>25,742</u>	<u>27,380</u>
Primer					
– Traditional	8,879	9,059	8,861	8,861	7,850
– Vulcanized shoes	490	510	370	670	800
	<u>9,369</u>	<u>9,569</u>	<u>9,231</u>	<u>9,531</u>	<u>8,650</u>
TOTAL	<u>23,979</u>	<u>26,079</u>	<u>30,573</u>	<u>35,273</u>	<u>36,030</u>

Notes:

1. The calculation of the Group's production capacity as at the Latest Practicable Date is the annualised production capacity of the Group for the four months ended 31 January 2010 as set out in the paragraph headed "Production facilities – current production facilities" in the section headed "Business" in this prospectus (taking into account the 0.5 month suspension of operation for annual maintenance of the Zhuhai Production Plant).
2. The planned production capacity refers to the expected production capacity to be provided by the expanded production facilities of the Group in the PRC, Vietnam and Bangladesh, details of which are set out in paragraph headed "Production facilities – Expanded production facilities" under the section headed "Business" in this prospectus.
3. Upon commencement of the operation of the Nansha Production Plant, the Zhuhai Production Plant and the Zhongshan Production Plant will cease their operation. As such, the production capacity of each of the Zhuhai Production Plant and the Zhongshan Production Plant is excluded.
4. Upon commencement of the operation of the New Vietnam Production Plant, the Existing Vietnam Production Plant will cease its operation. As such, the production capacity of the Existing Vietnam Production Plant is excluded.

Details of the production capacity of the Group during the Track Record Period are set out in the paragraph headed "Current production facilities" under the section headed "Business" in this prospectus.

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Although the utilisation rate of the production plant in Zhuhai, the PRC reached approximately 80% for the year ended 30 September 2009, the production capacity of the production plant in Zhuhai was fully utilised in June and July for 2008 and 2009. Details of the Group's production capacity are set out in the paragraph headed "Production facilities" under the section headed "Business" in this prospectus. The Directors attribute such peak utilisation of production capacity was mainly due to excessive purchase of production materials from footwear manufacturers for the higher production output in anticipation the PRC's National Day Holidays in October which may lead to the reduction of productivity. Disregarding the effect from financial turmoil in the second half of 2008, the second half of 2009 is relatively the peak season of the Group and the Group recorded its comparatively higher turnover from October to December. Having considered that the Zhuhai Production Plant is the principal base for the production of adhesives and primers and provides semi-finished products for the processing of other production plants, in order to cope with the market demand under the expected industry growth as mentioned in the section headed "Industry overview" in this prospectus and the Group's expansion plan, the Directors are of the view that the expansion of production capacity of the Group is required.

Having considered that (i) the penetration of the Vulcanized Shoes Adhesive Related Products since their commercial sale in October 2009; (ii) the business expansion of the Group's PRC distributor, being one the top five customers of the Group during the Track Record Period, in other cities of the PRC in 2010; (iii) the approval of the Group by a footwear supplier as one of the approved materials suppliers, which may lead to expansion of the Group's customers base and product demand in 2010; (iv) the Group's expansion of the market in Bangladesh in 2010; and (v) the expected growth of the adhesive industry in the PRC in 2010 and 2011, the Directors believe that the demand for the Group's products is expected to increase in the future and the Directors estimate that the planned expanded production capacity for adhesive will be fully utilised in mid 2012, which is the peak season of the Group.

Basis and analysis for the expansion

The Directors consider that the above expansion plan by increasing the existing annual production capacity of approximately 24,000 tonnes of adhesives and primers per year to approximately 36,000 tonnes of adhesives and primers per year is in line with the industry growth and the business plan in the PRC, Vietnam and Bangladesh having considered that the following factors which may increase the demand of the Group's products and substantiate the expanded production capacity:

1. Expected increase in business opportunities for the Vulcanized Shoes Adhesive Related Products, details of such business opportunities are set out in the paragraph headed "Promotion of Vulcanized Shoes Adhesive Related Products" in this section above;

FUTURE PLANS AND USE OF PROCEEDS

2. Leveraging on the relationship with its existing customers with a view to increasing its market share in the PRC and Vietnam;
3. Further to the Group's focusing on the provision of adhesive related products to footwear manufacturers on export basis in the PRC, the Group entered into a distribution agreement with a PRC distributor, being one of five largest customers of the Group during the Track Record Period for the exploration of the domestic footwear adhesive market in the PRC. Sale to this PRC distributor amounted to approximately HK\$13.87 million, HK\$25.86 million, HK\$19.66 million and HK\$5.88 million for each of the three years ended 30 September 2009 and the four months ended 31 January 2010 respectively. Having considered that this PRC distributor (i) has its existing business operation and sales network mainly in Chengdu, Sichuan Province, the PRC; and (ii) plan to expand its business network to other cities in the PRC, including Qingdao, Shandong Province, the PRC, the expansion of the business network of this PRC distributor is expected to lead to an increase in demand of the Group's Traditional Adhesive Related Products and may also lead to an additional income of the Group for the sale of Vulcanized Shoes Adhesive Related Products. Details of the distribution agreement are set out in the paragraph headed "Customers" under the section headed "Business" in this prospectus;
4. Expected growth of the footwear industry in Vietnam based on the historical performance of footwear industry may lead to the increase in demand of footwear adhesive. Relevant industry information of Vietnam is set out in the section headed "Industry overview" in this prospectus; and
5. Establishing its presence in the footwear adhesive industry in Bangladesh, being a new market to the Group where certain of the major customers of the Group will establish their production plants and commence their production of footwear (relevant industry information of Bangladesh is set out in the section headed "Industry overview" in this prospectus).

According to the Adhesive Industry Report, the industry growth of the footwear adhesive industry is estimated to be approximately 5% and 8% in 2010 and 2011 respectively. Notwithstanding such estimated industry growth, the Group has focused on its expansion plan to increase its market share in footwear adhesive market and promotion of Vulcanized Shoes Adhesive Related Products. Details of the Group's plan to increase its market share in the PRC is set out in the paragraph headed "Increase in market share" below. It is the Group's future plans that the majority of increase in production capacity of the Group is catering for the market demand for Vulcanized Shoes Adhesive Related Products. Although the sale of Vulcanized Shoes Adhesive Related Products only amounted to approximately HK\$6.1 million (unaudited) and the sales volume was only approximately 160 tonnes for the eight months ended 31 May 2010, the Directors are of the view that the expansion of the production capacity for capturing the demand for Vulcanized

FUTURE PLANS AND USE OF PROCEEDS

Shoes Adhesive Related Products is reasonable having considered the characteristics of the adhesives for vulcanized shoes manufacturing market as set out in the paragraph headed “Strategies and future plans – Promotion of Vulcanized Shoes Adhesive Related Products” above.

In order to ensure the Group’s ability to source purchase orders from customers in line with the expansion of production capacity, the Group has been approaching new footwear manufacturers for promoting the Group’s products and has been providing marketing assistance to its PRC distributor for exploring the PRC market. Furthermore, the Group has employed new marketing staff and has provided them with training for strengthening the Group’s marketing and technical service ability.

The expansion plan of the Group will be effected by relocation of the existing production plants of the Group in the PRC and Vietnam – the Group is expected to incur the following expenses in connection with the relocation, the cost of relocation, a possible loss of deposit of RMB500,000 (equivalent to approximately HK\$568,000) in respect of the Zhongshan Production Plant, rental payment for the remaining term of the tenancy agreement for the Existing Vietnam Production Plant, a potential write off of immovable assets of approximately HK\$700,000, based on net book values as at 31 January 2010, and estimated severance payment of approximately HK\$204,000 as at the Latest Practicable Date, details of which has been set out in the sub-paragraph headed “Relocation of existing production plants” in the paragraph of “Production facilities” under the section headed “Business” in this prospectus.

Expansion progress

In relation to the establishment of the Nansha Production Plant, the Group won the bid in January 2010 for a parcel of land situated in Nansha, Guangdong, the PRC, where the Nansha Production Plant will be constructed. Meanwhile, the Guangzhou Nansha Development Zone Environmental Protection Bureau has approved the relevant environmental assessment report in relation to the selection of location of the Nansha Production Plant to be constructed. As at the Latest Practicable Date, the Group has applied for the land use rights certificate in respect of the parcel of land and the construction planning permit. In addition, the Group has also signed various contracts for the design and proposed construction of the Nansha Production Plant. With reference to the current status in the establishment of the Nansha Production Plant, to the best of the Directors’ knowledge and understanding, all necessary approvals for the operation of the Nansha Production Plant are expected to be obtained by December 2010. The first phase of the Nansha Production Plant is expected to commence operation in March 2011.

In relation to the establishment of the New Vietnam Production Plant, the Group entered into a sublease agreement in March 2008 for renting a parcel of land. As at the Latest Practicable Date, relevant application of approval for the

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construction of the New Vietnam Production Plant had not been submitted to relevant government authority. The Group will comply with relevant applicable Vietnam laws and regulations and obtain requisite permits and license prior to the commencement of construction and operation of the New Vietnam Production Plant. It is expected that the construction of the New Vietnam Production Plant will commence in December 2010 and the operation will commence in September 2011.

In relation to the establishment of production plant in Bangladesh, the Group entered into a lease agreement in July 2009 for renting a parcel of land in Bangladesh. As at the Latest Practicable Date, relevant approval for construction of the production plant had been obtained by the Group and the Group has appointed a contractor for the construction work. The commencement of such production plant is expected to be in October 2010. The Group will comply with relevant applicable Bangladesh laws and regulations and obtain requisite permits and license prior to the commencement of operation in Bangladesh.

In order to monitor and supervise the expansion plans, the Group has formed a committee. As an on-going supervision by the senior management of the Group, the committee will review the progress of the expansion plans and discuss with the senior management on a monthly basis in order to monitor the expansion plan of the Group. The senior management will report to the committee on a weekly basis for the progress of the expansion plan. In case there are any matters which may hinder the execution of the expansion plan, an ad-hoc meeting among such senior management and committee will be held for identifying the issues and seeking for solution. For ensuring the compliance of relevant rules and regulations for the establishment of new production plants, the Group will seek appropriate professional advice and assistance in this regard.

The expansion plan of the Group's production facilities is subject to the market demand of the Group's products and its utilisation rate. Should the Group scale down its expansion plan and/or should there be any material changes in the expansion plan, the Company will make an announcement pursuant to Chapter 13 of the Listing Rules, and the unutilised net proceeds from the Share Offer originally planned for the expansion of production facilities will be applied towards the expansion of the Group's marketing, technical services assistance, research and development capability. Furthermore, the Company will update the progress of its expansion plan in its interim and annual reports after the Listing.

As at the Latest Practicable Date, certain customers of the Group had indicated their projected purchase orders of approximately HK\$18.6 million (equivalent to approximately 466 tonnes) for the Vulcanized Shoes Adhesive Related Products for the year ending 30 September 2010, representing approximately 44.4% to the Group's planned production capacity of Vulcanized Shoes Adhesive Related Products for the year ending 30 September 2010.

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- **Increase in market share**

In order to capture the adhesive industry growth and increase the Group's market share in the adhesive market, the Group has planned to expand its production capacity and capability by establishing new production plants in the PRC, Vietnam and Bangladesh. Based on the sales volume of the Group and the consumption of footwear adhesive in the PRC in 2008, the Group's market share of the adhesive market in the PRC was approximately 4.6% and 5.6% for the year 2007 and 2008 respectively. Having considered that (i) the PRC distributor, being one of the top five customers of the Group during the Track Record Period, plans to expand its business network to other cities in the PRC; (ii) the introduction of Vulcanized Shoes Adhesive Related Products to extend the Group's product range to cover the adhesive industry to the vulcanized shoes market, being a new market segment to the Group; (iii) the recognition of the Group as an approved production material supplier by a new footwear supplier, which is one of the largest global footwear suppliers, in December 2009; and (iv) the expected recognition of the Group by another new footwear supplier, which is also one of the largest global footwear suppliers, as an approved production materials supplier in 2010, the sales of the Group adhesive related products and the Group's market share are expected to increase. In such regard, the expansion of the production capacity and capability of the Group is in line with the expected increase in sales orders in the future.

Therefore, the Directors are of the view that the above factors may lead to the increase in demand for the Group's products and the expansion plan of the Group by enhancing the production capacity in each of the PRC, Vietnam and Bangladesh can capture this business opportunity and result in business growth.

Use of proceeds

The net proceeds from the Share Offer, after deducting underwriting commission and estimated total expenses paid and payable by the Group in connection thereto, are estimated to be approximately HK\$62.3 million which is calculated based on an Offer Price of HK\$0.6675 per Share, being the mid-point of the proposed Offer Price ranged from HK\$0.585 to HK\$0.75 per Share. The Group intends to use such proceeds as follows:

1. approximately HK\$46.0 million for the expansion of the Group's production capacity including the construction of factory and procurement of the relevant equipment. The Group intends to allocate approximately HK\$35.0 million, HK\$5.5 million and HK\$5.5 million for the expansion of production facilities located in the PRC, Vietnam and Bangladesh respectively, details of which are set out in the paragraph headed "Production facilities – Expanded production facilities" in the "Business" section in this prospectus;

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2. approximately HK\$5.0 million for the investment in the Group's research and development team, including the expenses for the relevant equipment and consumables as well as payroll for research and development project, which include the improvement of the product quality and development of new products applicable on different footwear materials for other footwear;
3. approximately HK\$5.0 million for the expansion of the marketing and technical service team of the Group to cope with the potential increase in number of customers in the PRC, Vietnam and Bangladesh; and
4. the balance of HK\$6.3 million for the working capital and other general corporate purposes.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Share Offer will increase or decrease by approximately HK\$10.1 million, respectively. In this regards, the Group will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis. If the offer price is set at the low-end of the proposed Offer Price range, the net proceeds of the Share Offer are estimated to be approximately HK\$52.2 million, which will be used for the expansion of production capacity and the shortfall of approximately HK\$10.1 million will be financed by either bank loan or internal resources, as mentioned above.

To the extent that the net proceeds of the Share Offer are not immediately applied towards the above purposes, it is the Group's present intention that such net proceeds will be deposited into interest-bearing accounts with licensed banks and/or financial institutions in Hong Kong and/or Macau.

The Group will issue an announcement in Hong Kong if there is any material change in the use of proceeds described above.

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PUBLIC OFFER UNDERWRITERS

Joint Lead Managers

SinoPac Securities (Asia) Limited
First Shanghai Securities Limited
Sun Hung Kai International Limited

Co-Managers

Polaris Securities (Hong Kong) Limited
Prudential Brokerage Limited

PUBLIC OFFER UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, the Company is offering the Public Offer Shares for subscription under the Public Offer on the terms and subject to the conditions set out in this prospectus and the related Application Forms.

Subject to (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and (ii) certain other conditions set out in the Public Offer Underwriting Agreement (including, among others, the Joint Bookrunners (on behalf of all the Underwriters) and the Company agreeing on the Offer Price), the Public Offer Underwriters have severally agreed to subscribe for or procure subscribers for, on the terms and conditions of this prospectus and the Application Forms, the Public Offer Shares which are being offered but are not taken up under the Public Offer.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe for or to procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination by notice in writing to the Company. The Joint Bookrunners (on behalf of the Public Offer Underwriters) are entitled to terminate the Public Offer Underwriting Agreement upon the occurrence of any of the following events by notice in writing to the Company given at any time prior to on 8:00 a.m. on the Listing Date (the “Termination Time”) if, at any time before the Termination Time:

- (a) there comes to the notice of the Joint Sponsors, the Joint Bookrunners or, the Public Offer Underwriters or any of them:
 - (i) that any statement contained in, among other things, this prospectus and/or any announcements issued by the Company in connection with the Share Offer (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecasts, expressions of opinion, intention or expectation expressed in, among other things, this prospectus and/or any announcements issued by the Company in connection with the Share Offer (including any supplement or amendment thereto) are not fair and honest in any material respect and based on reasonable assumptions, when taken as a whole; or

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- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom; or
 - (iii) any breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement in any material respect (other than the Joint Sponsors, the Joint Bookrunners and the Underwriters); or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the Controlling Shareholders and the Company pursuant to the indemnification provisions under the Public Offer Underwriting Agreement; or
 - (v) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, conditions, business affairs, profits, losses or financial or trading position or performance of any members of the Group; or
 - (vi) any breach of, or any event rendering untrue or incorrect, any of the warranties in the Public Offer Underwriting Agreement in any material respect; or
 - (vii) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement would have rendered any of the warranties contained in the Public Offer Underwriting Agreement untrue, incorrect or misleading in any respect, and comes to the knowledge of the Joint Sponsors, the Joint Bookrunners or any of the Public Offer Underwriters and which is considered, in the sole and reasonable opinion of the Joint Bookrunners (on behalf of the Public Offer Underwriters), to be material in the context of the Share Offer; or
 - (viii) any event, act or omission which gives or is likely to give rise to any material liability of the Company or any of the Controlling Shareholders and the executive Directors arising out of or in connection with any representations, warranties or undertakings contained in the Public Offer Underwriting Agreement; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, tsunami, fire, flood, explosion, terrorism (whether or not responsibility has been claimed), strike or lockout epidemic, outbreak of diseases and epidemic (including but not limited to H1N1flu, severe acute respiratory syndrome and H5N1 and other related or mutated forms); or

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- (ii) (aa) any adverse change or development involving a prospective adverse change or deterioration, or any event or series of events likely to result in any adverse change or deterioration, or development involving a prospective adverse change or deterioration, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the Nasdaq National Market, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or a material devaluation of the Hong Kong dollar or the Renminbi respectively against any other currencies, or any disruption in monetary or trading or securities settlement or clearance services, procedures or matters) in or affecting Hong Kong, the PRC, the United States, the European Union (or any member thereof) or any other jurisdiction relevant to any member of the Group; or (bb) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting Hong Kong, the PRC, the United States, the European Union (or any member thereof) or any other jurisdictions relevant to any member of the Group; or
- (iii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC, the European Union (or any member thereof) or any other jurisdiction relevant to any member of the Group, or there is a material disruption in commercial banking or securities settlement or clearance services in those places; or
- (iv) any new law or regulation or any change or development involving a prospective adverse change in existing laws or regulations or any change or development involving a prospective adverse change in the interpretation or application thereof by any court or other competent authority in or affecting the Cayman Islands, BVI, Hong Kong, the PRC, Macau, Vietnam, Bangladesh or any other jurisdiction relevant to any member of the Group; or
- (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union (or any member thereof) on the PRC or any other jurisdiction relevant to any member of the Group; or
- (vi) an adverse change or development involving a prospective adverse change in taxation or exchange control, currency exchange rates or foreign investment regulations (or the implementation of any exchange control) in BVI, Hong Kong, the PRC, Macau, Vietnam, Bangladesh or any other jurisdiction relevant to any member of the Group adversely affecting an investment in the Shares; or

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- (vii) any litigation or claim of any third party being threatened or instigated against any member of the Group which, if determined adversely against the Group, would have a material and adverse effect on the financial condition of the Group taken as a whole; or
- (viii) the Directors 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
- (ix) the Chairman or Chief Executive Officer of the Company vacating his office; or
- (x) the commencement by any governmental, regulatory or political body or organisation of any action against the Directors which if determined adversely against such Director, would materially and adversely affect the ability of such Director to perform his duties and responsibilities for the Company or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xi) a contravention in any material respect by any member of the Group of the Listing Rules or applicable laws; or
- (xii) a prohibition on the Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or
- (xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Shares) with the Listing Rules or any other applicable law; or
- (xiv) an order or petition (based on valid grounds) for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;

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(xv) any other change whether or not ejusdem generis with any of the foregoing, which, in the sole and reasonable opinion of the Joint Bookrunners (on behalf of the Public Offer Underwriters):

- (aa) is or will be or is likely to be adverse, in any material respect, to the business, financial or trading condition of the Group taken as a whole or, in the case of subparagraph (vi) above, on any present or prospective shareholder in his/its capacity as such shareholder of the Company; or
- (bb) has or will have or is likely to have a material adverse effect on the success of the Share Offer as a whole or the level of the Offer Shares being demanded, applied for or accepted or the distribution of the Offer Shares; or
- (cc) for any reason makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Public Offer as a whole.

Similar events will be contained in the Placing Underwriting Agreement that may allow the Placing Underwriters to terminate their respective obligations thereunder.

Undertakings

Pursuant to the Public Offer Underwriting Agreement, the Company has undertaken to and covenanted with the Joint Sponsors, the Joint Bookrunners and the Public Offer Underwriters that, and each of the Controlling Shareholders and the executive Directors have jointly and severally undertaken and covenanted with the Joint Sponsors, the Joint Bookrunners and the Public Offer Underwriters to procure that, without the prior written consent of the Joint Bookrunners (on behalf of the Public Offer Underwriters, such consent not to be unreasonably withheld or delayed), and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Shares to be issued pursuant to the Capitalisation Issue, the grant of any options under the Share Option Scheme, and any Shares which may fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme, or by way of scrip dividend schemes or similar arrangements in accordance with the Articles, neither the Company nor any of its subsidiaries from time to time shall:

- (a) in each case, whether conditionally or unconditionally, allot and issue or agree to allot and issue or offer any shares in the Company or any subsidiary of the Company from time to time or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise acquire any securities of the Company or any subsidiary of the Company from time to time during the period commencing on the date by reference to which disclosure of the shareholding of such persons is made in this prospectus and ending on the date which is six months from the Listing Date (the “First Lock-Up Period”); or
- (b) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any share capital or securities or any interest therein during the First Lock-Up Period; or

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- (c) offer to or agree to do any of the foregoing or announce any intention to do so, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise during the First Lock-Up Period (whether or not such issue of Shares or securities will be completed within such period); or
- (d) allot and issue or agree to allot and issue any of the shares or other interests referred to in (a) above during the further six months immediately after the expiry of the First Lock-Up Period (the “Second Lock-Up Period”) if, immediately following such allotment and issue, (i) the Controlling Shareholders, either individually or taken together with the others of them, would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company or the single largest shareholder of the Company and/or (ii) there expects to be a disorderly or false market for the shares or any other securities of the Company; or
- (e) purchase any Shares or securities of the Company during the First Lock-Up Period.

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Company and the Stock Exchange that he or it shall not and shall procure that the relevant registered shareholder(s) shall not, without prior consent of the Stock Exchange:

- (i) during the First Lock-up Period, 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 it or he is shown by this prospectus to be the beneficial owner; and
- (ii) within the Second Lock-up Period, 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 if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a controlling shareholder of the Company. Note(s) of Rule 10.07 of the Listing Rules provides that the rule does not prevent a controlling shareholder from using the shares owned by it as securities (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Each of the Controlling Shareholders has further undertaken to the Company and the Stock Exchange that he or it will, within a period of 12 months from the Listing Date, immediately inform the Company and the Stock Exchange of:

- (a) any pledges or charges of any Shares or securities of the Company beneficially owned by him or it in favour of any authorised institution as permitted under the Listing Rules, and the number of such Shares or securities of the Company so pledged or charged; and

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- (b) any indication received by him or it, either verbal or written, from the pledgee or chargee that any Shares or other securities of the Company so pledged or charged will be disposed of.

The Company will also inform the Stock Exchange as soon as the Company has been informed of the above matters (if any) by the Controlling Shareholders and disclose such matters by way of an announcement under the Listing Rules as soon as possible after being so informed by the Controlling Shareholders.

Pursuant to the Public Offer Underwriting Agreement, each of the Controlling Shareholders has jointly and severally undertaken with the Company, the Joint Sponsors, the Joint Bookrunners and the Public Offer Underwriters that:

- (a) it shall not, and shall procure that its associates or companies controlled by it or nominees or trustees holding in trust for it shall not, sell, transfer or otherwise dispose of (including without limitation the creation of any option over or pledge or charge as security) any of the Shares or securities of the Company owned by it or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by it which is directly or indirectly the beneficial owner of any of the Shares or securities of the Company) immediately following the completion of the Share Offer and the Capitalisation Issue (the “Relevant Securities”) within the First Lock-Up Period save with the prior written consent of the Joint Bookrunners; and
- (b) it shall not, and shall procure that none of its associates or companies controlled by it or nominees or trustees holding in trust for it shall, within the Second Lock-up Period, sell, transfer or otherwise dispose of (including without limitation the creation of any option over or pledge or charge as security) any of the Relevant Securities, if immediately following such sale, transfer or disposal, the Controlling Shareholders collectively would cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company, and that in the event of any such sale, transfer or disposal, all reasonable steps shall be taken to ensure that such sale, transfer or disposal shall be effected in such a manner so as not to create a disorderly or false market for the Shares during the progress of such sale, transfer or disposal or after the completion thereof.

Each of the Company, the Controlling Shareholders and the executive Directors has agreed to jointly and severally indemnify the Joint Sponsors, the Joint Bookrunners and the Public Offer Underwriters for certain losses which they may suffer, including losses arising from their proper performance of their obligations under the Public Offer Underwriting Agreement and any breach by the Company of the Public Offer Underwriting Agreement.

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Placing

In connection with the Placing, it is expected that the Company will enter into the Placing Underwriting Agreement with, among other parties, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above. Under the Placing Underwriting Agreement, the Placing Shares are expected to be fully underwritten by the Placing Underwriters subject to the terms and conditions of the Placing Underwriting Agreement. The Placing Underwriting Agreement will contain events similar to those set out in the sub-paragraph headed “Grounds for termination” above that may allow the Joint Bookrunners (on behalf of the Placing Underwriters) to terminate their respective obligations thereunder.

Commission

The Public Offer Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Public Offer Shares and the Placing Underwriters are expected to receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Placing Shares, out of which the Public Offer Underwriters or the Placing Underwriters (as the case may be) pay any sub-underwriting commission and (where appropriate) selling concessions. In addition, each of the Joint Sponsors will receive a documentation fee for acting as a sponsor to the Share Offer. Based on an Offer Price of HK\$0.655 (being the mid-point of the indicative Offer Price range of HK\$0.585 per Offer Share and HK\$0.75 per Offer Share), such underwriting commission and fees, together with the Stock Exchange listing fee, legal and other professional fees, applicable printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$21.185 million in total. Such commission, fees and expenses are payable by the Group.

Sponsors’ independence

Hai Tong Capital is independent to the Company pursuant to Rule 3A.07 of the Listing Rules. Since the sole shareholder of Raffles Partners is an associate of an employee of SinoPac, and such employee is directly engaged in providing sponsorship services to the Company in relation to the Listing, such associate is deemed to be interested in the shareholding interest in the Company. SinoPac is therefore not considered to be independent to the Company pursuant to Rule 3A.07 of the Listing Rules.

Save for the interests of SinoPac, Hai Tong Capital and their respective associates in the Company mentioned above, none of the Joint Sponsors nor their respective associates expect to have accrued any material benefit as result of the successful listing of the Shares, other than the following: (i) the respective advisory and documentation fees to be paid to the Joint Sponsors; (ii) certain associates of SinoPac and/or Hai Tong Capital, whose ordinary business involves the trading and dealing in securities, may be involved in the trading and dealing in the securities of the Company; and (iii) the service fee to be paid by the Company to SinoPac pursuant to the agreement relating to the appointment of SinoPac as the Compliance Adviser as described in the paragraph headed “Compliance Adviser” in the section headed “Directors, senior management and staff” in this prospectus.

UNDERWRITING

Save for the interests of SinoPac, Hai Tong Capital and their respective associates in the Company mentioned above, the Joint Sponsors have no shareholding interests in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Underwriters' interests in the Company

Save for their respective obligations under the Underwriting Agreements, none of the Underwriters has any shareholding interests in the Company or any of our subsidiaries or any right or options (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any of its subsidiaries.

STRUCTURE OF THE SHARE OFFER

DETERMINING THE OFFER PRICE

The Placing Underwriters are expected to solicit from prospective investors indications of interests in acquiring Placing Shares. Prospective investors will be required to specify the number of Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about the last date for lodging applications under the Public Offer. The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Bookrunners, on behalf of the Underwriters, and the Company at or before 5:00 p.m. on the Price Determination Date, which is currently scheduled on Tuesday, 3 August 2010 and in any event no later than Wednesday, 4 August 2010. **If the Joint Bookrunners (on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by Wednesday, 4 August 2010, the Share Offer will not become unconditional and will lapse.**

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$0.75 per Offer Share and is expected to be not less than HK\$0.585 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

The Joint Bookrunners, on behalf of the Underwriters, may, where considered appropriate, based on the level of interests expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of the Company, reduce the indicative Offer Price range 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 such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) notice of such a change. Upon issue of such notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with the Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the statistics of the Share Offer 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. **If applications for the Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price range is so reduced such applications cannot be subsequently withdrawn.** In the absence of any notice being published in The Standard (in English) and Hong Kong Economic Times (in Chinese) of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon with the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

STRUCTURE OF THE SHARE OFFER

The Company expects to announce the final Offer Price, the level of indication of interests under the Placing and the basis of allotment of the Public Offer Shares under the Public Offer on or before Wednesday, 11 August 2010 in The Standard (in English) and Hong Kong Economic Times (in Chinese) and on the Company's website at <http://www.infinitychemical.com> and the website of the Stock Exchange at www.hkex.com.hk.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.75 per Offer Share and is expected to be not less than HK\$0.585 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum price of HK\$0.75 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.004% SFC transaction levy, amounting to a total of HK\$3,030.27 per board lot of 4,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$0.75 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed "How to apply for the Public Offer Shares" in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of the application for the Public Offer Shares is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus including any Shares which may fall to be issued upon the exercise of any options that may be granted under the Share Option Scheme; and
- (b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (which requires, amongst other things, that the Offer Price be agreed between the Joint Bookrunners (on behalf of the Underwriters) and the Company), and the Underwriting Agreements not being terminated in accordance with their terms prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Details of the Public Offer Underwriting Agreement, its conditions and grounds for termination, are set out in the section headed "Underwriting" in this prospectus.

If the Joint Bookrunners (on behalf of the Underwriters) and the Company are unable to reach agreement on the Offer Price by Wednesday, 4 August 2010, the Share Offer will not become unconditional and will lapse. If the above conditions are not fulfilled or waived by the Joint Bookrunners (on behalf of the Underwriters) on the date and time specified in the Underwriting Agreements and in any event not later than the date which is 30 days after the date of this prospectus, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by the Company in The Standard (in English) and Hong Kong Economic Times (in Chinese) on the next day following

STRUCTURE OF THE SHARE OFFER

such lapse, and all application monies will be returned, without interest, on the terms set out in the paragraph headed “Refund of your application monies” in the Application Forms. In the meantime, such application monies will be held in one or more separate bank accounts with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of 125,000,000 Shares will be made available under the Share Offer, of which 112,500,000 Shares, representing 90% of the total number of Shares being offered under the Share Offer, will initially be offered for subscription under the Placing. The remaining 12,500,000 Shares, representing 10% of the total number of Shares being offered under the Share Offer, will initially be offered for subscription under the Public Offer. The number of Shares offered for subscription under the Placing and the Public Offer will be subject to re-allocation on the basis described below. No pre-emption right or right to subscribe for the Offer Shares has been granted.

THE PLACING

Pursuant to the Placing, the Company will initially be offering 112,500,000 Shares, representing 90% of the total number of Shares being offered under the Share Offer, for subscription by way of the Placing. It is expected that the Placing Underwriters or selling agents nominated by them on behalf of the Company will conditionally place the Placing Shares at the Offer Price with professional, institutional and other investors expected to have sizeable demand for the Offer Shares. Such professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities or other investors expected to have sizeable demand for the Shares.

Allocation of the Placing Shares to professional and institutional investors pursuant to the Placing will be effected in accordance with the “book-building” process undertaken by the Joint Bookrunners, on behalf of the Placing Underwriters. Final allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further and/or hold or sell the Placing Shares after the Listing. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

Investors who have been allocated any of the Placing Shares under the Placing will not be allocated any Public Offer Shares under the Public Offer. Similarly, investors who have been allocated any Public Offer Shares under the Public Offer will not be allocated any Placing Shares under the Placing.

STRUCTURE OF THE SHARE OFFER

THE PUBLIC OFFER

The Company is initially offering, at the Offer Price, 12,500,000 Shares (subject to re-allocation as mentioned in the paragraph headed “Re-allocation of Offer Shares between the Public Offer and the Placing” below), representing 10% of the total number of Shares being initially offered under the Share Offer, for subscription under the Public Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement (which include the agreeing on the Offer Price by the Company and the Joint Bookrunners (on behalf of the Underwriters) on or before 4 August 2010). Applicants for the Public Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee.

The Public Offer is open to all members of the public in Hong Kong. An applicant for Public Offer Shares will be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she has not applied for nor taken up any Placing Shares nor participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by each applicant. When there is over subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares. The results of the Public Offer and basis of allotment of the Public Offer Shares are expected to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) on Wednesday, 11 August 2010.

Applications under the Public Offer from investors receiving the Placing Shares under the Placing will be identified and rejected and investors receiving the Public Offer Shares under the Public Offer will not be offered the Placing Shares under the Placing. Multiple applications or suspected multiple applications are liable to be rejected. The Public Offer is subject to the conditions as stated in the paragraph headed “Conditions of the Share Offer” above.

RE-ALLOCATION OF OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of Offer Shares between the Placing and the Public Offer is subject to re-allocation. If the number of Shares validly applied for in the Public Offer:

- (a) represents 15 times or more but less than 50 times of the number of Shares initially available for subscription under the Public Offer, then 25,000,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 37,500,000 Shares will be available under the Public Offer, representing 30% of the Offer Shares initially available under the Share Offer;

STRUCTURE OF THE SHARE OFFER

- (b) represents 50 times or more but less than 100 times of the number of Shares initially available for subscription under the Public Offer, then 37,500,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 50,000,000 Shares will be available under the Public Offer, representing 40% of the Offer Shares initially available under the Share Offer;
- (c) represents 100 times or more of the number of Shares initially available for subscription under the Public Offer, then 50,000,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 62,500,000 Shares will be available under the Public Offer, representing 50% of the Offer Shares initially available under the Share Offer; and
- (d) **in each of the above cases, the number of Shares allocated to the Placing will be correspondingly reduced. If the Public Offer is not fully subscribed, the Joint Bookrunners (on behalf of the Underwriters) has the absolute discretion to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as it deems appropriate to satisfy the demand under the Placing. If the Placing is not fully subscribed, the Joint Bookrunners, on behalf of the Underwriters, has the authority to re-allocate all or any unsubscribed Placing Shares originally included in the Placing to the Public Offer, in such number as it deems appropriate provided that there is sufficient demand under the Public Offer to take up such unsubscribed Placing Shares. Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement, which is expected to be made on Wednesday, 11 August 2010.**

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

There are three ways to make an application for the Public Offer Shares. You may apply for the Public Offer Shares by either (i) using a **WHITE** or **YELLOW** Application Form; (ii) applying online through designated website of the HK eIPO White Form Service Provider, referred herein as the “HK eIPO White Form Service”, or (iii) by giving **Electronic Application Instructions** to HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, **you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying using a WHITE or YELLOW Application Form or applying online through HK eIPO White Form Service or by giving Electronic Application Instructions to HKSCC.**

Who can apply for the Offer Shares

- (a) You, the applicant(s), and any person(s) for whose benefit you are applying, must be 18 years of age or above and must have a Hong Kong address.
- (b) If you are a firm, the application must be made in the name(s) of the individual member(s), not in the firm’s name.
- (c) If you are a body corporate, the application must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.
- (d) Save under the circumstances permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you or any person(s) for whose benefit you are applying is/are:
 - an existing beneficial owner of the shares in the Company or any of its subsidiaries;
 - the chief executive or a director of the Company or any of its subsidiaries;
 - an associate (as defined in the Listing Rules) of any of the above;
 - within the United States or a U.S. person(s) as defined in Regulation S of the U.S. Securities Act 1933, as amended;
 - a connected person (as defined in the Listing Rules) of the Company or a person who will become a connected person of the Company (as defined in the Listing Rules) immediately upon completion of the Share Offer;
 - a legal or natural person of the PRC (other than Hong Kong, Macau and Taiwan);
 - a person who does not have a Hong Kong address; or
 - have been allotted or have applied for or indicated an interest in any Placing Shares under the Placing.
- (e) The total number of joint applicants may not exceed four.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you wish to apply for the Offer Shares online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

Which application method to use

(a) **WHITE Application Form**

Use a **WHITE** Application Form if you want the Public Offer Shares to be issued in your own name.

(b) **HK eIPO White Form**

Instead of using a **WHITE** Application Form, you may apply for the Public Offer Shares by means of the **HK eIPO White Form** service by submitting an application online through the designated website at www.hkeipo.hk. Use the **HK eIPO White Form** service if you want the Shares to be registered in your own name.

(c) **YELLOW Application Form**

Use a **YELLOW** Application Form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees and to be deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

(d) *Instruct HKSCC to make an electronic application on your behalf*

Instead of using a **YELLOW** Application Form, you may give electronic application instruction to HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf via CCASS. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participants stock account or your designated CCASS Participant's stock account.

Note: The Public Offer Shares are not available to the directors, and chief executive of the Company or its subsidiaries or any of their respective associates (as defined in the Listing Rules).

Where to collect this prospectus and the Application Forms

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Thursday, 29 July 2010 until 12:00 noon on Tuesday, 3 August 2010 from any of the Public Offer Underwriters at the following addresses:

SinoPac Securities (Asia) Limited
21/F., One Peking,
1 Peking Road,
Tsim Sha Tsui,
Kowloon

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

First Shanghai Securities Limited

19th Floor, Wing On House,
71 Des Voeux Road Central,
Hong Kong

Sun Hung Kai International Limited

12/F, CITIC Tower,
1 Tim Mei Avenue,
Central,
Hong Kong

Polaris Securities (Hong Kong) Limited

Room 1003-4, Tower 1,
Admiralty Centre,
18 Harcourt Road,
Hong Kong

Prudential Brokerage Limited

9/F, World-wide House,
19 Des Voeux Road C.,
Central, Hong Kong

or any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

	Branch Name	Address
Hong Kong Island	Central Branch	Shop no. 16, G/F and Lower G/F, New World Tower, 16-18 Queen's Road Central, Central
	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
	North Point Centre Branch	North Point Centre, 284 King's Road, North Point
	Leighton Centre Branch	Shop 12-16, UG/F, Leighton Centre, 77 Leighton Road, Causeway Bay

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

	Branch Name	Address
Kowloon	Kwun Tong Hoi Yuen Road	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
	Lok Fu Shopping Centre Branch	Shop G101, G/F, Lok Fu Shopping Centre
New Territories	Shatin Centre Branch	Shop 32C, Level 3, Shatin Shopping Arcade, Shatin Centre, 2-16 Wang Pok Street, Shatin
	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Yuen Long Fung Nin Road Branch	Shop B at G/F and 1/F, Man Cheong Building, 247 Castle Peak Road, Yuen Long

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Thursday, 29 July 2010 until 12:00 noon on Tuesday, 3 August 2010 from:

- (i) the **Depository Counter of HKSCC** at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; and
- (ii) your broker, who may have such Application Forms and this prospectus available.

Applying by using an Application Form

There are detailed instructions on each Application Form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If your application is made through a duly authorised attorney, the Company and the Joint Bookrunners and their respective agents or nominees as agent for the Company will have full discretion to reject or accept any application, in full or in part, without assigning any reasons therefor and subject to any conditions they think fit.

- (a) You should note that by completing and submitting the Application Form, you (and if you are joint applicants, each of you jointly and severally), for yourself or as agent or nominee and on behalf of each person for whom you as agent or nominee, amongst other things:
- (i) **agree** with the Company, for itself and on behalf of each Shareholder, and the Company agrees with each Shareholder, to observe and comply with the Companies Ordinance, the Companies Law, the memorandum of association of the Company and the Articles;
 - (ii) **agree** with the Company and each of the Shareholder that the Shares are freely transferable by the holder thereof;
 - (iii) **confirm** that you have received a copy of this prospectus, and have only relied on the information and representations in this prospectus and the Application Form in making your application and that you will not rely on any other information and/or representations save as set out in any supplement to this prospectus;
 - (iv) **agree** that none of the Company, the Joint Sponsors, the Joint Bookrunners and the Public Offer Underwriters, any other parties involved in the Share Offer, their respective directors, officers, employees, partners, agents and advisers will be liable for any information or representations not contained in the Application Form, this prospectus and any supplement to this prospectus;
 - (v) **agree** (without prejudice to any other rights you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation other than as provided in this prospectus;
 - (vi) (if the application is made for your own benefit) **warrant** that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instructions** to HKSCC via CCASS or to the **HK eIPO White Form** Service Provider via **HK eIPO White Form** service (www.hkeipo.hk);
 - (vii) (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
 - (viii) (if you are making the application as agent for the benefit of another person) **warrant** that reasonable enquiries have been made of that other person and that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by way of giving **Electronic Application Instructions** to HKSCC via CCASS or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form**

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

service (www.hkeipo.hk), and that you are duly authorised to sign the Application Form as that other person's agent;

- (ix) **warrant** the truthfulness and accuracy of the information contained in the Application Form;
- (x) **agree** to disclose to the Company, the Company's Hong Kong branch share registrar and transfer office, the receiving banker, the Joint Sponsors, the Joint Bookrunners and the Public Offer Underwriters (and their respective agents, advisers or nominees) personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- (xi) **agree** that the processing of your application, including the despatch of refund cheques (where applicable), may be done by any of the Company's receiving banker and is not restricted to the bank at which your Application Form was lodged;
- (xii) **instruct** and **authorise** the Company, the Public Offer Underwriters and/or the Joint Bookrunners (or their respective agents or nominees) each acting as an agent of the Company to do on your behalf all things necessary to register any Public Offer Shares allotted to you in your name(s) or the name of HKSCC Nominees, as the case may be, and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
- (xiii) **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Public Offer Shares to be allotted to you, and as required by the memorandum of association of the Company and the Articles;
- (xiv) **represent, warrant** and **undertake** that you are not restricted by any applicable laws of Hong Kong or elsewhere from making this application, pay any application monies for, or being allotted or taking up any Public Offer Shares; and you understand that the Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended and you are not a U.S. person (as defined in Regulation S of the U.S. Securities Act 1933, as amended) or a person to or by whom the allotment of or application for the Public Offer Shares is made would require the Company, the Joint Sponsors, the Joint Bookrunners, and/or the Public Offer Underwriters to comply with any requirement under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;
- (xv) **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xvi) **undertake** and **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (xvii) **authorise** the Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of the Company as the holders(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any refund cheque (where applicable) to you or the first-named applicant in the Application Form (in case of joint applicants) by ordinary post at your own risk to the address stated in your Application Form (except that if you have applied for 1,000,000 Public Offer Shares or more and have indicated in your Application Form that you will collect your share certificate(s) and/or refund cheque(s) (if any) in person, you can collect your share certificate(s) and/or refund cheque(s) (where applicable) in person between 9:00 a.m. and 1:00 p.m. on Wednesday, 11 August 2010 from Tricor Investor Services Limited;
- (xviii) **understand** that these declarations and representations will be relied upon by the Company and the Joint Bookrunners and their respective agents or nominees in deciding whether or not to allocate any Public Offer Shares in response to your application and that you may be prosecuted for making any false declaration; and
- (xix) if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Bookrunners, the Underwriters and other parties involved in the Share Offer nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws 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 Forms.

In order for the **YELLOW** Application Form to be valid:

The applicant(s) must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

- (i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant)**, the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.
- (ii) If the application is made by an individual CCASS Investor Participant:
- (a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and
- (b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (iii) If the application is made by a joint individual CCASS Investor Participant:
 - (a) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all joint CCASS Investor Participants; and
 - (b) the participant I.D. must be inserted in the appropriate box in the Application Form.

- (iv) If the application is made by a corporate CCASS Investor Participant:
 - (a) the Application Form must contain the company name and Hong Kong business registration number; and
 - (b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission of details of the CCASS Participant including participant I.D. and/or company chop bearing its company name or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification code for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner.

If you apply for the Public Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following:

- (i) **agree** that any Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election in the Application Form;

- (ii) **agree** that each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) not to accept any or part of the Public Offer Shares allocated to you issued in the name of HKSCC Nominees or not to accept such Public Offer Shares for deposit into CCASS; (2) to cause such Public Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are joint applicants, to the name of the first-named applicant) at your own risk and costs; (3) to cause such allotted Public Offer Shares to be issued in your name (or, if you are a joint applicant, in the name of the first-named applicant) and in such a case, to post the certificates for such allotted Public Offer Shares at your own risk to the address stated in the Application Form by ordinary post or to make available the same for your collection;

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- (iii) **agree** that each of HKSCC and HKSCC Nominees may adjust the number of allocated Public Offer Shares issued in the name of HKSCC Nominees;
- (iv) **agree** that neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and
- (v) **agree** that neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

How to make payment for the application

Each completed **WHITE** or **YELLOW** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- (i) be in Hong Kong dollars;
- (ii) be drawn on your Hong Kong dollar bank account in Hong Kong;
- (iii) bear your account name (or, in the case of joint applicants, the name of the first-named applicant) (either pre-printed on the cheque or endorsed on the reverse of the cheque by an authorised signatory of the bank on which it is drawn), which must be the same as the name on your Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);
- (iv) be made payable to "Horsford Nominees Limited – Infinity Chemical Public Offer";
- (v) be crossed "Account Payee Only"; and
- (vi) not be post dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonoured on first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- (i) be in Hong Kong dollars;
- (ii) be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker's cashier order by an authorised signatory of the bank on which it is drawn. The name on the reverse of the banker's cashier order and the

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named applicant;

- (iii) be made payable to "Horsford Nominees Limited – Infinity Chemical Public Offer";
- (iv) be crossed "Account Payee Only"; and
- (v) not be post dated.

Your application may be rejected if your banker's cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on 3 August 2010. The Company will not give you a receipt for your payment. The Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

Members of the public – time for applying for Public Offer Shares

Completed **WHITE** or **YELLOW** Application Forms, with payment in Hong Kong dollars for the full amount on application attached, must be lodged by **12:00 noon on 3 August 2010**, or, if the application lists are not open on that day, then by 12:00 noon on the next Business Day the lists are open.

Your completed **WHITE** or **YELLOW** Application Form, with payment in Hong Kong dollars for the full amount payable on application attached, should be deposited in the special collection boxes provided at any of the branches of Standard Chartered Bank (Hong Kong) Limited listed on the paragraph headed "Where to collect the prospectus and the Application Forms" above at the following times:

Thursday, 29 July 2010 – 9:00 a.m. to 5:00 p.m.
Friday, 30 July 2010 – 9:00 a.m. to 5:00 p.m.
Saturday, 31 July 2010 – 9:00 a.m. to 1:00 p.m.
Monday, 2 August 2010 – 9:00 a.m. to 5:00 p.m.
Tuesday, 3 August 2010 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on 3 August 2010.

Application for the Public Offer Shares will not be processed, and no allotment of any such Public Offer Shares will be made, until the close of the application lists.

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Applying through HK eIPO White Form

General

- (i) You may apply through **HK eIPO White Form** by submitting an application through the designated website at **www.hkeipo.hk** if you satisfy the relevant eligibility criteria for this as set out in “Who can apply for Offer Shares” and on the same website. If you apply through **HK eIPO White Form**, the Shares will be issued in your own name.
- (ii) Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at **www.hkeipo.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated HK eIPO White Form Service Provider and may not be submitted to the Company.
- (iii) If you give **Electronic Application Instructions** through the designated website at **www.hkeipo.hk**, you will have authorized the designated HK eIPO White Form Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **HK eIPO White Form** service.
- (iv) In addition to the terms and conditions set out in this prospectus, the designated HK eIPO White Form Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at **www.hkeipo.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (v) By submitting an application to the designated HK eIPO White Form Service Provider through the **HK eIPO White Form** service, you are deemed to have authorized the designated HK eIPO White Form Service Provider to transfer the details of your application to the Company and the registrars.
- (vi) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 4,000 Offer Shares. Each electronic application instruction in respect of more than 4,000 Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.hkeipo.hk**.
- (vii) You should give **Electronic Application Instructions** through **HK eIPO White Form** at the times set out in the paragraph headed “Time for applying for the Public Offer Shares” below.
- (viii) You should make payment for your application made by **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at **www.hkeipo.hk**. **If you do not make complete payment of the application monies**

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(including any related fees) on or before 12:00 noon on Tuesday, 3 August 2010 or such later time as described under the paragraph headed “Effect of bad weather on the opening of the application lists” below, the designated HK eIPO White Form Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.hkeipo.hk.

- (ix) Once you have completed payment in respect of any Electronic Application Instruction given by you or for your benefit to the designated HK eIPO White Form Service Provider to make an application for Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular payment application reference number will not constitute an actual application.
- (x) Warning: The application for Offer Shares through the **HK eIPO White Form** service is only a facility provided by the designated HK eIPO White Form Service Provider to public investors. **The Company, the Directors, the Joint Sponsors, the Joint Bookrunners and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the HK eIPO White Form service will be submitted to the Company or that you will be allotted any Offer Shares.**

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **HK eIPO White Form** service, you are advised not to wait until the last day for submitting applications in the Public Offer to submit your **Electronic Application Instructions**. In the event that you have problems connecting to the designated website for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form. However, once you have submitted **Electronic Application Instructions** and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form.

Conditions of the HK eIPO White Form service

In using the **HK eIPO White Form** service to apply for the Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- **Applies** for the desired number of Offer Shares on the terms and conditions of the Prospectus and **HK eIPO White Form** Application Form subject to the memorandum of association of the Company and the Articles;
- **Undertakes and agrees** to accept the Offer Shares applied for, or any lesser number allotted to the applicant on such application;

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- **Declares** that this is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instruction** to HKSCC or to the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, to benefit the applicant or the person for whose benefit the applicant is applying;
- **Undertakes and confirms** that the applicant and the person for whose benefit the applicant are applying have not applied for or taken up, or indicated an interest for, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up, or indicate an interest for, any Offer Shares under the Public Offer nor otherwise participate in the Public Offer;
- **Understands** that the declaration and representation made in the **HK eIPO White Form** Application Form will be replied upon by the Company in deciding whether or not to make any allotment of Offer Shares in response to such application;
- **Authorizes** the Company to place the applicant's name on the register of members of the Company as the holder of any Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set out in this prospectus) to send any share certificates and/or any refund cheque(s) by ordinary post at the applicant's own risk to the address given on the **HK eIPO White Form** Application Form except where the applicant has applied for 1,000,000 or more Offer Shares and that applicant collects any share certificate(s) and/or refund cheque(s) in person in accordance with the procedures prescribed in the **HK eIPO White Form** Application Form and this prospectus;
- **Requests** that any e-Auto Refund payment instruction(s)/refund cheque(s) be made payable to the applicant; and (subject to the terms and conditions set out in this prospectus) to send any refund cheques by ordinary post and at the applicant's own risk to the address given on the **HK eIPO White Form** Application Form (except where the applicant has applied for 1,000,000 or more Offer Shares and collects any refund cheque(s) in person in accordance with the procedures prescribed in the **HK eIPO White Form** Application Form and the Prospectus);
- **Have read** the terms and conditions and application procedures set out on in the **HK eIPO White Form** Application Form, this prospectus and the **HK eIPO White Form** website and agree to be bound by them;
- **Represents, warrants and undertakes** that the applicant, and any persons for whose benefit the applicant are applying are non-U.S. person(s) outside the United States (as defined in Regulation S), when completing and submitting the **HK eIPO White Form** Application Form or is a person described in paragraph (h)(3) of Rule 902 of Regulation S or the allotment of or application for the Offer Shares to or by whom or for whose benefit the application is made would not require the Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong; and

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- **Agrees** that such application, any acceptance of it and the resulting contract, will be governed by and construed in accordance with the laws of Hong Kong.

Supplemental Information

If any supplement to this prospectus is issued, applicant(s) who have already submitted an electronic application instruction through the **HK eIPO White Form** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **HK eIPO White Form** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **HK eIPO White Form** service is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

Effect of completing and submitting an application through the HK eIPO White Form service

By completing and submitting an application through the **HK eIPO White Form** service, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- **instruct and authorize** the Company and/or the Joint Sponsors and/or the Joint Bookrunners as agent for the Company (or their respective agents or nominees) to do on your behalf all things necessary to register any Offer Shares allotted to you in your name as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the **HK eIPO White Form** Application Form;
- **confirm** that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- **agree** that the Company and the Directors, are liable only for the information and representations contained in this prospectus and any supplement thereto;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (if the application is made for your own benefit) **warrant** that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service;

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- (if you are an agent for another person) **warrant** reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service, and that you are duly authorized to submit the application as that other person's agent;
- **undertake and confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Offer Shares under the Placing;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **agree** to disclose to the Company, and/or its registrar, receiving bankers, the Joint Sponsors, the Joint Bookrunners and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;
- **agree** with the Company and each shareholder of the Company, and the Company agrees with each of its shareholder, to observe and comply with the Companies Ordinance, the Companies Law, the memorandum of association of the Company and the Articles;
- **agree** with the Company and each shareholder of the Company that the Shares in the Company are freely transferable by the holders thereof;
- **represent, warrant and undertake** that you are not, and none of the other person(s) for whose benefit you are applying, is a U.S. person (as defined in Regulation S);
- **represent and warrant** that you understand that the Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus, the **HK eIPO White Form** Application Form and the eIPO website and agree to be bound by them;
- **undertake and agree** to accept the Shares applied for, or any lesser number allocated to you under your application; and

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- if the laws of any place outside Hong Kong are applicable to your application, **agree and warrant** that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Bookrunners and the Public Offer Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus, the **HK eIPO White Form** Application Form and the eIPO website.

The Company, the Joint Sponsors, the Joint Bookrunners, the Underwriters and their respective directors, officers, employees, partners, agents, advisers, and any other parties involved in the Share Offer are entitled to rely on any warranty, representation or declaration made by you in such application.

HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **Electronic Application Instructions** to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **Electronic Application Instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> (according to the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **Electronic Application Instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F., Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Copies of this prospectus are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **Electronic Application Instructions** via CCASS terminals to apply for Public Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company and the Company's Hong Kong branch share registrar and transfer office.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Application for the Public Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **Electronic Application Instructions** to apply for the Public Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
 - **agrees** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has input **Electronic Application Instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - **undertakes and agrees** to accept the Public Offer Shares in respect of which that person has given **Electronic Application Instructions** or any lesser number;
 - **undertakes and confirms** that that person has not applied for or taken up any Offer Shares under the Placing nor otherwise participated in the Placing;
 - (if the **Electronic Application Instructions** are given for that person's own benefit) declares that only one set of **Electronic Application Instructions** has been given for that person's benefit;
 - (if that person is an agent for another person) declares that that person has only given one set of **Electronic Application Instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;
 - **understands** that the above declaration will be relied upon by the Company, the Directors and the Joint Bookrunners in deciding whether or not to make any allotment of the Public Offer Shares in respect of the **Electronic Application Instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
 - **authorises** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Public Offer Shares allotted in respect of that person's **Electronic Application Instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;
 - **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

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- **confirms** that that person has only relied on the information and representations in this prospectus (and any supplement thereto) in giving that person's **Electronic Application Instructions** or instructing that person's broker or custodian to give **Electronic Application Instructions** on that person's behalf;
- **agrees** that the Company, the Joint Sponsors, the Joint Bookrunners, the Public Offer Underwriters, their respective directors, officers, employees, advisers and any other parties involved in the Share Offer are not liable for the information and representations not so contained in this prospectus and any supplement thereto;
- **agrees** to disclose that person's personal data to the Company, its registrars, receiving banker, the Joint Bookrunners, the Public Offer Underwriters and any of their respective agents and any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **Electronic Application Instructions** given by that person is irrevocable before the expiration of the fifth day after the opening of the application lists or such later date as the application lists may open as described under "Effect of bad weather on the opening of the application lists" below, such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the expiration of the fifth day after the opening of the application lists except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the end of the fifth day after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus (for the purpose of this paragraph, the term "day" shall be construed to exclude any Saturday, Sunday or public holiday in Hong Kong);
- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **Electronic Application Instructions** given by that person is irrevocable, save as provided for in this prospectus;
- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **Electronic Application Instruction** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by the Company;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **Electronic Application Instructions** relating to the Public Offer Shares;
- **agrees** with the Company, for itself and for the benefit of each of the Shareholders (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each of the Shareholders, with each CCASS Participant giving **Electronic Application Instructions**) to observe and comply with the Companies Law, the memorandum of association of the Company and the Articles;
- **agrees** with the Company (for itself and for the benefit of each of the Shareholders) that the Shares are freely transferable by the holders thereof; and
- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and constructed in accordance with the laws of Hong Kong.

Effect of giving Electronic Application Instructions to HKSCC

By giving **Electronic Application Instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, you each jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- **instructed and authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- **instructed and authorised** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the Offer Price is less than the maximum offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and
- **instructed and authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Minimum subscription amount and permitted multiples

You may give or cause your broker or a custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **Electronic Application Instructions** in respect of a minimum of 4,000 Public Offer Shares. Such instructions in respect of more than 4,000 Public Offer Shares must be in one of the numbers or multiples set out in the table in the Application Forms. No application for any number of the Public Offer Shares will be considered and any such application is liable to be rejected.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **Electronic Application Instructions** to make an application for Public Offer Share given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. Further information in this regard is set forth under the paragraph headed “How many applications you may make” below.

Allocation of the Public Offer Shares

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **Electronic Application Instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Personal Data

The paragraph headed “Personal Data” in the Application Forms applies to any personal data held by the Company, its registrars, receiving banker, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **Electronic Application Instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Warning

The application for the Public Offer Share by giving **Electronic Application Instructions** to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Joint Sponsors, the Joint Bookrunners and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participants will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **Electronic Application Instructions** to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **Electronic Application Instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to CCASS Phone System/CCASS Internet System for submission of **Electronic Application Instructions**, they should either (i) submit the **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form for **Electronic Application Instructions** before 12:00 noon on 3 August 2010 or such later time as described under the paragraph headed "Effect of bad weather on the opening of the application lists" below.

HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for the Public Offer Shares if you are a nominee. You may both give **Electronic Application Instructions** to HKSCC (if you are a CCASS participant) and lodge more than one application in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- (i) an account number; or
- (ii) some other identification code

for **each** beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Except where you are a nominee and provide the information required to be provided in your application, **all** of your applications may be rejected as multiple applications if you, or you and/or your joint applicants together:

- make more than one application on a **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service; or
- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **Electronic Application Instructions** to HKSCC or to the **HK eIPO White Form** Service Provider in the **HK eIPO White Form** service; or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- apply on one **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instructions** to HKSCC or to the **HK eIPO White Form** Services Provider via the **HK eIPO White Form** service for more than 100% of the Public Offer Shares initially available as referred to in the section headed “Structure of the Share Offer” in this prospectus; or
- have applied for or taken up, or indicated an interest in applying for or taking up or have been allotted or will be allotted Placing Shares under the Placing.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **Electronic Application Instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being 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; or*
- *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).*

HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price is HK\$0.75 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. This means that for every 4,000 Public Offer Shares, you will pay HK\$3,030.27. Each Application Form has a table showing the exact amount payable for certain multiples of the Public Offer Shares. You must pay the maximum Offer Price, the brokerage, the Stock Exchange trading fee and the SFC transaction levy in full when you apply for the Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Your payment must be made by one cheque or one banker's cashier order and must comply with the terms of the related Application Forms (if you apply by an Application Form). Your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Tuesday, 3 August 2010. If your application is successful, the brokerage is paid to participants of the Stock Exchange, the transaction levy is paid to the Stock Exchange collecting on behalf of the SFC, and the trading fee is paid to the Stock Exchange. If the Offer Price as finally determined is less than HK\$0.75 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the surplus application monies) will be made to applicants, without interests. Details of the procedures for refund are contained below in the section headed "Despatch/collection of share certificates, e-Auto Refund payment instructions and refund cheques".

The Company will not issue temporary documents of title, evidence of title or receipt for payment.

TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES

WHITE and YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Tuesday, 3 August 2010, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effect of bad weather on the opening of the application lists".

Your completed Application Form, with payment in Hong Kong dollars for the full amount payable on application attached, should be deposited in the special collection boxes provided at any one of the branches of the Standard Chartered Bank (Hong Kong) Limited listed under the paragraph headed "Where to collect the prospectus and Application Forms" above at the following times:

Thursday, 29 July 2010 – 9:00 a.m. to 5:00 p.m.
Friday, 30 July 2010 – 9:00 a.m. to 5:00 p.m.
Saturday, 31 July 2010 – 9:00 a.m. to 1:00 p.m.
Monday, 2 August 2010 – 9:00 a.m. to 5:00 p.m.
Tuesday, 3 August 2010 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on 3 August 2010.

HK eIPO White Form

You may submit your application to the designated HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk from 9:00 a.m. on Thursday, 29 July 2010 until 11:30 a.m. on Tuesday, 3 August 2010 or such later time as described under the paragraph headed "Effect of bad weather on the opening of the application lists" below (24 hours daily, except on the last application day). The latest time for completing full payment of

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

application monies in respect of such applications will be 12:00 noon on Tuesday, 3 August 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “Effect of bad weather on the opening of the application lists” below.

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

Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **Electronic Application Instructions** via CCASS at the following times on the following dates:

Thursday, 29 July 2010 – 9:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 30 July 2010 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 31 July 2010 – 8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, 2 August 2010 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 3 August 2010 – 8:00 a.m.⁽¹⁾ to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **Electronic Application Instructions** from 9:00 a.m. on 29 July 2010 until 12:00 noon on 3 August 2010 (24 hours daily, except the last application date).

The latest time for inputting your **Electronic Application Instructions** (if you are a CCASS Participant) is 12:00 noon on 3 August 2010 or, if the application lists are not open on that day, by the time and date stated under the paragraph headed “Effect of bad weather on the opening of the application lists” below.

Application Lists

Subject to the events as described in the paragraph headed “Effect of bad weather on the opening of the application lists” below, the application lists will open at 11:45 a.m. and close at 12:00 noon on 3 August 2010.

No proceedings will be taken on application for the Shares and no allotment of any such Shares will be made until the closing of the application lists.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 3 August 2010.

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 force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allocated the Public Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note, in particular, the following two situations in which the Public Offer Shares will not be allocated to you:

If your application is revoked

By completing and submitting an Application Form, or by giving or submitting **Electronic Application Instructions** to HKSCC, by completing and submitting the HK eIPO White Form, you agree that you cannot revoke your application or the application made by HKSCC Nominees on your behalf on or before the expiration of the fifth day after the time of the opening of the application lists.

This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form or submit your **Electronic Application Instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the end of the fifth day after the time of opening of the application lists except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after time of the closing of the application lists, if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

For the purpose of the above paragraphs, the term “day” shall be construed to exclude any Saturday, Sunday or public holiday in Hong Kong.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. Acceptance of application which are not rejected will be constituted by notification in the announcement of the results of allocation and, where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to satisfaction of such conditions or the results of such ballot, respectively.

Full discretion of the Company, the Joint Bookrunners and their respective agents to reject or accept your application

The Company, the Joint Bookrunners and their respective agents have full discretion to reject or accept any application, or to accept only part of an application, and do not have to give any reason for any rejection or acceptance.

If your application is rejected

Your application will be rejected if:

- it is a multiple application or a suspected multiple application; or
- you or the person(s) for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have received or have been or will be placed or allotted (including conditionally and/or provisionally) Placing Shares. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received the Placing Shares; and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offer; or
- your Application Form is not completed correctly or fully completed (if you apply by an Application Form); or
- your payment is not made in the correct form or amount; or
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation; or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- the Company and the Joint Bookrunners (on behalf of the Public Offer Underwriters) or their respective agents or nominees as the agent of the Company believe that by accepting your application, they would violate the applicable securities laws or other laws, rules or regulations of the jurisdiction in which your application is received or your address is located; or
- your application is for more than 12,500,000 Public Offer Shares, being 100% of the Public Offer Shares initially available for subscription under the Public Offer.

If your application is not accepted

Your application (including the part of an application made by HKSCC Nominees acting upon **Electronic Application Instructions**) will not be accepted if either:

- the Public Offer Underwriting Agreement does not become unconditional in accordance with its terms and conditions; or
- the Public Offer Underwriting Agreement is terminated in accordance with its terms and conditions; or
- the Joint Bookrunners (on behalf of the Underwriters) and the Company are unable to reach an agreement on the final Offer Price by Tuesday, 3 August 2010 or such later date otherwise agreed, in any event not later than Wednesday, 4 August 2010.

If the allotment of Public Offer Shares is void

Any allotment of the Public Offer Shares to you or to HKSCC Nominees (if you give **Electronic Application Instructions** or apply by a **YELLOW** Application Form) will be void if the Stock Exchange does not grant the approval of the listing of, and permission to deal in, the Shares either:

- within three weeks from the closing date of the application lists of the Public Offer; or
- within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists of the Public Offer.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

DESPATCH/COLLECTION OF SHARE CERTIFICATES, E-AUTO REFUND PAYMENT INSTRUCTIONS AND REFUND CHEQUES

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\$0.75 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed “Conditions of the Share Offer” under the section headed “Structure of the Share Offer” in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued in respect of the Public Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

- (a) for applications on **WHITE** Application Forms or by giving **Electronic Application Instructions** through **HK eIPO White Form** service:
 - (i) share certificate(s) for all the Public Offer Shares applied for, if the application is wholly successful; or
 - (ii) share certificate(s) for the number of Public Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applications on **YELLOW** Application Forms: share certificates for the Shares successfully applied for will be deposited into CCASS as described below); and/or
- (b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the final Offer Price and the Offer Price of HK\$0.75 per Offer Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interests; and/or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (c) for applicants applying through the HK eIPO White Form service by paying the application monies through a single bank account and applicant's application is wholly or partially unsuccessful and/or the final Offer Price being different from the maximum Offer Price initially paid on applicant's application, e-Auto Refund payment instructions (if any) will be despatched to application payment bank account on or around Wednesday, 11 August 2010; and/or
- (d) for applicants applying through the HK eIPO White Form service by paying the application monies through multiple bank accounts and applicant's application is wholly or partially unsuccessful and/or the final Offer Price being different from the maximum Offer Price initially paid on applicant's application, refund cheque(s) will be sent to the address specified in applicant's application instructions to the designated HK eIPO White Form Service Provider on or around Wednesday, 11 August 2010, by ordinary post and at applicant's own risk.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms or by giving **Electronic Application Instructions** through **HK eIPO White Form** service; and share certificates for wholly and partially successful applicants under **WHITE** Application Forms or by giving **Electronic Application Instructions** through **HK eIPO White Form** service are expected to be posted on or around Wednesday, 11 August 2010. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

Pursuant to a new measure to improve security as agreed and adopted by The Hong Kong Association of Banks, the Hong Kong Monetary Authority, the Federation of Share Registrars and the SFC with effect from 2 April 2007, refund cheques will be printed with part of your Hong Kong identity card number or passport number. For joint applicants, the identity information of the first-named applicant will be printed. When a refund cheque is presented to a bank, the bank will cross-check both the name and the printed part of the Hong Kong identity card or passport number of the payee shown on the cheque against the bank's own record on the information of the account holder. If there is a discrepancy, the bank might request other proof of identity or take other steps for verification. If the bank is unable to be satisfied with the identity of the payee, the bank might reject the deposit of the refund cheque concerned. You are therefore advised to ensure that your identification numbers are accurately filled in on your Application Form to avoid delay in cashing your refund cheques. A cheque deposit might be rejected if you fail to fill in correct identity information.

Share certificates will only become valid certificates of title at 8:00 a.m. on 12 August 2010 provided that the Share Offer has become unconditional in all respects and the rights of termination described in the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus has not been exercised.

You will receive one Share certificate for all the Offer Shares issued to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Form or by **Electronic Application Instructions** to HKSCC where share certificates will be deposited in CCASS).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

WHITE Application Form

If you have applied for 1,000,000 Public Offer Shares or above and have indicated on your Application Form that you will collect your Share certificate(s) (where applicable) and/or refund cheque (if any) in person, you may collect it/them from:

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wan Chai
Hong Kong

between 9:00 a.m. and 1:00 p.m. on Wednesday, 11 August 2010 or any other the date notified by the Company in the newspaper as the date of despatch of share certificates and refund cheques.

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must, in any event, produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your share certificate(s) and/or refund cheque (if any) within the time for collection specified above, they will be sent to you by ordinary post to the address as specified in your Application Form (or the address of the first-named applicant in case of a joint application) and at your own risk shortly after the time for collection.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Form that you will collect your Share certificate(s) and/or refund cheque (if any) in person; or if you have applied for less than 1,000,000 Public Offer Shares; or if your application is rejected, not accepted or accepted in part only; or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed "Conditions of the Share Offer" under the section headed "Structure of the Share Offer" in this prospectus, or if any application is revoked or any allotment pursuant thereto has become void, then your Share certificate(s) (where applicable) and/or refund cheque (where applicable) in respect of the application monies or the appropriate portion thereof, together with the related brokerage, Stock Exchange trading fee and SFC transaction levy (without interest) will be sent to the address on your Application Form (or the address of the first-named applicant in case of a joint application) by ordinary post and at your own risk on the date of despatch.

If you apply through HK eIPO White Form

If you apply for 1,000,000 Public Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk and your application is wholly or partially successful, you may collect your Share certificate(s) and/or refund cheque(s) (where applicable) in person from Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 August 2010.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you do not collect your Share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider promptly thereafter, by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** on Wednesday, 11 August 2010 by ordinary post and at your own risk.

YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Offer Shares or above and have not indicated on your Application Forms that you will collect refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed “Conditions of the Share Offer” under the section headed “Structure of the Share Offer” in this prospectus, or if any application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) in respect of the application monies or the appropriate parties thereof, together with the related brokerage, Stock Exchange trading fee, SFC transaction levy (without interest) will be sent to the address on your Application Form by ordinary post and at your own risk.

If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees Limited and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you on Wednesday, 11 August 2010, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for the Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of the Public Offer Shares allotted to you with that CCASS Participant.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you are applying as a CCASS investor participant:

- the Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the newspaper on Wednesday, 11 August 2010. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 August 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees Limited. 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" (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you apply by giving Electronic Application Instructions to HKSCC

If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **Electronic Application Instructions** on your behalf or your CCASS Investor Participant's stock account on Wednesday, 11 August 2010, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

The Company will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner, where supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner described in the paragraph headed "Publication of results" in this prospectus on Wednesday, 11 August 2010. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 August 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **Electronic Application Instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 11 August 2010. Immediately after the credit of the Public Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Office Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 11 August 2010. No interests will be paid thereon.

PUBLICATION OF RESULTS

The Company expects to release an announcement of the Offer Price, the level of indication of interest in the Placing, the basis of allocation and the results of applications for the Public Offer Shares to be published in The Standard (in English) and Hong Kong Economic Times (both in Chinese) on Wednesday, 11 August 2010.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where supplied) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, by giving **Electronic Application Instructions** to HKSCC or to the **HK eIPO White Form** Service Provider under the **HK eIPO White Form**, will be made available at the times and dates and in the manner specified below:

- on the website of the Company at www.infinitychemical.com and the Stock Exchange's website at www.hkex.com.hk from Wednesday, 11 August 2010 onward;
- on the Company's Public Offer results of allocations website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Wednesday, 11 August 2010 to 12:00 midnight on Friday, 20 August 2010. The user will be required to key in the Hong Kong Identity card/passport/Hong Kong business registration certificate number provided in his/her/its application form to search for his/her its own allocation result;
- from the Company's Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of the Public Offer Shares allocated to them, if any, by calling 369-18-488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 11 August 2010 to Monday, 16 August 2010 (excluding Saturday and Sunday); and
- from special allocation results booklets which set out the results of allocations will be available for inspection during opening hours of the designated branches of the receiving banker of the Public Offer from Wednesday, 11 August 2010 to Friday, 13 August 2010 at the addresses set forth in the paragraph headed "Where to collect the prospectus and Application Forms" in this section above.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

COMMENCEMENT OF DEALINGS IN THE SHARES

The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Wednesday, 11 August 2010. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 12 August 2010. Shares will be traded in board lots of 4,000 Shares. The stock code of the Shares is 640.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval of the listing of, and permission to deal in, the Shares on the Stock Exchange as well as compliance 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 commencement date of dealings in the Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements, as such arrangements will affect their rights and interests.

The following is the text of a report prepared for the purpose of incorporation in the prospectus received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

29 July 2010

The Directors
Infinity Chemical Holdings Company Limited
SinoPac Securities (Asia) Limited
Hai Tong Capital (HK) Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Infinity Chemical Holdings Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 30 September 2009 and four months ended 31 January 2010 (the “Relevant Periods”) for inclusion in the prospectus of the Company dated 29 July 2010 (the “Prospectus”).

The Company was incorporated and registered as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands on 15 December 2009. Through a group reorganisation as more fully explained in the paragraph headed “Reorganisation” in Appendix V to the Prospectus (the “Group Reorganisation”), the Company has since 26 March 2010 become the holding company of the Group.

As at the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital/ quota capital/charter capital	Attributable equity interest of the Group	Principal activities
Greenfield Sociedade Unipessoal Limitada (青草一人有限公司 Greenfield Company Limited)	Macau Special Administrative Region, Mainland China (“Macau”) 27 May 1997	Quota capital – MOP100,000	100%	Distribution of adhesive products

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital/ quota capital/charter capital	Attributable equity interest of the Group	Principal activities
Macson Sociedade Unipessoal Limitada (信諾一人有限公司 Macson Company Limited)	Macau 14 July 1997	Quota capital – MOP100,000	100%	Investment holding and distribution of adhesive products
Righton Sociedade Unipessoal Limitada (緯頓一人有限公司 Righton Company Limited)	Macau 27 May 1997	Quota capital – MOP100,000	100%	Investment holding and procurement of raw materials
Ally Link Investments Limited	British Virgin Islands 19 January 2010	Shares – US\$100	100%	Investment holding
Benino Corporation (“Benino”)	British Virgin Islands 31 October 2003	Shares – US\$35	100%	Provision of research and development and technical assistance services
Bracorp Consulting Inc. (“Bracorp”)	British Virgin Islands 19 June 2002	Shares – US\$100	100%	Provision of promotion and marketing services
Centresin-Adesivos e Quimicos Sociedade Unipessoal Limitada (中部樹脂 化工一人有限公司 Zhong Bu (Centresin) Adhesive & Chemical Co. Ltd.)	Macau 13 August 2007	Quota capital – MOP100,000	100%	Investment holding
Công Ty Trách Nhiệm Hữu Hạn Nhựa Cây Trung Bô (Việt Nam) (Zhong Bu Adhesive (Vietnam) Co., Ltd.) (“Vietnam Centresin”) [#]	Socialist Republic of Vietnam (“Vietnam”) for a term of 30 years commencing 27 January 2005	Charter capital – US\$300,000	100%	Processing and packaging of adhesive products
Great Oasis International Limited (“Great Oasis”)	British Virgin Islands 5 September 2002	Shares – US\$100	100%	Trading of raw materials and adhesive products

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital/ quota capital/charter capital	Attributable equity interest of the Group	Principal activities
Iao Son Hong Tinta e Vernizes, Limitada (友信行有限公司 Iao Son Hong Paint Company Limited) ("ISH")	Macau 20 July 1990	Quota capital – MOP900,000	100%	Provision of agency services for the Group's raw materials procurement and distribution of adhesive products
Keen Castle Limited ("Keen Castle")*	British Virgin Islands 2 July 2008	Shares – US\$2,000	100%	Investment holding
Zhong Bu Centresin (Bangladesh) Company Ltd.	People's Republic of Bangladesh 15 January 2009	Shares – BDT100,000	100%	Not yet commenced business
珠海市澤濤黏合製品有限公司 (Centresin Chemical Products Ltd., Zhuhai) ("Zhuhai Centresin") [#]	Mainland China (the "PRC") for a term of 30 years commencing 29 July 1999 as a wholly foreign owned enterprise	Registered capital – HK\$31,000,000	100%	Manufacture of adhesive products
中部樹脂(廣州)有限公司 (Zhong Bu Centresin (Guangzhou) Company Limited) [#]	PRC for a term of 50 years commencing 10 December 2009 as a wholly foreign owned enterprise	Registered capital – US\$2,860,000	100%	Not yet commenced business
中山信諾黏合製品有限公司 (Zhongshan Macson Adhesive Products Co., Ltd.) ("Zhongshan Macson") [#]	PRC for a term of 15 years commencing 22 September 1998 as a wholly foreign owned enterprise	Registered capital – HK\$5,800,000	100%	Manufacture of adhesive products

* Directly held by the Company.

[#] The statutory financial year end date of these companies is 31 December.

The statutory financial statements of the following subsidiaries for each of the four years ended 31 December 2009 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC or Vietnam enterprises and were audited by the following certified public accountants registered in the PRC or Vietnam.

Name of subsidiary	Financial period	Auditor
Vietnam Centresin	Each of the four years ended 31 December 2009	Polaris Auditing Company Ltd.
Zhuhai Centresin	Each of the two years ended 31 December 2007	利安達信隆會計師事務所 (Reanda Certified Public Accountants Co., Ltd.)
	Year ended 31 December 2008	利安達會計師事務所 (Reanda Certified Public Accountants Co., Ltd., Zhuhai Branch)
	Year ended 31 December 2009	珠海國睿會計師事務所 (Zhuhai Great Tax Accountants)
Zhongshan Macson	Each of the four years ended 31 December 2009	中山香山會計師事務所有限公司 (Zhongshan Xiangshan Certified Public Accountants Co., Ltd.)

We have acted as the auditor of the Company since its date of incorporation. No statutory audited financial statements have been prepared for those subsidiaries which were incorporated in the British Virgin Islands and Macau as they were incorporated in jurisdictions where there are no statutory audit requirements.

No audited financial statements have been prepared for the Company, Zhong Bu Centresin (Bangladesh) Company Ltd. and Zhong Bu Centresin (Guangzhou) Company Limited for the period from the date of their incorporation/establishment as they have not reached their first financial year end in accordance with the relevant rules and regulations in their respective country.

We have audited the consolidated financial statements of Keen Castle for the Relevant Periods prepared under Hong Kong Financial Reporting Standards (“HKFRSs”) (the “Underlying Financial Statements”) in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

We have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 “Prospectuses and the reporting accountant” as recommended by the HKICPA.

The combined statements of financial position of the Group as at 30 September 2007, 30 September 2008, 30 September 2009 and 31 January 2010 and the combined statements of comprehensive income and cash flows of the Group for the Relevant Periods have been prepared from the Underlying Financial Statements, on the basis set out in note 1 to section E below for the purpose of preparing our report for inclusion in the Prospectus. No adjustments are considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of Keen Castle who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 1 to section E below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 January 2010 and of the Group as at 30 September 2007, 30 September 2008, 30 September 2009 and 31 January 2010 and of the combined profit and cash flows of the Group for the Relevant Periods.

The comparative combined statements of comprehensive income, cash flows and changes in equity of the Group for the four months ended 31 January 2009 together with the notes thereon have been extracted from the Group's unaudited combined financial information for the same period (the "31 January 2009 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 31 January 2009 Financial Information in accordance with the Hong Kong Standard of Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. Our review of the 31 January 2009 Financial Information consisted of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 January 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 January 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with Hong Kong Financial Reporting Standards.

A. COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Section E</i>	Year ended 30 September			Four months ended 31 January	
		<i>Notes</i>	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2009 HK\$'000
					(unaudited)	
Turnover	6	218,127	287,808	267,579	95,298	87,220
Cost of goods sold		<u>(177,522)</u>	<u>(240,525)</u>	<u>(202,505)</u>	<u>(78,327)</u>	<u>(66,228)</u>
Gross profit		40,605	47,283	65,074	16,971	20,992
Other income		3,070	3,655	3,880	3,311	804
Changes in fair value of investment properties		1,425	5,517	(3,970)	–	320
Selling and distribution costs		(6,357)	(8,246)	(10,318)	(3,915)	(3,139)
Administrative expenses		(16,977)	(16,141)	(20,601)	(8,385)	(8,542)
Other expenses		–	–	–	–	(4,914)
Interest on bank borrowings wholly repayable within five years		<u>(1,647)</u>	<u>(2,731)</u>	<u>(1,988)</u>	<u>(936)</u>	<u>(481)</u>
Profit before taxation	7	20,119	29,337	32,077	7,046	5,040
Taxation	9	<u>(224)</u>	<u>(753)</u>	<u>(1,380)</u>	<u>(694)</u>	<u>(354)</u>
Profit for the year/period attributable to the owners of the Company		19,895	28,584	30,697	6,352	4,686
Other comprehensive income						
– exchange differences arising on translation of foreign operations		<u>1,518</u>	<u>2,763</u>	<u>(332)</u>	<u>(348)</u>	<u>(188)</u>
Total comprehensive income for the year/period attributable to the owners of the Company		<u>21,413</u>	<u>31,347</u>	<u>30,365</u>	<u>6,004</u>	<u>4,498</u>
Earnings per share – Basic	11	<u>5.3 cents</u>	<u>7.6 cents</u>	<u>8.2 cents</u>	<u>1.7 cents</u>	<u>1.2 cents</u>

B. COMBINED STATEMENTS OF FINANCIAL POSITION

	Section E Notes	THE GROUP			THE COMPANY	
		At 30 September			At 31	At 31
		2007	2008	2009	January	January
	HK\$'000	HK\$'000	HK\$'000	2010	2010	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets						
Investment properties	12	14,233	14,850	10,880	11,200	-
Property, plant and equipment	13	32,132	32,434	29,926	29,240	-
Land use rights	14	462	2,895	2,686	2,562	-
Deposits made on acquisition of property, plant and equipment		-	-	-	2,247	-
		46,827	50,179	43,492	45,249	-
Current assets						
Inventories	15	36,534	49,534	37,559	34,867	-
Trade and other receivables	16	50,905	69,809	56,993	69,297	-
Amount due from a director	17	6,472	13,408	-	1,614	-
Pledged/restricted bank deposits	18	14,605	19,818	34,476	35,560	-
Bank balances and cash	18	5,931	4,248	6,087	10,690	-
		114,447	156,817	135,115	152,028	-
Current liabilities						
Trade and other payables	19	35,368	42,955	34,961	35,805	-
Taxation		80	270	419	419	-
Current portion of secured long-term bank loans	20	5,617	6,407	3,150	3,534	-
Secured short-term bank loans	21	19,280	30,134	16,353	22,791	-
Bank overdrafts – secured	22	10,392	10,031	3,495	4,950	-
		70,737	89,797	58,378	67,499	-
Net current assets		43,710	67,020	76,737	84,529	-
Total assets less current liabilities		90,537	117,199	120,229	129,778	-
Non-current liabilities						
Secured long-term bank loans	20	10,443	5,244	1,483	6,180	-
Deferred taxation	23	588	1,094	2,108	2,462	-
		11,031	6,338	3,591	8,642	-
Net assets		79,506	110,861	116,638	121,136	-
Capital and reserves						
Paid-in capital/share capital	24	876	884	16	16	-
Reserves		78,630	109,977	116,622	121,120	-
Total equity		79,506	110,861	116,638	121,136	-

C. COMBINED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital/share capital HK\$'000	Special reserve HK\$'000	Legal reserve HK\$'000	Translation reserve HK\$'000	Statutory surplus reserve fund HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 October 2006	876	-	437	1,051	-	55,729	58,093
Profit for the year	-	-	-	-	-	19,895	19,895
Exchange differences arising on translation of foreign operations	-	-	-	1,518	-	-	1,518
Total comprehensive income for the year	-	-	-	1,518	-	19,895	21,413
At 30 September 2007	876	-	437	2,569	-	75,624	79,506
Issue of shares	8	-	-	-	-	-	8
Profit for the year	-	-	-	-	-	28,584	28,584
Exchange differences arising on translation of foreign operations	-	-	-	2,763	-	-	2,763
Total comprehensive income for the year	-	-	-	2,763	-	28,584	31,347
At 30 September 2008	884	-	437	5,332	-	104,208	110,861
Profit for the year	-	-	-	-	-	30,697	30,697
Exchange differences arising on translation of foreign operations	-	-	-	(332)	-	-	(332)
Total comprehensive income for the year	-	-	-	(332)	-	30,697	30,365
Transfer upon the Group Reorganisation	(868)	868	-	-	-	-	-
Dividends recognised as distribution	-	-	-	-	-	(24,588)	(24,588)
	(868)	868	-	-	-	(24,588)	(24,588)
At 30 September 2009	16	868	437	5,000	-	110,317	116,638

	Paid-in capital/share capital HK\$'000	Special reserve HK\$'000	Legal reserve HK\$'000	Translation reserve HK\$'000	Statutory surplus reserve fund HK\$'000	Retained profits HK\$'000	Total HK\$'000
Profit for the period	-	-	-	-	-	4,686	4,686
Exchange differences arising on translation of foreign operations	-	-	-	(188)	-	-	(188)
Total comprehensive income for the period	-	-	-	(188)	-	4,686	4,498
Transfers	-	-	-	-	1,814	(1,814)	-
At 31 January 2010	<u>16</u>	<u>868</u>	<u>437</u>	<u>4,812</u>	<u>1,814</u>	<u>113,189</u>	<u>121,136</u>
At 1 October 2008	884	-	437	5,332	-	104,208	110,861
Profit for the period	-	-	-	-	-	6,352	6,352
Exchange differences arising on translation of foreign operations	-	-	-	(348)	-	-	(348)
Total comprehensive income for the period	-	-	-	(348)	-	6,352	6,004
At 31 January 2009 (unaudited)	<u>884</u>	<u>-</u>	<u>437</u>	<u>4,984</u>	<u>-</u>	<u>110,560</u>	<u>116,865</u>

The special reserve represents the difference between the nominal amount of the shares issued by Keen Castle and the aggregate amount of paid-in capital of ISH, Benino, Bracorp and Great Oasis acquired pursuant to the Group Reorganisation in June 2009.

In accordance with the provisions of the Macau Commercial Code issued by the government of Macau, the Macau subsidiaries of the Company are required to transfer from their annual net profit at a minimum rate of 25% to a legal reserve before the appropriation of profits to dividend until the legal reserve reaches 50% of the respective subsidiaries' registered capital. The legal reserve is not distributable to shareholders.

As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries in accordance with relevant laws and regulations applicable to PRC enterprises. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

D. COMBINED STATEMENTS OF CASH FLOWS

	Year ended 30 September			Four months ended 31 January	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2009 HK\$'000	2010 HK\$'000
				(unaudited)	
Operating activities					
Profit before taxation	20,119	29,337	32,077	7,046	5,040
Adjustments for:					
Interest income	(679)	(592)	(135)	(95)	(14)
Interest expenses	1,647	2,731	1,988	936	481
Depreciation	3,486	3,646	3,613	1,189	1,229
Operating lease rentals in respect of land use rights	24	26	27	9	10
Loss on disposal of property, plant and equipment	–	1	4	–	–
Changes in fair value of investment properties	(1,425)	(5,517)	3,970	–	(320)
Operating cash flows before movements in working capital	23,172	29,632	41,544	9,085	6,426
(Increase) decrease in inventories	(7,052)	(10,345)	11,861	12,126	2,656
(Increase) decrease in trade and other receivables	(8,216)	(18,498)	12,737	15,100	(12,319)
Increase (decrease) in trade and other payables	10,320	7,721	(7,770)	1,614	892
Cash from operations	18,224	8,510	58,372	37,925	(2,345)
Taxation paid	–	(51)	(217)	(161)	–
Net cash from (used in) operating activities	18,224	8,459	58,155	37,764	(2,345)
Investing activities					
Interest received	679	592	135	95	14
Proceeds from disposal of investment properties	–	4,900	–	–	–
Purchase of property, plant and equipment	(9,713)	(1,643)	(1,132)	(790)	(550)
Deposits paid on acquisition of property, plant and equipment	–	–	–	–	(2,247)
Proceeds from disposal of property, plant and equipment	–	–	2	–	–
Purchase of land use rights	–	(2,456)	–	–	–
Advances made to a director	(24,223)	(9,151)	(11,355)	(14,332)	(1,614)
(Increase) decrease in pledged/restricted bank deposits	(1,580)	(5,213)	(14,658)	2,723	(1,084)
Net cash used in investing activities	(34,837)	(12,971)	(27,008)	(12,304)	(5,481)

	Year ended 30 September			Four months ended 31 January	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Financing activities					
Interest paid	(1,647)	(2,731)	(1,988)	(936)	(481)
Bank loans raised	33,640	31,634	16,353	8,189	22,395
Repayment of bank loans	(11,761)	(25,840)	(37,152)	(28,265)	(10,876)
Net cash from (used in) financing activities	20,232	3,063	(22,787)	(21,012)	11,038
Net increase (decrease) in cash and cash equivalents	3,619	(1,449)	8,360	4,448	3,212
Cash and cash equivalents at the beginning of the year/period	(7,920)	(4,461)	(5,783)	(5,783)	2,592
Effect of foreign exchange rate changes	(160)	127	15	2	(64)
Cash and cash equivalents at the end of the year/period	(4,461)	(5,783)	2,592	(1,333)	5,740
Analysis of the balances of cash and cash equivalents					
Bank balances and cash	5,931	4,248	6,087	6,218	10,690
Bank overdrafts	(10,392)	(10,031)	(3,495)	(7,551)	(4,950)
	(4,461)	(5,783)	2,592	(1,333)	5,740

E. NOTES TO THE FINANCIAL INFORMATION**1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

In preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company underwent the Group Reorganisation which include the following steps:

- (a) Prior to 10 June 2009, the business of the Group carried out by ISH, Benino, Bracorp and Great Oasis were under common control by the Company's controlling shareholder, Mr. Jeong Un jointly with his wife Ms. Chan Sat Kwan (the "Controlling Shareholder"). On 2 July 2008, Keen Castle was incorporated in the British Virgin Islands and controlled by the Controlling Shareholder.
- (b) Pursuant to a share transfer agreement dated 10 June 2009 and a supplementary agreement dated 30 December 2009, Keen Castle acquired the entire beneficial interests in ISH, Benino, Bracorp and Great Oasis from the Controlling Shareholder by means of a share exchange where 1,000 shares of Keen Castle were issued to the Controlling Shareholder at par for US\$1,000.
- (c) Pursuant to a sales and purchase agreement dated 26 March 2010, the Company acquired the entire equity interests in Keen Castle by issuing and allotting 1,999 shares of HK\$0.01 each to the then existing shareholders of Keen Castle or its nominee. Thereafter, the Company has become the holding company of the Group since 26 March 2010.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the combined statements of comprehensive income and cash flows for the Relevant Periods include the results and cash flows of the companies now comprising the Group which have been prepared by applying the principles of merger accounting, as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment where this is a shorter period.

The Financial Information is presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA issued a number of new and revised Hong Kong Accounting Standards ("HKAS"s) and HKFRSs, Amendments and Interpretations ("INT"s) (hereinafter collectively referred to as the "new and revised HKFRSs") which are effective for the Group's accounting periods beginning on 1 October 2009. For the purposes of preparing and presenting the Financial Information of the Relevant Periods, the Group has adopted all these new and revised HKFRSs consistently throughout the Relevant Periods.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2010 ⁷
HKAS 24 (Revised)	Related party disclosures ⁴
HKAS 32 (Amendment)	Classification of rights issues ³
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ²
HKFRS 1 (Amendment)	Limited exception from comparative HKFRS 7 disclosures for first time adopters ⁶
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ²
HKFRS 9	Financial instruments ⁵
HK(IFRIC*) – INT 14	Prepayments of a minimum funding requirement ⁴
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments ⁶

* IFRIC represents the International Financial Reporting Interpretations Committee.

¹ Amendments that are effective for annual periods beginning on or after 1 January 2010.

² Effective for annual periods beginning on or after 1 January 2010.

³ Effective for annual periods beginning on or after 1 February 2010.

⁴ Effective for annual periods beginning on or after 1 January 2011.

⁵ Effective for annual periods beginning on or after 1 January 2013.

⁶ Effective for annual periods beginning on or after 1 July 2010.

⁷ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

HKFRS 9 will affect the classification and measurement of financial assets, as well as the presentation of relevant information to users of financial statements.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis, except for investment properties which are measured at fair values, and in accordance with the following accounting policies which conform with HKFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of combination

The Financial Information incorporates the financial information 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.

All intra-group transactions, balances, income and expenses are eliminated on combination.

Business combination under common control

The Financial Information incorporates the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of comprehensive income include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control combination, where there is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts, value added tax and sales related taxes.

Sales of goods is recognised when goods are delivered and title has passed.

Rental income, including rentals invoiced in advance from investment properties let under operating leases, is recognised on a straight line basis over the relevant lease terms.

Interest income from a financial asset 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

An item of property, plant 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

For land and buildings where the cost of land use right cannot be reliably separated from the cost of land and buildings, the cost of land and buildings is depreciated and amortised on a straight line basis over the lease terms or 20 years, whichever is shorter.

The cost of buildings in the PRC is depreciated over 20 years using the straight line method.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Furniture, fixtures and equipment	20% – 25%
Leasehold improvements	20%
Motor vehicles	16 $\frac{2}{3}$ % – 20%
Plant and machinery	10% – 20%

Land use rights

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as finance lease and accounted for as property, plant and equipment or investment properties. To the extent the allocation of the lease payments can be made reliably, leasehold land is classified as finance leases if substantially all the risks and rewards incidental to ownership of the land elements is transferred to the Group. In other cases, leasehold land is classified as operating leases.

The up-front payments to acquire leasehold interest in land are accounted for as operating leases and are stated at cost and released over the lease term on a straight line basis.

Research and development costs

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 asset is the sum of the expenditure incurred from the date when the intangible asset first meet the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are mainly classified into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts (including all fees 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 assets, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a director, pledged/restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimate future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently 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 days to 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of the impairment loss is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into 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 the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instrument are set out below.

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 estimate future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, bank loans and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

Equity instrument

Equity instrument issued by the Company and the group entity are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of non-current assets other than financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-current assets other than financial assets 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but to the extent 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years/periods, and it further excludes income or expense items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and 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 deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises 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 arising on investments in subsidiaries, 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 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 is realised, based on tax rate (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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each 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 on 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 arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period.

For the purpose of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the functional currency of the Company and the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Retirement benefits costs

Payments to retirement benefits plans and government-managed retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of bank loans, bank deposits, cash and cash equivalents and equity attributable to owners of the Company, comprising paid-in capital/share capital, reserves and retained profits as disclosed in the Financial Information.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues of the Company as well as the raising of bank loans.

5. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets and financial liabilities are disclosed in note 3 to section E.

Categories of financial instruments

	THE GROUP			
	At 30 September			At
	2007	2008	2009	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2010</i>
				<i>HK\$'000</i>
Financial assets				
Loans and receivables (including cash and cash equivalents)	77,446	104,080	93,461	109,698
Financial liabilities				
Amortised cost	77,907	89,745	52,923	69,601

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a director, pledged/restricted bank deposits, bank balances and cash, trade and other payables, bank loans and bank overdrafts. Details of these financial instruments are disclosed in the 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.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the statement of financial position.

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on pledged/restricted bank deposits and bank balances is minimal as such amounts are placed in banks with good reputation.

The Group has no significant concentration of credit risk. Trade receivables consist of a large number of customers which spread across diverse geographical areas.

Currency risk

Certain subsidiaries of the Company have foreign currency sales, which expose the Group to risk in Renminbi, New Taiwan dollar and Euro. During the years ended 30 September 2007, 30 September 2008, 30 September 2009 and four months ended 31 January 2010, approximately 51%, 56%, 66% and 67% of the Group's sales respectively are denominated in currency other than the functional currency of the group entity. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are as follows:

	THE GROUP								
	Assets			Liabilities					
	At 30 September			At 31 January		At 30 September			At 31 January
	2007	2008	2009	2010	2007	2008	2009	2010	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Renminbi	7,524	11,724	36,720	41,605	10,296	15,892	28,035	26,139	
New Taiwan dollar	7,050	10,041	3,937	4,864	5,301	6,320	2,266	1,209	
Euro	–	–	–	–	5,930	6,229	2,452	6,814	
United States dollar	34,106	45,631	36,937	48,091	11,327	12,750	6,277	12,576	
	<u>48,680</u>	<u>67,396</u>	<u>77,594</u>	<u>94,560</u>	<u>32,854</u>	<u>41,191</u>	<u>39,030</u>	<u>46,738</u>	

Under the pegged exchange rate system, the financial exposure on exchange rate fluctuation between HK\$ and United States dollar is considered insignificant by directors. The sensitivity analysis below includes only outstanding foreign currency denominated monetary items at the end of each reporting period and has been determined based on the exposure to exchange rates of Renminbi, New Taiwan dollar and Euro against HK\$. For a 5% weakening of these currencies against HK\$ and all other variables being held constant, the Group's profit for the Relevant Periods are as follows:

	THE GROUP			
	Year ended 30 September			Four months ended
	2007	2008	2009	31 January
	HK\$'000	HK\$'000	HK\$'000	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Increase (decrease) in profit for the year/period				
– Renminbi	122	183	(382)	(681)
– New Taiwan dollar	(77)	(164)	(74)	(161)
– Euro	261	274	108	300
	<u>306</u>	<u>293</u>	<u>(348)</u>	<u>(542)</u>

There would be an equal and opposite impact on the profit for the year/period where the Renminbi, New Taiwan dollar and Euro strengthens against HK\$.

Interest rate risk management

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest bearing pledged/restricted bank deposits, bank balances, bank overdrafts and bank loans at variable interest rates. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing pledged/restricted bank deposits, bank balances, bank overdrafts and bank loans at the end of each reporting period and assumed that the amount of assets and liabilities outstanding at the end of each reporting period was outstanding for the whole year/period. 50 basis points increase was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The management does not anticipate a decrease in interest rate in the next financial year having regard to the trends in market interest rates and global economic environment. Accordingly, sensitivity analysis on a decrease in interest rates is not presented.

If interest rates on pledged/restricted bank deposits, bank balances, bank overdrafts and bank loans had been 50 basis points higher and all other variables were held constant, the potential effect on profit for each year/period is as follows:

	THE GROUP			
	Year ended 30 September			Four months ended
	2007	2008	2009	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Decrease) increase in profit for the year/period	(111)	(122)	71	39

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the period end exposure does not reflect the exposure during the year/period.

Liquidity risk management

The directors of the Company have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up to reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

THE GROUP	Weighted average interest rate	On demand	Less than 3 months	Over 3 months but not more than 6 months	Over 6 months but not more than 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount
Financial liabilities								
At 30 September 2007								
Trade and other payables	N/A	–	32,168	7	–	–	32,175	32,175
Bank loans	7.47	–	14,470	1,792	9,842	11,137	37,241	35,340
Bank overdrafts	7.74	10,392	–	–	–	–	10,392	10,392
		10,392	46,638	1,799	9,842	11,137	79,808	77,907

THE GROUP	Weighted average interest rate %	On demand HK\$'000	Less than 3 months HK\$'000	Over 3 months but not more than 6 months HK\$'000	Over 6 months but not more than 1 year HK\$'000	1 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 30 September 2008								
Trade and other payables	N/A	–	37,821	108	–	–	37,929	37,929
Bank loans	6.03	–	23,339	10,458	3,758	5,558	43,113	41,785
Bank overdrafts	5.02	10,031	–	–	–	–	10,031	10,031
		<u>10,031</u>	<u>61,160</u>	<u>10,566</u>	<u>3,758</u>	<u>5,558</u>	<u>91,073</u>	<u>89,745</u>
At 30 September 2009								
Trade and other payables	N/A	–	24,681	3,761	–	–	28,442	28,442
Bank loans	5.13	–	4,298	940	15,180	1,538	21,956	20,986
Bank overdrafts	5.44	3,495	–	–	–	–	3,495	3,495
		<u>3,495</u>	<u>28,979</u>	<u>4,701</u>	<u>15,180</u>	<u>1,538</u>	<u>53,893</u>	<u>52,923</u>
At 31 January 2010								
Trade and other payables	N/A	–	32,146	–	–	–	32,146	32,146
Bank loans	5.04	–	4,109	17,828	5,206	6,667	33,810	32,505
Bank overdrafts	5.30	4,950	–	–	–	–	4,950	4,950
		<u>4,950</u>	<u>36,255</u>	<u>17,828</u>	<u>5,206</u>	<u>6,667</u>	<u>70,906</u>	<u>69,601</u>

The amounts included above for variable rate bank loans are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values at the end of each reporting period.

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.

- 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 asset or liability that are not based on observable market data (unobservable inputs).

No financial instruments of the Group are measured subsequent to initial recognition at fair value and fall within any of the above categories.

6. TURNOVER AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on manufacture and sales of adhesives and related products used in footwear manufacturing. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the Chairman of the Company. The Chairman of the Company regularly reviews revenue analysis by products, including adhesives, primers, hardeners and others, and by locations, including PRC and Vietnam. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective products and locations. The Chairman of the Company reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented.

Turnover represents the fair value of the consideration received or receivable for goods sold to outside customers during the Relevant Periods.

Entity-wide information

An analysis of the Group's turnover by products is as follows:

	Year ended 30 September			Four months ended 31 January	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2009 HK\$'000 (unaudited)	2010 HK\$'000
Sales of					
– adhesives	116,567	161,852	150,973	52,242	48,994
– primers	54,883	71,081	68,741	24,470	24,251
– hardeners	44,752	49,918	44,862	17,707	13,631
– others	1,925	4,957	3,003	879	344
	<u>218,127</u>	<u>287,808</u>	<u>267,579</u>	<u>95,298</u>	<u>87,220</u>

Turnover from external customers, based on locations of customers, attributed to the Group by geographical areas is as follows:

	Year ended 30 September			Four months ended 31 January	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2009 HK\$'000 (unaudited)	2010 HK\$'000
Turnover					
– PRC	156,427	201,197	172,012	63,601	50,508
– Vietnam	61,700	86,611	95,567	31,697	36,712
	<u>218,127</u>	<u>287,808</u>	<u>267,579</u>	<u>95,298</u>	<u>87,220</u>

For the years ended 30 September 2007, 30 September 2008, 30 September 2009 and four months ended 31 January 2009 and 31 January 2010, there was one customer with revenues of HK\$57,206,000, HK\$75,926,000, HK\$79,486,000, HK\$28,720,000 (unaudited) and HK\$27,352,000 respectively which accounted for more than 10% of the Group's total revenue related to adhesives, primers and hardeners.

An analysis of the Group's non-current assets by geographical location is as follows:

	At 30 September			At 31 January
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
PRC	46,301	47,424	41,057	42,971
Vietnam	526	2,755	2,435	2,278
	<u>46,827</u>	<u>50,179</u>	<u>43,492</u>	<u>45,249</u>

7. PROFIT BEFORE TAXATION

	Year ended 30 September			Four months ended	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:					
Directors' remuneration (note 8 to section E)	1,907	2,112	2,825	1,137	1,305
Other staff's retirement benefits scheme contributions	591	694	1,159	240	255
Other staff costs	9,833	11,500	12,300	5,109	4,608
	12,331	14,306	16,284	6,486	6,168
Less: Staff costs included in research and development costs	(295)	(396)	(487)	(162)	(227)
	12,036	13,910	15,797	6,324	5,941
Cost of inventories recognised as expenses	174,135	235,587	197,748	76,559	64,869
Depreciation	3,486	3,646	3,613	1,189	1,229
Exchange loss	633	–	–	–	246
Loss on disposal of property, plant and equipment	–	1	4	–	–
Operating lease rentals in respect of					
– land use rights	24	26	27	9	10
– motor vehicles	1,183	1,314	1,758	540	523
– rented premises	874	969	988	353	450
Research and development costs included in administrative expenses	295	396	487	162	227
Royalty fees included in cost of goods sold (<i>Note</i>)	2,286	3,341	3,309	1,226	956
and after crediting:					
Gross property rental income before deduction of outgoings	1,418	1,286	1,207	408	408
Less: Outgoings	(291)	(271)	(289)	(101)	(96)
	1,127	1,015	918	307	312
Exchange gain	–	535	1,353	1,754	–
Interest income	679	592	135	95	14

Note: In 2005, the Group entered into an agreement with an independent Japanese company, No-Tape Industrial Co. Ltd., which provided technical assistance in producing or developing certain products of the Group (the "Agreement"). According to the Agreement, the Japanese company would charge the Group for royalty fees based on the volume sold by the Group for certain products. The Agreement was renewed in 2009 with a term of 3 years.

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	Year ended 30 September			Four months ended	
	2007	2008	2009	31 January 2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Directors' fees	-	-	-	-	-
Other emoluments to independent non-executive directors	-	-	-	-	-
Other emoluments to executive directors					
- basic salaries and allowances	1,633	1,756	2,434	1,027	1,061
- bonus	46	103	132	-	132
- retirement benefits scheme contributions	228	253	259	110	112
	<u>1,907</u>	<u>2,112</u>	<u>2,825</u>	<u>1,137</u>	<u>1,305</u>

Details of emoluments paid by the Group to the directors of the Company are as follows:

	Year ended 30 September			Four months ended	
	2007	2008	2009	31 January 2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Mr. Jeong Un					
- basic salaries and allowances	489	536	1,245	517	523
- bonus	25	51	72	-	72
- retirement benefits scheme contributions	104	110	113	49	50
	<u>618</u>	<u>697</u>	<u>1,430</u>	<u>566</u>	<u>645</u>
Mr. Ip Chin Wing					
- basic salaries and allowances	186	183	175	73	73
- bonus	11	8	9	-	9
- retirement benefits scheme contributions	50	52	53	23	23
	<u>247</u>	<u>243</u>	<u>237</u>	<u>96</u>	<u>105</u>
Mr. Ip Ka Lun					
- basic salaries and allowances	546	585	569	243	244
- bonus	10	25	29	-	29
- retirement benefits scheme contributions	42	44	45	20	20
	<u>598</u>	<u>654</u>	<u>643</u>	<u>263</u>	<u>293</u>
Mr. Stephen Graham Prince					
- basic salaries and allowances	412	452	445	194	221
- bonus	-	19	22	-	22
- retirement benefits scheme contributions	32	47	48	18	19
	<u>444</u>	<u>518</u>	<u>515</u>	<u>212</u>	<u>262</u>
Total	<u>1,907</u>	<u>2,112</u>	<u>2,825</u>	<u>1,137</u>	<u>1,305</u>

The five highest paid individuals included four, three, three, three and three directors of the Company for the years ended 30 September 2007, 30 September 2008, 30 September 2009 and four months ended 31 January 2009 and 31 January 2010 respectively, details of whose emoluments are included above. The emoluments of the remaining highest paid individuals during the Relevant Periods were as follows:

	Year ended 30 September			Four months ended 31 January	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2009 HK\$'000 (unaudited)	2010 HK\$'000
Employees					
– basic salaries and allowances	223	491	508	213	263
– bonus	4	5	12	–	–
– retirement benefits scheme contributions	20	18	41	15	11
	<u>247</u>	<u>514</u>	<u>561</u>	<u>228</u>	<u>274</u>

During the Relevant Periods, no emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the Relevant Periods.

9. TAXATION

	Year ended 30 September			Four months ended 31 January	
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2009 HK\$'000 (unaudited)	2010 HK\$'000
The charge comprises:					
PRC Enterprise Income Tax (“EIT”)	–	(142)	(132)	(74)	–
Macau complementary tax	(80)	(105)	(234)	(260)	–
	(80)	(247)	(366)	(334)	–
Deferred taxation	(144)	(506)	(1,014)	(360)	(354)
	<u>(224)</u>	<u>(753)</u>	<u>(1,380)</u>	<u>(694)</u>	<u>(354)</u>

The PRC EIT and Macau complementary tax are calculated at the applicable rates in accordance with the relevant laws and regulations in the respective jurisdictions.

On 16 March 2007, the Law of the PRC on Enterprise Income Tax (the “new EIT Law”) was passed by the National People’s Congress of the PRC, the income tax rate for both domestic and foreign-investment enterprise was unified at 25% effective from 1 January 2008. Certain PRC subsidiaries of the Group which were entitled to the preferential tax treatments, including exemption and reduction from the standard income tax rate, could continue to enjoy such treatments until they expire.

Pursuant to the relevant laws and regulations in the PRC, Zhuhai Centresin was entitled to exemption from PRC income tax for the two years commencing from its first profit making year in 2008, followed by a 50% reduction from 2010 to 2012.

During the Relevant Periods, certain subsidiaries of the Group were principally engaged in the provision of marketing services and technical assistance services to other group companies. Though these subsidiaries were incorporated outside the PRC, the gross amounts of their income were assessed to PRC Business Tax at 5%. The local

PRC authorities in charge of taxation of these non PRC subsidiaries, after examining their business activities in the PRC for the years 2007, 2008, 2009 and up till March 2010, agreed that the relevant business activities during each of the years aforementioned were not constituted as a taxable presence for the PRC Income Tax purpose.

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui (2008) No. 1, only the profits earned by Zhuhai Centresin and Zhongshan Macson prior to 1 January 2008, when distributed to foreign investors, can be grandfathered with the exemption from withholding tax. Whereas, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% and withheld by the PRC entities aforementioned, where appropriate, pursuant to Articles 3 and 27 of the new EIT Law and Article 91 of its Details Implementation Rules. Deferred tax liability on the undistributed profits earned since 1 January 2008 have been accrued at the tax rate 10%.

Pursuant to the relevant laws and regulations in Vietnam, Vietnam Centresin was entitled to exemption from Vietnam income tax for three years commencing from its first profit making year in 2006, followed by a 50% reduction from 2009 to 2015.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Details of the amount of the tax provisions calculated in accordance with the relevant applicable laws, rules and regulations of the respective jurisdictions in which the Group carried out its operational arrangements as a whole, including the intra-group sales and purchase transactions and provision of services, are set out above.

Tax charge for the Relevant Periods is reconciled to profit before taxation as follows:

	Year ended 30 September						Four months ended 31 January			
	2007		2008		2009		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before taxation	20,119		29,337		32,077		7,046		5,040	
Tax at the applicable income tax rate (<i>Note</i>)	(6,639)	(33.0)	(7,334)	(25.0)	(8,019)	(25.0)	(1,761)	(25.0)	(1,260)	(25.0)
Tax effect of expenses not deductible for tax purposes	(2)	–	(75)	(0.2)	(211)	(0.7)	(4)	(0.1)	(712)	(14.1)
Tax effect of income not taxable for tax purposes	344	1.7	327	1.1	22	0.1	–	–	8	0.2
Tax effect of tax exemption granted to certain subsidiaries	6,643	33.0	6,366	21.7	9,309	29.0	3,031	43.1	2,462	48.8
Tax effect of deductible temporary differences not recognised	(68)	(0.3)	(62)	(0.2)	(66)	(0.2)	(22)	(0.3)	(23)	(0.4)
Utilisation of tax losses previously not recognised	351	1.7	180	0.6	–	–	–	–	87	1.7
Tax effect of tax losses not recognised	(1,244)	(6.1)	(873)	(3.0)	(719)	(2.2)	(1,783)	(25.3)	–	–
Withholding tax on undistributed earnings	–	–	–	–	(1,463)	(4.6)	(359)	(5.1)	(343)	(6.8)
Effect of different tax rates of subsidiaries operating in other jurisdictions	391	1.9	718	2.4	(233)	(0.7)	204	2.9	(573)	(11.4)
Tax charge and effective tax rate for the year/period	(224)	(1.1)	(753)	(2.6)	(1,380)	(4.3)	(694)	(9.8)	(354)	(7.0)

Note: The rate applied is the applicable tax rate in the PRC where the operation of the Group is substantially based.

10. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. However, ISH has distributed dividends amounting to HK\$24,588,000 to its then owner in October 2008 prior to the Group Reorganisation.

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Relevant Periods is based on the combined profit attributable to the owners of the Company for each reporting period during the Relevant Periods and on the 375,000,000 shares in issue during these periods on the assumption that the Group Reorganisation and the capitalisation issue as detailed in the paragraph headed "Written resolutions of all shareholders" in Appendix V to the Prospectus have been effective on 1 October 2006.

No dilutive earnings per share is presented as there were no potential dilutive shares during the Relevant Periods.

12. INVESTMENT PROPERTIES

	THE GROUP <i>HK\$'000</i>
Fair value	
At 1 October 2006	12,808
Net increase in fair value recognised in profit or loss during the year	<u>1,425</u>
At 30 September 2007	14,233
Net increase in fair value recognised in profit or loss during the year	5,517
Disposal	<u>(4,900)</u>
At 30 September 2008	14,850
Net decrease in fair value recognised in profit or loss during the year	<u>(3,970)</u>
At 30 September 2009	10,880
Net increase in fair value recognised in profit or loss during the period	<u>320</u>
At 31 January 2010	<u><u>11,200</u></u>

	THE GROUP			At
	At 30 September			31 January
	2007	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties held under medium-term leases are situated in				
– PRC	2,330	2,300	2,310	2,630
– Macau	<u>11,903</u>	<u>12,550</u>	<u>8,570</u>	<u>8,570</u>
	<u><u>14,233</u></u>	<u><u>14,850</u></u>	<u><u>10,880</u></u>	<u><u>11,200</u></u>

The fair value of the Group's investment properties at 1 October 2006, 30 September 2007, 30 September 2008, 30 September 2009 and 31 January 2010 have been arrived at on the basis of a valuation carried out on respective dates by LCH (Asia-Pacific) Surveyors Limited, a firm of independent qualified professional surveyor not connected with the Group. Valuers in LCH (Asia-Pacific) Surveyors Limited are members of The Hong Kong Institute of Surveyors. The valuation was arrived at by taking into account the current rent receivables from the existing tenancy agreements and the reversionary potential of the property interests.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

At 30 September 2007, 30 September 2008, 30 September 2009 and 31 January 2010, the Group has pledged all of its investment properties to certain banks to secure the credit facilities granted to the Group.

13. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	Furniture, fixtures					Total HK\$'000
	Land and buildings HK\$'000	and equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	
COST						
At 1 October 2006	20,030	4,210	3,918	1,710	3,322	33,190
Currency realignment	726	185	39	24	335	1,309
Additions	–	92	1,106	1,509	7,006	9,713
Disposals	–	–	(30)	–	–	(30)
At 30 September 2007	20,756	4,487	5,033	3,243	10,663	44,182
Currency realignment	1,445	369	128	50	1,062	3,054
Additions	51	98	54	–	1,440	1,643
Disposals	–	–	–	–	(13)	(13)
At 30 September 2008	22,252	4,954	5,215	3,293	13,152	48,866
Currency realignment	(21)	(21)	–	(7)	(20)	(69)
Additions	–	31	188	158	755	1,132
Disposals	–	–	–	(12)	–	(12)
At 30 September 2009	22,231	4,964	5,403	3,432	13,887	49,917
Currency realignment	(13)	(13)	–	(5)	(13)	(44)
Additions	31	48	33	–	438	550
31 January 2010	22,249	4,999	5,436	3,427	14,312	50,423
DEPRECIATION						
At 1 October 2006	852	3,295	2,563	1,067	551	8,328
Currency realignment	46	160	6	10	44	266
Provided for the year	950	514	841	354	827	3,486
Eliminated on disposals	–	–	(30)	–	–	(30)
At 30 September 2007	1,848	3,969	3,380	1,431	1,422	12,050
Currency realignment	168	341	32	24	183	748
Provided for the year	1,042	235	568	451	1,350	3,646
Eliminated on disposals	–	–	–	–	(12)	(12)
At 30 September 2008	3,058	4,545	3,980	1,906	2,943	16,432
Currency realignment	(12)	(16)	–	(4)	(16)	(48)
Provided for the year	1,088	163	443	427	1,492	3,613
Eliminated on disposals	–	–	–	(6)	–	(6)
At 30 September 2009	4,134	4,692	4,423	2,323	4,419	19,991
Currency realignment	(10)	(12)	–	(3)	(12)	(37)
Provided for the period	365	58	157	133	516	1,229
At 31 January 2010	4,489	4,738	4,580	2,453	4,923	21,183
CARRYING VALUES						
At 30 September 2007	18,908	518	1,653	1,812	9,241	32,132
At 30 September 2008	19,194	409	1,235	1,387	10,209	32,434
At 30 September 2009	18,097	272	980	1,109	9,468	29,926
At 31 January 2010	17,760	261	856	974	9,389	29,240

	THE GROUP			At
	At 30 September			31 January
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The carrying values of land and buildings held under medium-term leases are situated in				
– PRC	15,141	15,559	14,595	14,304
– Macau	3,572	3,493	3,414	3,387
– Vietnam	195	142	88	69
	<u>18,908</u>	<u>19,194</u>	<u>18,097</u>	<u>17,760</u>

At 30 September 2007, 30 September 2008, 30 September 2009 and 31 January 2010, the Group has pledged certain of its land and buildings with an aggregate carrying value of HK\$17,137,000, HK\$17,485,000, HK\$15,284,000 and HK\$15,015,000 respectively to certain banks to secure the credit facilities granted to the Group.

14. LAND USE RIGHTS

	THE GROUP			At
	At 30 September			31 January
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount				
At the beginning of the year/period	463	462	2,895	2,686
Currency realignment	23	3	(182)	(114)
Additions	–	2,456	–	–
Charged to profit or loss during the year/period	(24)	(26)	(27)	(10)
At the end of the year/period	<u>462</u>	<u>2,895</u>	<u>2,686</u>	<u>2,562</u>
Comprising land use rights held under medium-term leases situated in				
– PRC	462	479	452	442
– Vietnam	–	2,416	2,234	2,120
	<u>462</u>	<u>2,895</u>	<u>2,686</u>	<u>2,562</u>

At 30 September 2007, 30 September 2008, 30 September 2009 and 31 January 2010, the Group has pledged its PRC land use rights to certain banks to secure the credit facilities granted to the Group.

15. INVENTORIES

	THE GROUP			At
	At 30 September			31 January
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	8,775	15,321	13,218	12,315
Finished goods	27,759	34,213	24,341	22,552
	<u>36,534</u>	<u>49,534</u>	<u>37,559</u>	<u>34,867</u>

16. TRADE AND OTHER RECEIVABLES

	THE GROUP			At
	At 30 September			31 January
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	45,665	60,589	50,600	58,047
Bills receivables	–	–	–	345
	<u>45,665</u>	<u>60,589</u>	<u>50,600</u>	<u>58,392</u>
Value-added tax recoverable	64	1,420	3,008	3,208
Other receivables	4,773	6,017	2,298	3,442
Prepayments	403	1,783	1,087	4,255
	<u>50,905</u>	<u>69,809</u>	<u>56,993</u>	<u>69,297</u>

Payment terms with customers are mainly on credit. Invoices are normally payable 30 days to 90 days by the customers from date of issuance. The following is an aged analysis of trade and bills receivables based on the invoice date at the end of each reporting period:

Age	THE GROUP			At
	At 30 September			31 January
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 to 30 days	30,071	40,189	36,277	24,663
31 to 60 days	9,007	11,775	8,534	17,398
61 to 90 days	2,642	4,461	4,066	9,057
91 to 180 days	3,863	3,804	1,498	6,903
181 to 365 days	75	360	225	371
Over 1 year	7	–	–	–
	<u>45,665</u>	<u>60,589</u>	<u>50,600</u>	<u>58,392</u>

At 30 September 2007, 30 September 2008, 30 September 2009 and 31 January 2010, included in the Group's trade and bills receivables balances are trade and bills receivables with aggregate carrying amount of HK\$4,290,000, HK\$5,874,000, HK\$3,024,000 and HK\$13,775,000 respectively which are past due at the end of the reporting period for which the Group has not provided for impairment loss as 100% of these past due debts were subsequently collected as of the date of this report. The Group does not hold any collateral over these balances.

Aging of trade and bills receivables which are past due but not impaired is as follows:

Age	THE GROUP			At
	At 30 September			31 January
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 to 60 days	1,281	414	225	835
61 to 90 days	447	1,428	1,213	6,285
91 to 180 days	2,480	3,672	1,361	6,284
181 to 365 days	75	360	225	371
Over 1 year	7	–	–	–
	<u>4,290</u>	<u>5,874</u>	<u>3,024</u>	<u>13,775</u>

In determining the recoverability of the trade and bills receivables, the Group monitors change in the credit quality of the trade and bills receivables since the credit was granted and up to the end of the reporting period. The directors considered that the concentration of credit risk is limited due to the customer base being large and unrelated.

Included in trade and other receivables are the following amounts denominated in currencies other than functional currency of the relevant group companies.

	THE GROUP			At
	At 30 September			31 January
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
New Taiwan dollar	7,050	10,041	3,937	4,864
United States dollar	18,680	30,420	24,374	31,303
Renminbi	7,012	10,256	14,789	17,948
	<u>32,742</u>	<u>50,717</u>	<u>43,100</u>	<u>54,115</u>

17. AMOUNT DUE FROM A DIRECTOR

THE GROUP

The amount due from a director of the Company, Mr. Jeong Un, was unsecured, interest-free and repayable on demand. The maximum amount outstanding for each of the three years ended 30 September 2009 and four months ended 31 January 2010 was HK\$6,472,000, HK\$13,408,000, HK\$24,588,000 and HK\$1,614,000 respectively. As at 31 May 2010, the balance due from Mr. Jeong Un, who is also the sole beneficial shareholder of Benino and Bracorp prior to the Group Reorganisation, increased to HK\$33,756,000 which will be settled by setting off against part of the special dividend distribution as detailed in note(a) to section H.

18. PLEDGED/RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

THE GROUP

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The pledged/restricted bank deposits carry at the prevailing market interest rate ranging from 3.50% to 5.00%, 1.55% to 2.81%, 0.001% to 3.88% and 0.001% to 3.60% per annum at 30 September 2007, 30 September 2008, 30 September 2009 and 31 January 2010 respectively.

Included in pledged/restricted bank deposits and bank balances and cash are the following amounts denominated in currency other than the functional currency of the relevant group companies.

	THE GROUP			At
	At 30 September			31 January
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Renminbi	512	1,468	21,931	23,657
United States dollar	15,426	15,211	12,563	16,788
	<u>15,938</u>	<u>16,679</u>	<u>34,494</u>	<u>40,445</u>

19. TRADE AND OTHER PAYABLES

	THE GROUP			At
	At 30 September			31 January
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	25,953	32,560	20,400	24,748
Bills payable – secured	6,051	5,310	7,923	7,360
	<u>32,004</u>	<u>37,870</u>	<u>28,323</u>	<u>32,108</u>
Customers' deposits received	293	263	305	141
PRC business tax payable	1,101	2,698	4,146	404
Accruals	1,799	2,065	2,068	3,114
Others	171	59	119	38
	<u>35,368</u>	<u>42,955</u>	<u>34,961</u>	<u>35,805</u>

The Group normally receives credit terms of 30 days to 60 days from its suppliers. The following is an aged analysis of trade and bills payable based on the invoice date at the end of each reporting period:

Age	THE GROUP			At
	At 30 September			31 January
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 to 30 days	13,299	22,853	10,676	14,843
31 to 60 days	13,406	9,129	9,751	10,986
61 to 90 days	5,148	5,460	7,296	3,518
91 to 180 days	151	428	600	2,761
	<u>32,004</u>	<u>37,870</u>	<u>28,323</u>	<u>32,108</u>

Included in trade and other payables are the following amounts denominated in currency other than the functional currency of the relevant group companies.

	THE GROUP			At
	At 30 September			31 January
	2007	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Renminbi	3,567	7,152	14,982	9,113
United States dollar	11,327	12,750	6,277	12,576
Euro	5,930	6,229	2,452	6,814
New Taiwan dollar	5,301	6,320	2,266	1,209
	<u>26,125</u>	<u>32,451</u>	<u>25,977</u>	<u>29,712</u>

20. SECURED LONG-TERM BANK LOANS

	THE GROUP			At
	At 30 September			31 January
	2007	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The bank loans are repayable as follows:				
Within one year	5,617	6,407	3,150	3,534
Between one to two years	6,519	3,762	796	2,327
Between two to five years	3,924	1,482	687	3,853
	<u>16,060</u>	<u>11,651</u>	<u>4,633</u>	<u>9,714</u>
Less: Amounts due within one year shown under current liabilities	5,617	6,407	3,150	3,534
	<u>10,443</u>	<u>5,244</u>	<u>1,483</u>	<u>6,180</u>

The long-term bank loans carry variable interests at the best lending rate in Macau or Hong Kong Inter-bank Borrowing Rate ("HIBOR"). At 30 September 2007, 30 September 2008, 30 September 2009 and 31 January 2010, the Group has variable rate bank loans carry interest at 5.00% to 8.50%, 3.25% to 8.50%, 3.25% to 6.00% and 3.25% to 6.00% per annum respectively.

At 30 September 2007, 30 September 2008, 30 September 2009 and 31 January 2010, the Group has available credit facilities amounting to HK\$109,943,000, HK\$107,479,000, HK\$82,673,000 and HK\$88,842,000 respectively.

All long-term bank loans are denominated in HK\$.

21. SECURED SHORT-TERM BANK LOANS

The short-term bank loans carry variable interests at the best lending rate in Macau, or HIBOR, or at rates offered by the People's Bank of China. At 30 September 2007, 30 September 2008, 30 September 2009 and 31 January 2010, the Group's short-term bank loans carry interest at 7.67% to 8.25%, 4.50% to 9.71%, 5.10% to 5.31% and 5.10% to 5.50% per annum respectively.

Included in short-term bank loans are the followings amounts denominated in currency other than the functional currency of the relevant group companies.

	THE GROUP			At
	At 30 September			31 January
	2007	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Renminbi	<u>6,729</u>	<u>8,740</u>	<u>13,053</u>	<u>17,026</u>

22. BANK OVERDRAFTS – SECURED**THE GROUP**

At 30 September 2007, 30 September 2008, 30 September 2009 and 31 January 2010, bank overdrafts carry interest at market rates which range from 6.25% to 8.25%, 3.50% to 6.00%, 5.25% to 6.00% and 5.25% to 5.60% per annum respectively.

23. DEFERRED TAXATION

The following is the deferred taxation recognised and movements thereon during the Relevant Periods:

THE GROUP	Withholding tax on undistributed earnings <i>HK\$'000</i>	Revaluation surplus of investment properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 October 2006	–	444	444
Charged to profit or loss during the year	<u>–</u>	<u>144</u>	<u>144</u>
At 30 September 2007	–	588	588
Charged to profit or loss during the year	<u>–</u>	<u>506</u>	<u>506</u>
At 30 September 2008	–	1,094	1,094
Charged (credited) to profit or loss during the year	<u>1,463</u>	<u>(449)</u>	<u>1,014</u>
At 30 September 2009	1,463	645	2,108
Charged to profit or loss during the period	<u>343</u>	<u>11</u>	<u>354</u>
At 31 January 2010	<u>1,806</u>	<u>656</u>	<u>2,462</u>

Also, at 30 September 2007, 30 September 2008, 30 September 2009 and 31 January 2010, the Group has tax losses of HK\$5,402,000, HK\$8,171,000, HK\$11,047,000 and HK\$10,699,000 respectively not recognised as deferred tax asset as it is not probable that taxable profit will be available against which the tax losses can be utilised. These unrecognised tax losses will expire as follows:

	THE GROUP			At
	At 30 September			31 January
	2007	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax losses expired in				
– 2008	692	–	–	–
– 2009	379	350	350	71
– 2010	–	1,583	1,583	1,583
– 2011	1,022	1,776	3,387	3,387
– 2012	3,309	4,403	4,403	4,403
– 2013	–	59	59	59
– 2014	–	–	1,265	1,196
	<u>5,402</u>	<u>8,171</u>	<u>11,047</u>	<u>10,699</u>

24. PAID-IN CAPITAL/SHARE CAPITAL

The Company was incorporated and registered as an exempted company in the Cayman Islands on 15 December 2009 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon incorporation of the Company, one share of HK\$0.01 each was issued at nil paid.

The paid-in capital of the Group at 1 October 2006 and 30 September 2007 represented the fully paid registered capital of ISH and share capital of Benino, Bracorp and Great Oasis; while the paid-in capital at 30 September 2008 represented the fully paid registered capital of ISH and share capital of Benino, Bracorp, Great Oasis and Keen Castle.

The share capital of the Group at 30 September 2009 represented the then issued and fully paid share capital of Keen Castle.

The share capital of the Group at 31 January 2010 represented the then issued and fully paid share capital of the Company and Keen Castle.

25. MAJOR NON-CASH TRANSACTION

During the year ended 30 September 2009, dividends of HK\$24,588,000 were settled through the current account with a director.

26. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of each reporting period, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Land use rights			At
	At 30 September			31 January
	2007	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE GROUP				
Within one year	<u>–</u>	<u>–</u>	<u>–</u>	<u>15,516</u>

	Rented premises			At
	At 30 September			31 January
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
Within one year	968	691	887	1,141
In the second to fifth year inclusive	2,665	288	2,399	2,815
After five years	2,067	–	4,012	3,928
	<u>5,700</u>	<u>979</u>	<u>7,298</u>	<u>7,884</u>

	Motor vehicles			At
	At 30 September			31 January
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
Within one year	<u>721</u>	<u>766</u>	<u>853</u>	<u>761</u>

Leases are negotiated and rentals are fixed originally for lease terms of one to thirty years.

The Group as lessor

	At 30 September			At
	At 30 September			31 January
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
Within one year	820	800	476	484
In the second to fifth year inclusive	<u>402</u>	<u>300</u>	<u>49</u>	<u>68</u>
	<u>1,222</u>	<u>1,100</u>	<u>525</u>	<u>552</u>

The respective investment properties have committed tenants for lease terms principally ranged from one to four years.

THE COMPANY

The Company has no significant operating lease commitments at 31 January 2010.

27. CAPITAL COMMITMENTS

	THE GROUP			At
	At 30 September			31 January
	2007	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	813	–	382	1,151

THE COMPANY

The Company has no significant capital commitments at 31 January 2010.

28. CONTINGENT LIABILITIES

The Group and the Company have no significant contingent liabilities at the end of each of the reporting period.

29. RETIREMENT BENEFITS SCHEME

The employees employed by the operations in Macau are members of the government-managed retirement benefits schemes operated by the Macau government. The Macau operations are required to pay a monthly fixed contribution to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the Macau government is to make the required contributions under the schemes.

The employees of the Group's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligations of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

30. RELATED PARTY TRANSACTIONS

During the years ended 30 September 2007, 30 September 2008 and 30 September 2009 and four months ended 31 January 2009 and 31 January 2010, the Group has paid property rentals of HK\$31,000, HK\$34,000, HK\$30,000, HK\$12,000 and HK\$12,000 respectively to Mr. Jeong Un, a director of the Company. These transactions were carried out in the Group's ordinary and usual course of business and will be continued after listing of the shares of the Company on the Stock Exchange (the "Listing").

Other than the transactions and balances with related parties disclosed above and in respective notes to section E, at 30 September 2007, 30 September 2008, 30 September 2009 and 31 January 2010, the following bank borrowings are secured by personal guarantees from Mr. Jeong Un, a director of the Company and certain related companies owned by Mr. Jeong Un:

	THE GROUP			At
	At 30 September			31 January
	2007	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans and overdrafts	39,003	43,076	24,481	37,455

These personal and corporate guarantees will be released and replaced by corporate guarantees from the Company upon the Listing.

The details of remuneration of key management personnel, represents emoluments of directors of the Company paid during the Relevant Periods are set out in note 8 to section E.

F. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Company's immediate and ultimate holding company is All Reach Investments Limited, a company which is incorporated in the British Virgin Islands.

G. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Relevant Periods.

Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ended 30 September 2010 is approximately HK\$3.9 million.

H. SUBSEQUENT EVENTS

The following events took place subsequent to 31 January 2010:

- (a) On 19 March 2010, Benino and Bracorp declared a special dividend of HK\$35 million in aggregate to their then shareholder, Mr. Jeong Un, whose name appeared on the registers of members of the respective company on 9 June 2009. The minutes of the meeting of the boards of directors of these companies indicate that this special dividend is conditional upon the approval in principle of a proposed listing of the Company on the Main Board of the Stock Exchange and will be paid in full prior to the Listing.
- (b) Pursuant to the shareholders' resolutions which were passed to approve the matters set out in the paragraph headed "Written resolutions of all shareholders" in Appendix V to the Prospectus:
 - (i) the authorised share capital of the Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of an additional 4,962,000,000 shares of HK\$0.01 each to rank pari passu with the existing shares in all respects; and
 - (ii) conditional on the share premium account being credited as a result of the issue of the shares by the Company pursuant to the proposed listing of the Company's shares, an amount of HK\$3,749,980 which will then be standing to the credit of the share premium account of the Company be capitalised and applied to pay up in full at par a total of 374,998,000 shares of HK\$0.01 each for allotment and issue to holders of shares whose names shall appear on the register of members of the Company at the close of business on 26 March 2010 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their respective then existing shareholdings in the Company, and the directors were authorised to give effect to the capitalisation issue and the shares to be allotted and issued shall, save for the entitlements to the capitalisation issue, rank pari passu in all respects with all existing shares.

I. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies of the Group subsequent to 31 January 2010.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the Accountants' Report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company as set out in Appendix I to the prospectus, and is included herein for information only.

The unaudited pro forma financial information set out below should be read in conjunction with the section headed "Financial Information" of the prospectus and the Accountants' Report on the Company set out in Appendix I to the prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets of the Group is prepared based on the audited combined net tangible assets of the Group as at 31 January 2010, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus and adjusted as described below.

The unaudited pro forma adjusted net tangible assets has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules, is set out here to illustrate the effect of the Share Offer on the net tangible assets of the Group as at 31 January 2010 as if it had taken place on 31 January 2010. This unaudited pro forma adjusted net tangible assets, without taking into account the special dividend of HK\$35 million payout, has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Group.

	Audited combined net tangible assets attributable to owners of the Company as at 31 January 2010 HK\$'000 (Note a)	Add: Estimated net proceeds from Share Offer HK\$'000 (Note b)	Unaudited pro forma adjusted net tangible assets HK\$'000	Unaudited pro forma adjusted net tangible assets per Share HK\$ (Note c)
Based on an Offer Price of HK\$0.585 per Offer Share	121,136	52,198	173,334	0.35
Based on an Offer Price of HK\$0.75 per Offer Share	121,136	72,307	193,443	0.39

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (a) Audited combined net tangible assets attributable to owners of the Company as at 31 January 2010 is based on the net assets extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (b) The estimated net proceeds from the Share Offer are based on 125,000,000 Shares at the Offer Price of HK\$0.585 and HK\$0.75 per Share, after deduction of the underwriting fees and other related expenses payable by the Company.
- (c) The number of shares used for the calculation of unaudited pro forma adjusted net tangible assets per Share is based on 500,000,000 shares in issue immediately after the Share Offer.
- (d) The Group conditionally declared a special dividend of HK\$35 million on 19 March 2010 to Mr. Jeong, being the registered shareholder of certain members of the Group as at 9 June 2009, which dividend is expected to be paid by the Group's internal resources prior to the Listing. The above adjustment does not take into account the above special dividend. Taking into consideration (i) the estimated net proceeds from Share Offer at the lower end of the Offer Price of HK\$0.585 and the special dividend of HK\$35 million, the unaudited pro forma adjusted net tangible assets per Share is approximately HK\$0.28; and (ii) the estimated net proceeds from Share Offer at the maximum Offer Price of HK\$0.75 and the special dividend of HK\$35 million, the unaudited pro forma adjusted net tangible assets per Share is approximately HK\$0.32.
- (e) As of 31 May 2010, the Group's property interests were valued by LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, and the relevant property valuation report is set out in Appendix III to this prospectus. The net valuation surplus, representing the excess of market value of the properties over their book value, is approximately HK\$4,785,000. Such revaluation surplus has not been incorporated in the Group's combined financial information for the four months ended 31 January 2010 and will not be incorporated in the Group's financial statements in the year ending 30 September 2010. The above adjustment does not take into account the above revaluation surplus. Had the properties been stated in such valuation, an additional depreciation of approximately HK\$322,000 per annum would have been charged against the combined statements of comprehensive income.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report from the auditor and reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong in respect of the unaudited pro forma financial information for the purpose of incorporation in this prospectus.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

29 July 2010

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION TO THE DIRECTORS OF INFINITY CHEMICAL HOLDINGS
COMPANY LIMITED**

We report on the unaudited pro forma financial information of Infinity Chemical Holdings Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed placing and public offer of 125,000,000 shares of HK\$0.01 each of the Company might have affected the financial information presented, for inclusion in Appendix II of the prospectus dated 29 July 2010 (the “Prospectus”). The basis of preparation of the unaudited pro forma financial information is set out on pages II-1 and II-2 to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 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” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 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.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 January 2010 or any future date.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of letter, summary of values and valuation certificate on property interests of the Group as at 31 May 2010 prepared by LCH (Asia-Pacific) Surveyors Limited for the purpose of inclusion in this prospectus.



利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUER
BUSINESS & FINANCIAL SERVICES VALUER

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 (the “IVS”) published by the International Valuation Standards Committee as well as the HKIS Valuation Standards on Properties, First Edition, 2005 (the “HKIS Standards”) published by the Hong Kong Institute of Surveyors (the “HKIS”). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers’ legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to the valuer at the date of this report. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusions.

17th Floor
Champion Building
Nos. 287-291 Des Voeux Road Central
Hong Kong

29 July 2010

The Directors
Infinity Chemical Holdings Company Limited
Unit 6, 11/F, Wayson Commercial Building
28 Connaught Road West
Hong Kong

Dear Sirs,

In accordance with the instructions given by the management of Infinity Chemical Holdings Company Limited (hereinafter referred to as the “Company”) to us to value certain properties presently held by the Company or its subsidiaries (collectively, together with the Company hereinafter referred to as the “Group”) in Macao, mainland of the People’s Republic of China (hereinafter referred to as the “PRC” or “China”), Vietnam and Bangladesh, we confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary to support our opinion of values of the properties as at 31 May 2010 (hereinafter referred to as the “Date of Valuation”) for the Company’s internal management reference purpose.

We understand that the use of our work product (regardless of form of presentation) will form part of the Company's due diligence but we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence which the management of the Company should conduct in reaching its business decision regarding the properties valued. Our findings and conclusion of these properties are documented in a valuation report and submitted to the Company at today's date.

At the request of the management of the Company, we prepared this summary report (including this letter, summary of values and the valuation certificate) to summarise our findings and conclusion as documented in the valuation report for the purpose of inclusion in this prospectus at today's date for the Company's shareholders' reference. Terms herein used without definition shall have the same meanings as in the valuation report, and the assumptions and caveats adopted in the valuation report also applied to this summary report.

BASIS OF VALUATION AND ASSUMPTIONS

According to the IVS which the HKIS Standards also follows, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, we have provided our opinion of values of the properties on the market value basis.

The term "Market Value" is defined by the IVS and the HKIS Standards as "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".

Our valuations to properties in Groups I to IV have been made on the assumptions, that

1. the legally interested party in each of the properties has absolute title to its relevant property interest;
2. the legally interested party in each of the properties has free and uninterrupted rights to assign its relevant property interest for the whole of the unexpired terms as granted, and any premiums payable have already been fully paid;
3. the legally interested party in each of the properties sells its relevant property interest in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the subject property interest;
4. the properties have obtained relevant government's approvals for the sale of the properties and are able to dispose and transfer free of all encumbrances (including but not limited to the cost of transaction) in the market; and

5. the properties can be freely transferred free of all encumbrances at the Date of Valuation for its existing use in the market to both local and overseas purchasers without payment of any premium to the government.

Should this not be the case, it will have adverse impact to the values as reported.

APPROACH TO VALUE

There are three generally accepted approaches in arriving at the market value of a property on an absolute title basis, namely the Sales Comparison Approach (or known as the Market Approach), the Cost Approach and the Income Approach.

Having considered the general and inherent characteristics of Property 1 in Group I, we have adopted the depreciated replacement cost (“DRC”) approach which is an application of the Cost Approach in valuing specialised properties like this property in Group I. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties. The land use right of this property has been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

The valuation of the property is on the assumption that the property is subject to the test of adequate potential profitability of the business having due regard to the value of the total assets employed and the nature of the operation.

By using this approach, the land should be assumed to have the benefit of planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the buildings, the gross replacement cost of the buildings should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the date of valuation, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect buildings in the future but have the buildings available for occupation at the date of valuation, the work having commenced at the appropriate time.

We need to state that our opinion of value of Property 1 in Group I is not necessarily intended to represent the amount that might be realised from disposition of land use rights or various buildings of the property on piece meal basis in the open market.

In valuing Property 2 in Group I and property in Group II, we have adopted the Sales Comparison Approach on the assumption that each of the properties is sold with the benefit of vacant possession as at the Date of Valuation. This approach considers the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title.

In valuing properties in Groups III and IV, we have adopted the investment method of the Income Approach (or sometimes referred to as a method of the Market Approach for the reversionary interests and the rate of return are market-derived) by taking into account the current rent receivables from the existing tenancy agreements and the reversionary potential of the property interests. Our opinion of values of the properties in these groups were subject to the benefit of existing tenancy agreements.

Properties in Groups V, VI, VII and VIII are subject to leasehold arrangements. The Group, being a user of the properties, only has the right to use it but not the free right to assign it during the specified term of the arrangement. Or due to short-term nature of the tenancy agreements or prohibition against assignment or sub-letting or lack of substantial profit rents, for the sake of this valuation, we have assigned no commercial value to the properties in Groups V, VI, VII and VIII. For the Property in Group IX, no long-term title certificate has been obtained. Thus, for the sake of this valuation, we have assigned no commercial value to the property. The readers are reminded to have their own legal due diligence on the transferability of the subject property.

MATTERS THAT MIGHT AFFECT THE VALUES REPORTED

For the sake of valuation, we have adopted the areas as appeared in the copies of the documents as provided and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve the right to revise our report and the valuation(s) accordingly.

No allowance has been made in our valuations for any charges, mortgages, outstanding premium or amounts owing on the properties valued nor any expenses or taxation which may be incurred in affecting a sale. Unless otherwise stated, it is assumed that the properties are free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

In our valuations, we have assumed that each of the properties in Groups I to IV is able to be sold and purchased in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported values significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

As at the Latest Practicable Date of this prospectus, we are unable to identify any adverse news against the properties which may affect the reported values in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the properties.

However, should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the values reported herein.

ESTABLISHMENT OF TITLES

Due to the market value basis of valuation, the management of the Company provided us the necessary documents to support that the legally interested party in the properties, i.e. the Group, has free and uninterrupted rights to assign (in this instance, an absolute title) or occupy the property interests free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed.

For the sake of valuation, we have been provided with copies of the title documents and legal opinions, all dated 29 July 2010, issued by each of JiaYuan Law Firm, Leong Hon Man Law Office, Vietnam International Law Firm (VILAF – Hong Duc), Doulah & Doulah, lawyers qualified to practice in China, Macao, Vietnam and Bangladesh (the “Legal Opinions”) regarding the relevant titles to the properties. Copies of tenancy agreements also provided to us. However, we have not inspected the original documents that filed in the relevant authorities to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals, and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the properties being valued. In the course of preparing our report, we have relied solely on the copies of the Legal Opinions with regard to the existing legally interested party in each of the properties being valued. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal titles and the rights (if any) to the properties valued. Any responsibility for our misinterpretation of the documents cannot be accepted.

The inherent defects in the land registration system of China forbidden us to inspect the original documents of the properties in Groups I, III and VI that filed in the relevant authorities to verify ownership or to verify any amendment which may not appear on the copies handed to us. However, we have complied with the requirements as stated in Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and relied solely on the copies of document provided by the Company and the copies of the Legal Opinions as provided by the Company with regard to the existing titles of the properties. No responsibility or liability is assumed in relation to those legal opinions.

We have caused searches to be made at the Land Registry regarding the properties in Macao. We are unable to accept any responsibility for the information that contained in the search, or any liabilities against the property which were unrecorded at the time of our searches. In our valuation, we have assumed that the properties are free of all encumbrances.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES IN ACCORDANCE WITH VALUATION STANDARD 4 OF THE HKIS STANDARDS

We have conducted inspection to the exterior, and where possible, the interior of most of the properties in respect of which we have been provided with such information as we have requested for the purpose of our valuations. We have not inspected those parts of the properties

which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of the properties and our work product should not be taken as making any implied representation or statement about the condition of the properties. No structural survey, investigation or examination has been made, but in the course of our inspections, we did not note any serious defects in the properties inspected. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

Our valuations have been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties, and that the inspection and the use of this report does not purport to be a building survey of the properties. We have assumed that the properties are free of rot and inherent danger or unsuitable materials and techniques.

We have not carried out on-site measurements to verify the correctness of the areas of the properties, but have assumed that the areas shown on the documents and handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of such properties that appeared on the documents handed to us. No responsibility from our part is assumed. The management of the Company or interested party in the properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the properties, or has since been incorporated, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values now reported.

SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VALUATION STANDARD 5 OF THE HKIS STANDARDS

In the course of valuation, we have been provided with copies of the document regarding the properties, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our procedures to value did not require us to conduct any searches or inspect the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us.

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, titles, easements, tenure, rental, occupation, site and floor areas and all other relevant matters.

The scope of valuation has been determined by reference to the property list provided by the management of the Company. All properties on the list have been included in our valuations. The management of the Company has confirmed to us that it has no property interest other than those specified on the list supplied to us.

Unless otherwise stated, we have not carried out any valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work product.

Our valuations have been made only based on the advice and information made available to us. While a limited scope of general inquiries had been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

Information furnished by others, upon which all or portions of our report are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our report.

When we adopted the work products from other professions, external data providers and the management of the Company in our valuations, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuations. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company. We have sought and received confirmation from the management of the Company that no material factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the management of the Company of material and latent facts that may affect the valuations.

Unless otherwise stated, all monetary amounts are in Hong Kong dollars (“HK\$”). In valuing the properties in the PRC, the adopted exchange rate was the prevailing rate as at the Date of Valuation, being Renminbi (RMB) 0.88 per HK\$1. In valuing the properties in Macao, the adopted exchange rate was the prevailing rate as at the Date of Valuation, being Macau Pataca (MOP) 1.03 per HK\$1. And no significant fluctuation in exchange rates have been found between that Date of Valuation and the date of our report.

LIMITING CONDITIONS IN THIS SUMMARY REPORT

Our opinion of values of the properties in this summary report is valid only for the stated purpose and only for the Date of Valuation, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and the valuer accepts no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise our report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this prospectus to the Company’s shareholders’ reference.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney’s fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

The attached valuation certificate is prepared in line with the requirements contained in Chapter 5 and Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the guidelines contained in the IVS and HKIS Standards. The valuations have been undertaken by valuers (see End Notes), acting as external valuer, qualified for the purpose of this valuation.

We retain a copy of this summary report and the detailed valuation report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our further reference.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have no significant interest in the properties, the Group or the values reported.

Our valuations are summarised below and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Joseph Ho Chin Choi
B.Sc. PgDip RPS (GP)
Managing Director

Elsa Ng Hung Mui
B.Sc. M.Sc. RPS (GP)
Director

Contributing valuer:

Terry Fung Chi Hang *B.Sc. M.Sc.*

Notes:

1. Mr. Joseph Ho Chin Choi has been conducting asset valuations and advisory work in Hong Kong, Macao, Taiwan, mainland China, Japan, South East Asia, Australia, Finland, Poland, Scotland, Germany, Argentina, Brazil, Guyana, Canada and the United States of America for various purposes since 1988. He has more than 20 years of experience in valuing real estate properties in mainland China.
2. Ms. Elsa Ng Hung Mui has been conducting valuation of real estate properties in Hong Kong since 1994 and has more than 10 years of experience in valuing properties in mainland China.
3. Both Mr. Joseph Ho Chin Choi and Ms. Elsa Ng Hung Mui are Members of The HKIS and are valuers on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by The HKIS.
4. In reporting the rented properties in Vietnam and Bangladesh, they have been assisted by qualified experienced valuers in Vietnam and Bangladesh, respectively.

SUMMARY OF VALUES

Group I – Properties held and occupied by the Group under long-term title certificates in the PRC and valued on market value basis

Property	Interest of the Group	Amount of valuations in its existing state to the Group as at 31 May 2010 <i>HK\$</i>
1. A workshop complex located at Dong Rong Road Chemical Industry Specialized Area Harbour Industrial Zone Zhuhai City Guangdong Province The People's Republic of China	100 per cent.	12,060,000
2. Portion No. 3 of Unit 801 on Level 8 Huaye Building No. 2158 Ming Zhu Nan Road Qianshan Zhuhai City Guangdong Province The People's Republic of China	100 per cent.	3,730,000
	Sub-total:	HK\$15,790,000

Group II – Property held and occupied by the Group in Macao and valued on market value basis

Property	Interest of the Group	Amount of valuations in its existing state to the Group as at 31 May 2010 HK\$
3. 16° Andar A – D, M, N and a portion of L and parking space known as No.7 on Basement 3 Centro Financeiro (also known as Macau Finance Centre) N° 202A – 246 Rua de Pequim SÉ, Macao	100 per cent.	6,390,000
	Sub-total:	HK\$6,390,000

Group III – Property held by the Group under long-term title certificates in the PRC for investment and valued on market value basis

Property	Interest of the Group	Amount of valuations in its existing state to the Group as at 31 May 2010 HK\$
4. Portion Nos. 1 and 2 of Unit 801 on Level 8 Huaye Building No. 2158 Ming Zhu Nan Road Qianshan Zhuhai City Guangdong Province The People’s Republic of China	100 per cent.	2,600,000
	Sub-total:	HK\$2,600,000

Group IV – Property held by the Group in Macao for investment and valued on market value basis

Property	Interest of the Group	Amount of valuations in its existing state to the Group as at 31 May 2010 HK\$
5. 16° Andar E – K and a portion of Unit L Centro Financeiro (also known as Macau Finance Centre) N° 202A – 246 Rua de Pequim SÉ, Macao	100 per cent.	8,690,000
	Sub-total:	HK\$8,690,000

Group V – Property occupied by the Group under an operating lease in Hong Kong

Property		Amount of valuations in its existing state to the Group as at 31 May 2010 HK\$
6. Unit No. 6 on 11th Floor Wayson Commercial Building No. 28 Connaught Road West Hong Kong		No Commercial Value
	Sub-total:	Nil

Group VI – Properties occupied by the Group under various operating leases in the PRC

Property	Amount of valuations in its existing state to the Group as at 31 May 2010 HK\$
7. A workshop complex located at Xinfeng Industrial Zone Huangpu Town Zhongshan City Guangdong Province The People's Republic of China	No Commercial Value
8. An office unit known as Nos. 201-210 on Level 2 Nos. 79-111 Yiju Street Nanzhou Road Haizhu District Guangzhou City Guangdong Province The People's Republic of China	No Commercial Value
9. An office unit known as left portion No. 1 on level 5 No. 24 Jingang Dadao Nansha District Guangzhou City Guangdong Province The People's Republic of China	No Commercial Value
Sub-total:	<u>Nil</u>

Group VII – Properties occupied by the Group under various operating leases in Vietnam

Property	Amount of valuations in its existing state to the Group as at 31 May 2010 HK\$
10. A workshop complex located at Road No. 2 Dong An Industrial Park Thuan An District Binh Duong Province Vietnam	No Commercial Value
11. A parcel of vacant land situated at D2 – 3 Lot Dai Dang Industrial Park Tan Uyen District Binh Duong Province Vietnam	No Commercial Value
Sub-total:	<u>Nil</u>

Group VIII – Property occupied by the Group under an operating lease in Bangladesh

Property	Amount of valuations in its existing state to the Group as at 31 May 2010 HK\$
12. Plot Nos. 12 – 14 Sector – 1 situated at Karnaphuli Export Processing Zone Area Chittagong District Bangladesh	No Commercial Value
Sub-total:	<u>Nil</u>

Group IX – Property to be acquired by the Group in the PRC

Property	Amount of valuation in its existing state to the Group as at 31 May 2010 HK\$
13. A parcel of land (known as Lot No. 09NGY-20) located at Xiao Hu Dao Huangge Town Nansha District Guangzhou City Guangdong Province The People's Republic of China	No Commercial Value
Sub-total:	<u>Nil</u>
Grand Total:	<u><u>HK\$33,470,000</u></u>

VALUATION CERTIFICATE

Group I – Properties held and occupied by the Group under long-term title certificates in the PRC and valued on market value basis

Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state as at 31 May 2010
1. A workshop complex located at Dong Rong Road Chemical Industry Specialized Area Harbour Industrial Zone Zhuhai City Guangdong Province The People's Republic of China	<p>The property comprises a parcel of land having a site area of approximately 33,333.60 sq.m. with 7 various major buildings and structures erected thereon.</p> <p>The major buildings and structures including various processing workshop, warehouses, office building and other ancillary supporting facilities of single to 2-storey in height which were completed between 2005 and 2009. They have a total gross floor area of approximately 5,133.26 sq.m. (See Notes 2 and 3 below).</p> <p>The property is subject to a right to use the land for a term of 50 years till 27 April 2053 for industrial purpose (see Note 1 below).</p>	We have inspected and confirmed with the Group that the property, as at the Date of Valuation, was occupied by the Group for processing, ancillary office, warehouse and other supporting purposes.	HK\$12,060,000 (100% interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land have been granted by the State to Centresin Chemical Products Ltd., Zhuhai (珠海市澤濤黏合製品有限公司) (hereinafter referred to as "Centresin Zhuhai"), an indirect wholly-owned subsidiary of the Company, through the following way:
 - (i) Pursuant to a Contract for the Grant of State-owned Land Use Right made between 珠海臨港工業區建設規劃國土局 (translated as Bureau of Construction, Planning and Land of Zhuhai Harbour Industrial Zone) and Centresin Zhuhai dated 28 April 2003, a parcel of land having a site area of approximately 33,333.6 sq.m. was granted to Centresin Zhuhai for a term of 50 years commencing from 28 April 2003 to 27 April 2053 for industrial purpose.
 - (ii) According to a Realty Title Certificate known as Yue Fang Di Zheng Zi Di C4706093 Hao issued by the People's Government of Guangdong Province and dated 21 September 2006, the legally interested party in the land having a site area of approximately 33,333.60 sq.m. is Centresin Zhuhai for a term till 27 April 2053 for industrial purpose.

2. According to 6 various Realty Title Certificates known as Yue Fang Di Zheng Zi Di C4706087, C4706088, C4706089, C4706090, C4706091 and C4706092 Hao which were issued by the People's Government of Guangdong Province, all dated 21 September 2006, the legally interested party in the following buildings having a total gross floor area of approximately 4,933.26 sq.m. is Centresin Zhuhai. The area breakdowns for each of the major buildings covered by the certificates are listed as follows:

	Gross Floor Area (sq.m.)
(i) a 2-storey office building	1,395.83
(ii) a single storey workshop	819.30
(iii) a single storey guardhouse	26.85
(iv) a single storey warehouse #1	1,286.05
(v) a single storey warehouse #2	1,286.05
(vi) a single storey switch room	119.18
	<hr/>
Total	4,933.26
	<hr/> <hr/>

3. According to our on-site inspection, a single storey pump room and fire pool without any Realty Title Certificate having a gross floor area of approximately 200.00 sq.m. was erected on the land.
4. Centresin Zhuhai is a wholly foreign owned (Hong Kong, Macau and Taiwan) limited company with a valid Enterprise Legal Person Business Licence dated 29 July 1999 for an operation period from 29 July 1999 to 29 July 2029.
5. According to the legal opinion as prepared by the Group's PRC legal adviser, JiaYuan Law Firm, the following opinions are noted:
- (i) Centresin Zhuhai has obtained the right to use the land legally by way of land grant;
 - (ii) The Group is the legally interested party in the property and has an absolute right to use the property for its own during the term of the land use right. It has the right to assign, lease or mortgage the property subject to the obtaining of the consent of the mortgagee (as referred to in point (iii) below); and
 - (iii) The property is subject to a mortgage in favour of 中國農業銀行珠海市珠海港支行 (translated as Agricultural Bank of China – Zhuhai City Zhuhai Harbour Branch).

Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state as at 31 May 2010
2. Portion No. 3 of Unit 801 on Level 8 Huaye Building No. 2158 Ming Zhu Nan Road Qianshan Zhuhai City Guangdong Province The People's Republic of China	<p>The property comprises a portion of an office unit on the Level 8 of a 15-storey commercial building which was completed in 2005.</p> <p>According to the information made available to us, the property together with Property No. 4 listed below have a total gross floor area of approximately 794.1 sq.m. of which the property has a gross floor area of approximately 465.9 sq.m. (<i>see Note 1 below</i>).</p> <p>The property is subject to a right to use the land for a term till 14 October 2042 for office purpose (<i>see Note 1 below</i>).</p>	We have inspected and confirmed with the Group that the property, as at the Date of Valuation, was occupied by the Group for office purpose.	HK\$3,730,000 (100% interest)

Notes:

1. According to a Realty Title Certificate known as Yue Fang Di Zheng Zi Di C3957959 Hao which was issued by the People's Government of Guangdong Province and dated 8 November 2005, the legally interested party in this property and Property No. 4 listed below is Iao Son Hong Tinta e Vernizes Limitada (hereinafter referred to as "Iao Son Hong"). According to the certificate, the property together with Property No. 4 listed below have a total gross floor area of approximately 794.10 sq.m. for a term till 14 October 2042 for office purpose.
2. Iao Son Hong is an indirect wholly-owned subsidiary of the Company with a Business Registration and an operation term commencing from 20 July 1991.
3. According to the legal opinion as prepared by the Group's PRC legal adviser, JiaYuan Law Firm, the following opinions are noted:
 - (i) Iao Son Hong has obtained the right to use the property legally; and
 - (ii) Iao Son Hong is the legally interested party in the property and has the right to use, assign, lease or mortgage the property during the term of the land use right.

Group II – Property held and occupied by the Group in Macao and valued on market value basis

Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state as at 31 May 2010
3. 16° Andar A – D, M, N and a portion of L and parking space known as No.7 on Basement 3 Centro Financeiro (also known as Macau Finance Centre) N° 202A – 246 Rua de Pequim SÉ, Macao	<p>The property comprises 6 various office units (Units A, B, C, D, M and N) together with a portion of an office unit (Unit L) on the 16th Floor and a car parking space on Basement 3 of a 21-storey commercial building, including ground floor and 3 basement floors, which was completed in 1994.</p> <p>According to the information made available to us, the office units of the property has a total saleable area of approximately 490.37 sq.m.</p> <p>The property is subject to a right to use the land for a term of 25 years commencing from 12 April 1991 for office purpose (<i>see Note 1 below</i>).</p>	We have inspected and confirmed with the Group that the property, as at the Date of Valuation, was occupied by the Group for office purpose.	HK\$6,390,000 (100% interest)

Notes:

1. The registered owner of the property is Iao Son Hong Tinta e Vernizes, Limitada (hereinafter referred to as “Iao Son Hong”) and registered in the Conservatória do Registo Predial by two registration certificate Nos. 52049 G and 92941 G on 6 August 2002 and 15 September 2004, respectively.
2. According to the legal opinions as prepared by the Group’s Macau legal adviser, Leong Hon Man Law Office, the following opinions are noted:
 - (i) Iao Son Hong is the legal and registered owner of the property;
 - (ii) The units “A16”, “B16”, “C16”, “D16”, “E16”, “L16”, “M16” and “N16” are free from and clear of all claims, charges, liens, encumbrances and any other third party rights of whatsoever nature and there is no other matter, event or circumstance (whether legal or otherwise) which may adversely affect the Company’s title of the said units, except the said units are subject to the five mortgages in favour of Banco da East Asia, Limitada, Sucursal de Macau to secure banking facilities granted to the Company up to the amounts of HK\$17,500,000 registered with the Real Estate Registry of Macau under nos. 36368C, 52676C, 66744C, 77034C and 89543C; and
 - (iii) The parking space is free from and clear of all claims, charges, liens, encumbrances and any other third party rights of whatsoever nature and there is no other matter, event or circumstance (whether legal or otherwise) which may adversely affect the Company’s title of the said parking space.

Group III – Property held by the Group under long-term title certificates in the PRC for investment and valued on market value basis

Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state as at 31 May 2010
4. Portion Nos. 1 and 2 of Unit 801 on Level 8 Huaye Building No. 2158 Ming Zhu Nan Road Qianshan Zhuhai City Guangdong Province The People's Republic of China	<p>The property comprises portion of an office unit on the Level 8 of a 15-storey commercial building which was completed in 2005.</p> <p>According to the information available to us, the property together with Property No. 2 listed above have a total gross floor area of approximately 794.1 sq.m. of which the property has a gross floor area of approximately 328.2 sq.m. (<i>See Notes 1 and 2 below</i>)</p> <p>The property is subject to a right to use the land for a term till 14 October 2042 for office purpose. (<i>See Note 1 below</i>)</p>	As at the Date of Valuation, the property was subject to a tenancy agreement for a term of 1 year commencing from 1 October 2009 to 30 September 2010 at a monthly rental of RMB10,994.7 exclusive of management fee for office purpose.	<p>HK\$2,600,000</p> <p>(100% interest)</p>

Notes:

1. According to a Realty Title Certificates known as Yue Fang Di Zheng Zi Di C3957959 Hao which was issued by the People's Government of Guangdong Province and dated 8 November 2005, the legally interested party in this property and Property No. 2 listed above is Iao Son Hong Tinta e Vernizes Limitada (hereinafter referred to as "Iao Son Hong"). According to the certificate, the property together with Property No. 2 listed above have a total gross floor area of approximately 794.10 sq.m. for a term till 14 October 2042 for office purpose.
2. Pursuant to a tenancy agreement signed between Iao Son Hong and 中企動力科技集團股份有限公司 珠海分公司 (translated as CE Dongli Technology Group Company Limited Zhuhai Branch and hereinafter referred as "CE Dongli Zhuhai") dated 27 September 2009, the property having a total gross floor area of approximately 328.20 sq.m. was leased to CE Dongli Zhuhai for a term of 1 year commencing from 1 October 2009 to 30 September 2010 at a monthly rental of RMB10,994.7.
3. Iao Son Hong is an indirect wholly-owned subsidiary of the Company with a Business Registration with an operation term commencing from 20 July 1991.
4. According to the legal opinion as prepared by the Group's PRC legal adviser, JiaYuan Law Firm, the following opinions are noted:
 - (i) Iao Son Hong has obtained the right to use the property legally; and
 - (ii) Iao Son Hong is the legally interested party in the property and has the right to use, assign, lease or mortgage the property during the term of the land use right.

Group IV – Property held by the Group in Macao for investment and valued on market value basis

Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state as at 31 May 2010
5. 16° Andar E – K and a portion of Unit L Centro Financeiro (also known as Macau Finance Centre) N° 202A – 246 Rua de Pequim SÉ, Macao	<p>The property comprises 7 office units (Units E, F, G, H, I, J and K) together with a portion of an office unit (Unit L) on the 16th Floor of a 21-storey commercial building, including ground floor and 3 basement floors, which was completed in 1994.</p> <p>According to the information made available to us, the property has a total saleable area of approximately 688.4 sq.m. (See Note 2 below)</p> <p>The property is subject to a land use term of 25 years commencing from 12 April 1991 for office purpose. (See Note 1 below)</p>	<p>As at the Date of Valuation, 2 units of the property was vacant while the remaining units of the property was subject to various tenancies for various terms with the latest expiring on 17 March 2013 at a total monthly rental of HK\$57,627.5 exclusive of management fee for office purpose. (See Note 2 below)</p>	<p>HK\$8,690,000 (100% interest)</p>

Notes:

- The registered owner of the property is Iao Son Hong Tinta e Vernizes, Limitada (hereinafter referred to as “Iao Son Hong”) and registered in the Conservatória do Registo Predial by two registration certificate Nos. 52049G and 61514G on 6 August 2002 and 19 February 2003, respectively.

2. According to the information provided by the Company, the property was subject to the following tenancy agreements as at the Date of Valuation:

	Saleable Area (sq.m.)	Name of Lessee	Monthly Rental (exclusive of management fee) (HK\$)	Lease Term
Unit E	42.80	Vacant	–	Vacant
Unit F	43.72	Monty Commercial Offshore de Macau Limitada 明德澳門離岸商業服務有限公司	4,400	4 January 2010 to 3 January 2011
Unit G	41.72	National Wine Group Hong Fu Tian (Macau) Investment Co., Ltd. 國酒集團鴻富天(澳門)投資有限公司	4,790	1 February 2010 to 31 November 2011
Unit H*				
Portion 1	55.74	TLP Macau Limited 瑞信(澳門)有限公司	7,600	1 March 2008 to 28 February 2011
Portion 2	48.31	Sunlight Limited – Macao Commercial Offshore 旭籐有限公司 – 澳門離岸商業服務	3,700	16 September 2009 to 15 September 2010
Unit I				
Portion 1	112.45	Vacant	–	Vacant
Portion 2	54.35	Top Cover Industries (Macao Commercial Offshore) Limited 藝峻實業(澳門離岸商業服務)有限公司	5,777.50	1 August 2009 to 31 July 2010
Unit J	150.12	(No English translation available) 澳門ITDP文化旅遊投資有限公司	13,000	18 March 2010 to 17 March 2013
Unit K	59.57	Smart Joint Limited – Macao Commercial Offshore 卓朗(澳門離岸商業服務)有限公司	8,550	1 March 2010 to 29 February 2012
Portion of Unit L	65.03	Zotac International (MCO) Limited 柏科國際(澳門離岸商業服務)有限公司	9,810	1 May 2010 to 30 April 2011
			Total:	
				<u>57,627.5</u>

* Portion of designated Unit H of approximately 14.59 sq.m. was allocated as common area.

3. According to the legal opinion as prepared by the Group's Macau legal adviser, Leong Hon Man Law Office, the following opinions are noted:

- (i) Iao Son Hong is the legal and registered owner of the property;
- (ii) The units "A16", "B16", "C16", "D16", "E16", "L16", "M16" and "N16" are free from and clear of all claims, charges, liens, encumbrances and any other third party rights of whatsoever nature and there is no other matter, event or circumstance (whether legal or otherwise) which may adversely affect Iao Son Hong's title of the said units, except the said units are subject to the five mortgages in favour of Banco da East Asia, Limitada, Sucursal de Macau to secure banking facilities granted to Iao Son Hong up to the amounts of HK\$17,500,000 registered with the Real Estate Registry of Macau under nos. 36368C, 52676C, 66744C, 77034C and 89543C;

- (iii) The units “F16”, “G16”, “H16”, “I16”, “J16”, and “K16” are free from and clear of all claims, charges, liens, encumbrances and any other third party rights of whatsoever nature and there is no other matter, event or circumstance (whether legal or otherwise) which may adversely affect Iao Son Hong’s title of the said units, except the said units are subject to the four mortgages in favour of Banco Tai Fung, S.A.R.L. to secure banking facilities granted to Iao Son Hong up to the amounts of HK\$15,200,000 registered with the Real Estate Registry of Macau under nos. 40378C, 53180C, 63852C and 80955C; and

- (iv) All leases do not contain any unusually onerous term on the part of the landlord to be performed. The leases are valid and subsisting and are legally binding upon and enforceable against each of the parties thereto under the laws of Macau.

Group V – Property occupied by the Group under an operating lease in Hong Kong

Property	Description and occupancy	Amount of valuation in its existing state as at 31 May 2010 HK\$
6. Unit No. 6 on 11th Floor Wayson Commercial Building No. 28 Connaught Road West Hong Kong	<p>The property comprises an office unit on the 11th floor of a 27-storey commercial building which was completed in 1982.</p> <p>According to the information made available to us, the property has a gross floor area of approximately 28.52 sq.m.</p> <p>The property has been rented to the Group for a term commencing from 1 March 2010 to 28 February 2011 at a monthly rental of HK\$5,900.00.</p> <p>As confirmed by the management of the Group that, as of the Date of Valuation, the property was occupied by the Group for office purpose.</p>	No Commercial Value

Notes:

1. The lessor of the property is Well Contacted Limited.
2. The lessee of the property is Iao Son Hong Tinta E Vernizes, Limitada.

Group VI – Properties occupied by the Group under various operating leases in the PRC

Property	Description and occupancy	Amount of valuation in its existing state as at 31 May 2010 HK\$
7.	<p>A workshop complex located at Xinfeng Industrial Zone Huangpu Town Zhongshan City Guangdong Province The People's Republic of China</p> <p>The property comprises various buildings and structures having a total gross floor area of approximately 1,958.7 sq.m., erected on a parcel of land having a site area of approximately 7,852.8 sq.m.</p> <p>The major buildings and structures including various processing workshop, warehouses, office building and other ancillary supporting facilities of single to 2-storey in height which were completed around 2006.</p> <p>The property has been rented to the Group for a term commencing from 1 April 2009 to 31 December 2016 at a monthly rental of RMB40,189.35.</p> <p>As confirmed by the management of the Group that, as of the Date of Valuation, the property was occupied by the Group for processing, storage and ancillary supporting facilities purposes.</p>	No Commercial Value

Notes:

1. The lessor of the property is 劉根發、劉永 (translated as Liu Gen Fa, Liu Yong).
2. The lessee of the property is Zhongshan Macson Adhesive Products Company Limited (hereinafter referred to as "Zhongshan Macson"), an indirect wholly-owned subsidiary of the Company.
3. According to the information provided by the management of the Company, the gross floor area of each of the following major buildings and structures (excluding ancillary buildings and structures) is as follows:

	Gross Floor Area (sq.m.)
(i) a 2-storey office building	545.60
(ii) a single storey workshop	592.00
(iii) a single storey warehouse A	240.00
(iv) a single storey warehouse B	544.00
Total	1,921.60

4. Zhongshan Macson is a wholly foreign owned (Hong Kong, Macau and Taiwan) limited company with a valid Enterprise Legal Person Business Licence dated 22 September 1998 with an operation period from 22 September 1998 to 17 September 2013.
5. According to the legal opinion as prepared by the Group's PRC legal adviser, JiaYuan Law Firm, the following opinions are noted:
 - (i) the lessor has obtained the approval to erect buildings on the land thereon for industrial purpose; and
 - (ii) the nature of the land is collectively-owned construction land and the application of the Land Use Rights Certificate is in progress. Upon obtaining the Land Use Rights Certificate by the Lessor, the lease of the subject land will be legal and binding.

Property	Description and occupancy	Amount of valuation in its existing state as at 31 May 2010 HK\$
8. An office unit known as Nos. 201-210 on Level 2 Nos. 79-111 Yiju Street Nanzhou Road Haizhu District Guangzhou City Guangdong Province The People's Republic of China	<p>The property comprises an office unit on the Level 2 of a 9-storey commercial building which was completed in 1996.</p> <p>According to the information made available to us, the property has a gross floor area of approximately 2,000 sq.m.</p> <p>The property has been rented to the Group for a term of 3 years commencing from 3 February 2010 to 2 February 2013 at a monthly rental of RMB60,000.</p> <p>As confirmed by the management of the Group that, as at the Date of Valuation, the property was occupied by the Group for office purpose.</p>	No Commercial Value

Notes:

1. The lessor of the property is 楊淵 (Yeong Un), a related party of the Group.
2. The lessee of the property is Zhong Bu Centresin (Guangzhou) Company Limited Haizhu Branch, an indirect wholly-owned subsidiary of the Company.
3. Zhong Bu Centresin (Guangzhou) Company Limited, Haizhu Branch is a branch company with a valid Enterprise Legal Person Business Licence dated 8 March 2010 for with an operation period from 8 March 2010 to 10 October 2059.
4. Part of the property having a gross floor area of approximately 94 sq.m. has been leased by the lessee to Zhongshan Macson Adhesive Products Co., Ltd. Guangzhou Branch, an intra-group company and an indirect wholly-owned subsidiary of the Company, for a term commencing from 1 April 2010 to 2 February 2013 at a monthly rental of RMB5,358.
5. According to the legal opinion prepared by the Group's PRC legal adviser, JiaYuan Law Firm, the tenancy agreement has been registered in the relevant government authorities. The interest of the lessee under the tenancy agreement is protected by the PRC laws and regulations.

Property	Description and Occupancy	Amount of valuation in its existing state as at 31 May 2010 HK\$
9. An office unit known as left portion No. 1 on Level 5 No. 24 Jingang Dadao Nansha District Guangzhou City Guangdong Province The People's Republic of China	<p>The property comprises an office unit on Level 5 of a 10-storey commercial building, which was completed around 1998.</p> <p>According to the information available to us, the property has a gross floor area of approximately 20 sq.m..</p> <p>The property is rented to the Group for a term of 1 year commencing from 26 June 2009 to 26 June 2010 at a monthly rental of RMB200.</p> <p>As advised by the management of the Group that, as of the Date of Valuation, the property was occupied by the Group for office purpose.</p>	No Commercial Value

Notes:

1. The lessor of the property is 中國建設銀行股份有限公司廣州南沙開發區支行 (translated as Branch of Guangzhou Nansha Development Zone of China Construction Bank Corporation).
2. The lessee of the property is Zhong Bu Centresin (Guangzhou) Company Limited (hereinafter referred to as "Zhong Bu Centresin (GZ)"), an indirect wholly-owned subsidiary of the Company.
3. Zhong Bu Centresin (GZ) is a wholly-foreign owned enterprise established in the PRC with a valid Enterprise Legal Person Business Licence dated 10 December 2009 from 10 December 2009 to 10 December 2059.
4. According to the legal opinion as prepared by the Group's PRC legal adviser, Jia Yuan Law Firm, the tenancy agreement has been registered in the relevant government authorities. The interest of the lessee under the tenancy agreement is protected under the PRC laws and regulations.

Group VII – Properties occupied by the Group under various operating leases in Vietnam

Property	Description and occupancy	Amount of valuation in its existing state as at 31 May 2010 HK\$
10. A workshop complex located at Road No. 2 Dong An Industrial Park Thuan An District Binh Duong Province Vietnam	<p>The property comprises 2 major buildings and structures having a total gross floor area of approximately 2,250 sq.m. It includes a processing workshop and a dormitory of single to 3-storey in height which were completed around 2005.</p> <p>The property has been rented to the Group for a term of 5 years commencing from 1 June 2005 to 31 May 2010 at a monthly rental of USD4,611.</p> <p>As confirmed by the management of the Group that, as at the Date of Valuation, the property was occupied by the Group for processing, staff quarter and ancillary supporting facilities purposes.</p>	No Commercial Value

Notes:

1. The lessor of the property is Hung Think Trading-Manufacture-Construction Joint Stock Co. (hereinafter referred to as “Hung Think”).
2. The lessee of the property is Centresin Adhesive (Vietnam) Co., Ltd, formerly known as Iao Son Hong (Vietnam) Co., Ltd, currently known as Zhong Bu Adhesive (Vietnam) Co., Ltd., (hereinafter referred to as “Vietnam Centresin”), an indirect wholly-owned subsidiary of the Company.
3. According to a tenancy dated 16 May 2005, the gross floor area of each of the following major buildings and structures is as follows:

	Gross Floor Area (sq.m.)
(i) a single storey workshop	1,920.00
(ii) a 3-storey dormitory	330.00
Total	<u>2,250.00</u>

4. According to the legal opinions as prepared by the Group’s Vietnam legal adviser, Vietnam International Law Firm (VILAF – Hong Duc), the following opinions are noted:
 - (i) Vietnam Centresin was established on 27 January 2005 in accordance with Investment Certificate No. 289/GP-KCN-BD dated 27 January 2005. It successfully changed its name to Centresin Adhesive (Vietnam) Company Limited as according to the Investment Certificate No. 462043000280 dated 8 October 2007 as validly approved by Binh Duong Industrial Zone Authority;
 - (ii) According to Item I.2.3 of Circular 04/2006/TTLT/BTNMT, the factory lease contract must be certified by Binh Duong Industrial Zone Authority (hereinafter referred to “BIZA”), and appendix of the factory lease contract signed on 20 January 2010 must be certified by BIZA as required by the Circular 04;
 - (iii) As recorded in an appendix to the factory lease contract signed by the parties on 20 January 2010, the term of the factory lease contract was extended for one year; and
 - (iv) The lessor of the property is Hung Think, the developer of Dong An Industrial Zone. Under Vietnam laws, as the licensed developer of Dong An Industrial Zone, Hung Think has the right and power to lease the property, to Vietnam Centresin without having to obtain any specific approval or consent from any other third party.

Property	Description and occupancy	Amount of valuation in its existing state as at 31 May 2010 HK\$
11. A parcel of vacant land situated at D2 – 3 Lot Dai Dang Industrial Park Tan Uyen District Binh Duong Province Vietnam	<p>The property comprises a parcel of vacant land having a site area of approximately 5,000 sq.m.</p> <p>The property has been rented to the Group for a term commencing from 6 March 2008 to 18 October 2055 at a lump sum rent of USD290,000 excluding the management fee of USD0.0667/sq.m./month.</p> <p>As confirmed by the management of the Group that, as at the Date of Valuation, the property was vacant.</p>	No Commercial Value

Notes:

1. The sublessor of the property is Cong Ty TNHH Xây Dựng & Đầu Tư Đại Dương (大登建設開發有限公司), translated as Dai Dang Investment and Construction Co., Ltd. (hereinafter referred as “Dai Dang Developer”).
2. The sublessee of the property is Centresin Adhesive (Vietnam) Co., Ltd., currently known as Zhong Bu Adhesive (Vietnam) Co., Ltd., (hereinafter referred as “Vietnam Centresin”).
3. According to the legal opinion as prepared by the Group’s Vietnam legal adviser, Vietnam International Law Firm (VILAF – Hong Duc), the following opinions are noted:
 - (i) Vietnam Centresin has executed a Land Sublease Agreement No. 04/HDTLD-08 dated 6 March 2008 with Dai Dang Developer for a 47-years, 7-months and 12-days lease of the land. The Land Sublease Agreement was certified by BIZA as according to the Official Letter No. 07/XN-BQL dated 13 August 2009. The agreement is valid, legal and enforceable under the laws of Vietnam. However, Vietnam Centresin has not registered with the relevant Government authorities to obtain a Land Use Right Certificate (“LURC”). A LURC is type of title deed which serves as prima facie evidence of the land use rights. Vietnam Centresin should ask Dai Dang Developer to assist Vietnam Centresin to apply for a LURC. In the absence of a LURC, Vietnam Centresin is vulnerable to the uncertainty that most banks are hesitant to accept a mortgage of the land use rights in the absence of a LURC which they can keep in custody;
 - (ii) Under current Vietnam laws, it is the land sublessor (e.g. Dai Dang Developer) that is expected to conduct the procedures to apply for a LURC for the land sublessee (e.g. Vietnam Centresin). The land sublessor must submit to the relevant Government authorities its own LURC for verification in this procedure. According to a copy of Dai Dang Developer’s LURC No.AE 977467 issued by the People’s Committee of Binh Duong on 29 December 2006, Dai Dang Developer is the legal owner of the land use right with respect to the land and has the right to use the land until 18 October 2055;
 - (iii) The term of the Land Sublease Agreement will expire on 18 October 2055, while the term of Vietnam Centresin’s “investment project” under its IC will expire on 27 January 2035. The Land Sublease Agreement provides that this Land Sublease Agreement will terminate if the company’s IC is not extended. Vietnam Centresin may have difficulties securing a LURC with a term longer than the term of its “investment project.” Therefore, Vietnam Centresin should first apply for an extension of the term of its investment project to commensurate with the term of the Land Sublease Agreement to avoid any uncertainties in relation to the land use rights for the period after 2035. Vietnam Centresin should apply for the extension of its investment project prior to submission of an application for the LURC with respect to the Land, to ensure that the LURC will provide for the extended term. The procedure for extension of the term of the investment certificate is of administrative nature by filing an application to BIZA and BIZA shall amend the investment certificate accordingly upon receipt of all the valid documents required to be filed. No fee is payable for the application of extension of the term of the investment certificate;

- (iv) Pursuant to searches at the national registration agency for secured transactions (“NRAST”), the land and its respective land use rights are not subject to any security interests; and

- (v) Since Vietnam Centresin has paid the land rental under the Land Sublease Agreement in full, Vietnam Centresin has all the rights of a holder of land use rights under a lump-sum rental land lease, such as the rights to assign or mortgage the land use rights or to make capital contribution using the land use rights and assets attached to the land in order to engage in business or production co-operation with other organisation or individual during the term of the land sub-lease. However, under Article VIII.2 of the Land Sublease Agreement requires Vietnam Centresin to obtain prior approval of the sublessor if it wishes to assign or sublease the land use rights to a third party. Whether Dai Dang Developer would require the company to make any form of payment before it consents to the company to assign or sublease the land use right with respect to the Land to a third party, it is a matter of commercial negotiation between Vietnam Centresin and Dai Dang Developer.

Group VIII – Property occupied by the Group under an operating lease in Bangladesh

Property	Description and occupancy	Amount of valuation in its existing state as at 31 May 2010 HK\$
12. Plot Nos. 12 – 14 Sector – 1 situated at Karnaphuli Export Processing Zone Area Chittagong District Bangladesh	<p>The property comprises 3 consecutive plots of vacant land having a total site area of approximately 6,845.79 sq.m.</p> <p>The property is rented to the Group for a term of 30 years commencing from 26 July 2009 at an annual rental of USD15,062 and the lease is renewable for a further term of 30 years by mutual agreement.</p> <p>As confirmed by the management of the Group that, as at the Date of Valuation, the property was vacant.</p>	No Commercial Value

Notes:

1. The lessor of the property is Bangladesh Export Processing Zones Authority.
2. The lessee of the property is Zhong Bu Centresin (Bangladesh) Company Limited (“Bangladesh Centresin”), an indirect wholly-owned subsidiary of the Company.
3. According to the legal opinion as prepared by the Group’s Bangladesh legal adviser, Doulah & Doulah, the following opinions are noted:
 - (i) The lease agreement for the property is valid, subsisting, binding and enforceable against parties thereto under the laws of Bangladesh, and the lease agreement does not contain any clauses which are invalid, unenforceable under to contrary to the laws of Bangladesh;
 - (ii) The lessor of the property has the right under the laws of Bangladesh to lease the property to Bangladesh Centresin. The lessor is not legally required to obtain any approval, consent or authorization of Bangladesh government authorities or other third parties so as to lease the property;
 - (iii) The Land Lease Agreement is not required to be registered with the Land Registration Office as the land has been allotted by BEPZA;
 - (iv) Bangladesh Centresin has the right to exclusively occupy the property in a way consistent with the purposes or conditions stated in the lease agreement, and not in a way contrary to the laws of Bangladesh. If Bangladesh Centresin erects buildings or structures on land, the company will obtain ownership over such buildings or structures subject to the provisions of the Land Lease Agreement and the BEPZA Act, 1980. Expiration, cancellation, suspension or revocation of investment licenses or Trade License would not affect the company’s ownership over such buildings or structures. If the Land Lease Agreement entered into by the company and BEPZA comes to expiration or terminated earlier, while there is no mandatory sale provision under Bangladesh laws, the customary practice in Bangladesh in relation to the buildings erected on the land, including the Leased Property, would be sold by way of auction conducted by BEPZA. Proceeds from sale of such buildings, after deducting the costs and expenses of the auction and settlement of any outstanding sums due to BEPZA, will be paid over to the company. The present term of the Lease with BEPZA is for 30 years, which is renewal for a further 30 years at the prevalent market rent and no other fee, costs or premium are payable in the absence of any further agreement for such renewal; and
 - (v) There are no unusual or onerous obligations or conditions on the part of Bangladesh Centresin for it to have leasehold interest in the leased property.

Group IX – Property to be acquired by the Group in the PRC

Property	Description and tenure	Particular of occupancy	Amount of valuation in its existing state as at 31 May 2010 HK\$
13. A parcel of land (known as Lot No. 09NGY-20) located at Xiao Hu Dao Huangge Town Nansha District Guangzhou City Guangdong Province The People's Republic of China	<p>The property comprises a parcel of land having a site area of approximately 34,172 sq.m.</p> <p>The property is subject to a right to use the land for a term of 50 years for industrial purpose. (<i>See Note 2 below</i>)</p>	As confirmed by the management of the Group that, as at the Date of Valuation, the property was vacant.	No Commercial Value

Notes:

- Pursuant to a Confirmation for the Grant of the State-owned Land Use Rights signed between Zhong Bu Centresin (Guangzhou) Company Limited (hereinafter referred to as “Zhong Bu Centresin (GZ)”), an indirect wholly-owned subsidiary of the Company, and Guangzhou Nansha Real Estate Trading Centre (廣州市南沙區房地產交易中心) and dated 28 January 2010, a parcel of land known as Lot No. 09NGY-20 having a site area of approximately 34,172 sq.m. were sold to Zhong Bu Centresin (GZ) at a consideration of RMB13,670,000.
- Pursuant to a State-owned Land Grant Contract made between Land Resources and Housing Management of Guangzhou Municipality (廣州市國土資源和房屋管理局) and Zhong Bu Centresin (GZ) dated 4 March 2010, a parcel of land having a site area of approximately 34,172 sq.m. was granted to Zhong Bu Centresin (GZ) for a term of 50 years for industrial purpose.
- According to information provided to us, the Group has fully paid the consideration on 24 March 2010, but the long-term title certificate has not been obtained. For the sake of the valuation, we have assigned no commercial value to the property.
- According to the legal opinion as prepared by the Group's PRC legal adviser JiaYuan Law Firm, upon obtaining the State-owned Land Use Rights Certificate of the land, Zhong Bu Centresin (GZ) has the right to occupy, use, assign, lease or mortgage the property during the term of the land use right.

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 15 December 2009 under 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 26 March 2010. 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;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) 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 or 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.

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)).

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 statement of financial position and statement of comprehensive income (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 statement of financial position 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 on every business day 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; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any 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. 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 of purchase, a company cannot purchase any of its own shares unless the manner of purchase has 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 member of the company holding 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.

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 December 2009.

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, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. 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.

(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, 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 THE COMPANY AND ITS SUBSIDIARIES**1. Incorporation of the Company**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 15 December 2009.

The Company has established its principal place of business in Hong Kong at Unit 6, 11/F., Wayson Commercial Building, 28 Connaught Road West, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 23 March 2010. Ip Ka Lun has been appointed as the authorised representative of the Company for acceptance of service of process in Hong Kong. As the Company was incorporated in the Cayman Islands, it operates subject to the Cayman Islands laws and its constitutive documents comprising a memorandum of association and the Articles. A summary of certain parts of its constitution and relevant aspects of the Cayman Islands company law is set out in Appendix IV to this prospectus.

2. Changes in share capital of the Company

The authorised share capital of the Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares. The following alterations in the share capital of the Company have taken place since its incorporation:

- (a) on 15 December 2009, one Share was allotted and issued in nil paid form to Codan Trust Company (Cayman) Limited as the initial subscriber, which was then transferred by Codan Trust Company (Cayman) Limited to Mr. Jeong on the same date;
- (b) on 26 March 2010, Mr. Jeong transferred the one nil paid Share to All Reach;
- (c) on 26 March 2010, in consideration of the sale of the entire issued share capital of Keen Castle to the Company, (i) a total of 1,999 Shares were allotted and issued by the Company, all credited as fully paid, as to 1,799 Shares to All Reach at the direction of Mr. Jeong and as to 200 Shares to Raffles Partners; and (ii) the one nil paid Share held by All Reach was credited as fully paid at par; and
- (d) on 26 March 2010, pursuant to the resolutions in writing passed by all Shareholders, the Company increased its authorised share capital from HK\$380,000 to HK\$50,000,000 by the creation of an additional 4,962,000,000 Shares. Immediately following completion of the Share Offer and the Capitalisation Issue becoming unconditional, the authorised share capital of the Company will be HK\$50,000,000 divided into 5,000,000,000 Shares and the issued share capital will be HK\$5,000,000 divided into 500,000,000

Shares, all fully paid or credited as fully paid and 4,500,000,000 Shares will remain unissued. Other than any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the members in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as aforesaid, there has been no alteration in the share capital of the Company since its incorporation.

3. Written resolutions of all Shareholders

Pursuant to the written resolutions of all Shareholders passed on 26 March 2010, 11 May 2010 and 22 July 2010:

- (a) the Company approved and adopted the Articles of Association;
- (b) the authorised share capital of the Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of an additional 4,962,000,000 Shares;
- (c) conditional on (aa) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares in issue and any Shares which may fall to be issued pursuant to the exercise of the options under the Share Option Scheme up to the initial scheme mandate limit, being 10% of the total number of Shares in issue as at the Listing Date; and (bb) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise:
 - (i) the Share Offer was approved and the Directors were authorised to allot and issue the Offer Shares;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the section headed “Share Option Scheme” of this appendix, were approved and adopted and the Directors were authorised to implement the same, grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme including without limitation: (1) administering the Share Option Scheme; (2) modifying and/or amending the Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Share Option Scheme relating to modification and/or amendment and the requirement of the Listing Rules; (3) granting options under the Share Option Scheme and allotting and issuing from time to time any Shares pursuant to the exercise of the

options that may be granted under the Share Option Scheme with an aggregate nominal value not exceeding 10% of the total nominal value of the share capital of the Company in issue on the Listing Date; and (4) making application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme;

- (d) conditional on the share premium account being credited as a result of the Share Offer, an amount of HK\$3,749,980 which will then be standing to the credit of the share premium account of the Company be capitalised and applied to pay up in full at par a total of 374,998,000 Shares for allotment and issue to holders of Shares whose names shall appear on the register of members of the Company at the close of business on 26 March 2010 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their respective then existing shareholdings in the Company, and the Directors were authorised to give effect to the Capitalisation Issue and the Shares to be allotted and issued shall, save for the entitlements to the Capitalisation Issue, rank *pari passu* in all respects with all existing Shares;
- (e) a general unconditional mandate was given to the Directors to allot, issue and deal with (otherwise than by way of rights, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any option which may be granted under the Share Option Scheme or under the Share Offer or the Capitalisation Issue) Shares with an aggregate nominal amount of not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue and as enlarged immediately following completion of the Capitalisation Issue and the Share Offer (excluding Shares which may fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever is the earliest;

- (f) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever is the earliest; and
- (g) conditional on the passing of the resolutions referred to in sub-paragraphs (e) and (f) above, the general unconditional mandate mentioned in sub-paragraph (e) above was extended by the addition of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (f) above.

4. Reorganisation

The companies comprising the Group underwent a reorganisation in preparation for the listing of the Shares on the Stock Exchange which involved the following:

- (a) transfer of 100 shares, representing the then entire issued share capital, in each of Bracorp, Benino and Great Oasis by Mr. Jeong to Keen Castle, in consideration of which Keen Castle allotted and issued 500 ordinary shares to Mr. Jeong, all credited as fully paid up, on 10 June 2009 pursuant to the share swap agreement dated 10 June 2009 and entered into between Mr. Jeong and Keen Castle;
- (b) transfer of 200 ordinary shares, representing 10% of the then entire issued share capital in Keen Castle, by Mr. Jeong to Raffles Partners on 18 June 2009 at a cash consideration of HK\$15,000,000.00;
- (c) disposal of equity interests of an aggregate of MOP475,000.00 in Proton Company Limited by ISH to Easy Ray Holdings Limited, a company controlled by Mr. Jeong, on 10 December 2009 at an aggregate consideration of MOP2.00;
- (d) disposal of equity interests of MOP99,000.00 in Unity Property & Parking Management Company Limited by ISH to Easy Ray Holdings Limited, a company controlled by Mr. Jeong, on 10 December 2009 at a consideration of MOP1.00;

- (e) disposal of equity interests of MOP80,000.00 in South Star Biotechnology Company Limited by ISH to Easy Ray Holdings Limited, a company controlled by Mr. Jeong, on 10 December 2009 at a consideration of MOP1.00;
- (f) disposal of equity interests of MOP70,000.00 in Grace Power Polymer Technology Co. Ltd. by ISH to Easy Ray Holdings Limited, a company controlled by Mr. Jeong, on 10 December 2009 at a consideration of MOP1.00;
- (g) incorporation of the Company on 15 December 2009 in the Cayman Islands and transfer of one nil paid Share from Codan Trust Company (Cayman) Limited to Mr. Jeong as described in the paragraph headed “Changes in share capital of the Company” above;
- (h) incorporation of Ally Link on 19 January 2010 and allotment and issue of 100 ordinary shares of Ally Link to Keen Castle at par on 29 January 2010;
- (i) transfer of the entire equity interests in ISH on 11 February 2010 of which equity interests of MOP646,200.00 in ISH was transferred by Mr. Jeong to Keen Castle at a cash consideration of MOP1.00 and equity interests of MOP253,800.00 in ISH was transferred by ICL to Ally Link at a cash consideration of MOP1.00;
- (j) acquisition of equity interests of MOP1,000.00 in Macson by ISH from Mr. Jeong on 1 March 2010 at a cash consideration of MOP1.00;
- (k) acquisition of equity interests of MOP1,000.00 in Righton by ISH from Mr. Jeong on 1 March 2010 at a cash consideration of MOP1.00;
- (l) acquisition of equity interests of MOP1,000.00 in Greenfield by ISH from Mr. Jeong on 1 March 2010 at a cash consideration of MOP1.00;
- (m) acquisition of equity interests of MOP1,000.00 in Macau Centresin by ISH from Mr. Jeong on 1 March 2010 at a cash consideration of MOP1.00;
- (n) transfer of the one nil paid Share from Mr. Jeong to All Reach on 26 March 2010; and
- (o) acquisition of the 1,800 shares and 200 shares, which in aggregate constitute the entire issued share capital, in Keen Castle by the Company from Mr. Jeong and Raffles Partners respectively on 26 March 2010 in consideration of (i) the allotment and issue of 1,799 Shares and 200 Shares, all credited as fully paid up, to All Reach at the direction of Mr. Jeong and Raffles Partners respectively; and (ii) the crediting as fully paid at par of the one nil paid Share held by All Reach.

5. Changes in share capital in subsidiaries of the Company

The subsidiaries of the Company are listed in the accountants' report set out in Appendix I to this prospectus. In addition to the alterations described in the paragraphs headed "Changes in share capital of the Company" and "Reorganisation" above, the following alterations in the share capital of the Company's subsidiaries took place during the two years immediately preceding the date of this prospectus:

- (a) Bangladesh Centresin was incorporated in Bangladesh with limited liability on 15 January 2009 and has an authorised share capital of 10,000,000 BDT divided into 100,000 ordinary shares of 100 BDT each, of which 1,000 shares have been issued and are fully paid and beneficially owned by ISH;
- (b) on 10 June 2009, a share swap agreement was entered into between Keen Castle on one side and Mr. Jeong on the other side pursuant to which a total of 500 ordinary shares of US\$1.00 each in the share capital of Keen Castle were allotted and issued to Mr. Jeong, credited as fully paid up on 10 June 2009, for the acquisition of 100 shares, representing the then entire issued share capital, in each of Bracorp, Benino and Great Oasis by Keen Castle from Mr. Jeong;
- (c) on 10 June 2009, a share swap agreement was entered into between Keen Castle on one side and Mr. Jeong and ICL on the other side (as supplemented by a supplemental agreement dated 30 December 2009 entered into among Keen Castle, Mr. Jeong, Mrs. Jeong and ICL) pursuant to which a total of 500 ordinary shares of US\$1.00 each in the share capital of Keen Castle were allotted and issued to Mr. Jeong, credited as fully paid up on 10 June 2009, for the acquisition of the entire equity interests of ISH by Keen Castle from Mr. Jeong and ICL. Pursuant to such share swap agreement (as supplemented), on 11 February 2010, Mr. Jeong transferred the equity interests of MOP 646,200.00, representing 71.8% of entire equity interests in ISH to Keen Castle and ICL transferred the equity interests of MOP 253,800.00, representing 28.2% of entire equity interests in ISH to Ally Link; and
- (d) Zhong Bu Centresin (GZ) was established under the laws of the PRC as a wholly foreign-owned enterprise with limited liability on 10 December 2009 with registered capital of US\$16,000,000, further particulars thereof are contained in the paragraph headed "Information about the Group's PRC establishments" in the section headed "Further information about the business" of this appendix.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of the Company's own securities

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

(a) Relevant legal and regulatory requirements

The Listing Rules permit Shareholders to grant the Directors a general mandate to repurchase the Shares that are listed on the Stock Exchange.

(b) Shareholder's approval

All proposed repurchases of Shares (which must be fully paid up) 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.

A general unconditional mandate (the "Repurchase Mandate") was granted to the Directors by the Shareholders pursuant to a written resolution passed on 22 July 2010 authorising them to exercise all powers of the Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever is the earliest.

(c) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the memorandum of association of the Company and the Articles, the Listing Rules and the applicable laws of the Cayman Islands. Under the Cayman Islands law, any repurchase by the Company may be made out of profits of the Company or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by its articles of association and subject to the provisions of the Companies Law, out of capital.

(d) Trading restrictions

The Company may repurchase up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme). The Company may not issue or announce a proposed issue of the Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. The Company is also prohibited from repurchasing the Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by the Company to effect a repurchase of the Shares is required to disclose to the Stock Exchange any information with respect to a Share repurchase as the Stock Exchange may require.

(e) Status of repurchased securities

All repurchased securities (whether on the Stock Exchange or otherwise) will be automatically cancelled and the certificates for those securities must be cancelled and destroyed.

(f) Suspension of repurchase

Securities repurchases are prohibited after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In addition, the Stock Exchange reserves the right to prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(g) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a company's annual report and accounts are required to disclose details regarding repurchases of securities made during the financial year under review, including the number of securities repurchased each month (whether on the Stock Exchange or otherwise) and the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(h) *Connected persons*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a “connected person”, that is, a director, chief executive or substantial shareholder of such company or any of its subsidiaries or any of their associates (as defined in the Listing Rules) and a connected person shall not knowingly sell his securities to the Company on the Stock Exchange.

(i) *Reasons for repurchases*

The Directors believe that it is in the best interest of the Company and Shareholders for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

(j) *Funding of repurchases*

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

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

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

(k) *General*

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

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

If, as a result of a securities repurchase, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code.

Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not presently aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate immediately after the listing of the Shares on the Stock Exchange.

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

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts






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

- (a) the Public Offer Underwriting Agreement;
- (b) the deed of indemnity dated 28 July 2010 and entered into by Mr. Jeong, Mrs. Jeong and All Reach in favour of the Group, further details of which are set out in the paragraphs headed "Tax and other indemnities" and "Other indemnities" in the section headed "Other information" in this appendix;
- (c) the share purchase agreement dated 26 March 2010 and entered into between the Company, Mr. Jeong and Raffles Partners relating to the sale of 2,000 shares of US\$1.00 each of Keen Castle, representing the entire issued share capital in Keen Castle, to the Company by Mr. Jeong and Raffles Partners; in consideration of which (i) the Company allotted and issued a total of 1,799 Shares and 200 Shares, all credited as fully paid, to All Reach at the direction of Mr. Jeong, and Raffles Partners respectively; and (ii) the one nil-paid Share held by All Reach was credited as fully paid at par;
- (d) the agreement for sale and purchase dated 1 March 2010 and entered into between ISH, Mr. Jeong and Mrs. Jeong relating to the sale of equity interests of MOP1,000.00 in Macson by Mr. Jeong to ISH, at a cash consideration of MOP1.00;




- (e) the agreement for sale and purchase dated 1 March 2010 and entered into between ISH, Mr. Jeong and Mrs. Jeong relating to the sale of equity interests of MOP1,000.00 in Righton by Mr. Jeong to ISH, at a cash consideration of MOP1.00;
- (f) the agreement for sale and purchase dated 1 March 2010 and entered into between ISH, Mr. Jeong and Mrs. Jeong relating to the sale of equity interests of MOP1,000.00 in Greenfield by Mr. Jeong to ISH, at a cash consideration of MOP1.00;
- (g) the agreement for sale and purchase dated 1 March 2010 and entered into between ISH, Mr. Jeong and Mrs. Jeong relating to the sale of equity interests of MOP1,000.00 in Macau Centresin by Mr. Jeong to ISH, at a cash consideration of MOP1.00;
- (h) the agreement for sale and purchase dated 11 February 2010 and entered into among Mr. Jeong, Mrs. Jeong, ICL, Keen Castle and Ally Link relating to (i) the sale of equity interests of MOP646,200.00 in ISH by Mr. Jeong to Keen Castle in cash consideration of MOP1.00; and (ii) the sale of equity interests of MOP253,800.00 in ISH by ICL to Ally Link at a cash consideration of MOP1.00;
- (i) the share swap agreement dated 10 June 2009 and entered into among Keen Castle, Mr. Jeong and ICL (as supplemented by a supplemental agreement dated 30 December 2009 and entered into among Mr. Jeong, Mrs. Jeong, ICL and Keen Castle) relating to the sale of the entire equity interests in ISH to Keen Castle (or as it may direct), in consideration of which Keen Castle allotted and issued 500 ordinary shares of US\$1.00 each, all credited as fully paid, to Mr. Jeong; and
- (j) the share swap agreement dated 10 June 2009 and entered into between Keen Castle and Mr. Jeong relating to the sale of the entire issued share capital in each of Great Oasis, Bracorp and Benino to Keen Castle, in consideration of which Keen Castle allotted and issued 500 ordinary shares of US\$1.00 each, all credited as fully paid, to Mr. Jeong.

2. Intellectual property rights of the Group



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

Trademark	Name of Proprietor	Territory	Class	Duration	Registration No.
	ISH	The PRC	1	14 November 2007 to 13 November 2017	1126200
	ISH	The PRC	1	14 September 2007 to 13 September 2017	1099853
	ISH	The PRC	1	28 July 2007 to 27 July 2017	1062239
	ISH	The PRC	1	21 February 2005 to 20 February 2015	3535333
	ISH	The PRC	1	21 February 2005 to 20 February 2015	3535334
	Vietnam Centresin	Vietnam	1 and 3	28 March 2006 to 27 March 2016	93881

As at the Latest Practicable Date, the Group has applied for registration of the following trademarks and the applications are still in process:

Trademark	Applicant	Territory	Class	Application No.	Application Date
	ISH	The PRC	1	6785532	16 June 2008
	ISH	The PRC	1	7162282	12 January 2009
	ISH	The PRC	1	7951152	28 December 2009

Trademark	Applicant	Territory	Class	Application No.	Application Date
	ISH	The PRC	1	7951123	28 December 2009
友信行	ISH	The PRC	1	7951102	28 December 2009
友信行	Vietnam Centresin	Vietnam	1 and 3	4-2009-27798	22 December 2009
IAO SON HONG	Vietnam Centresin	Vietnam	1 and 3	4-2009-27799	22 December 2009
	Vietnam Centresin	Vietnam	1 and 3	4-2009-27800	22 December 2009
友信行	ISH	Bangladesh	1	129344	17 January 2010
	ISH	Bangladesh	1	129346	17 January 2010
IAO SON HONG	ISH	Bangladesh	1	129345	17 January 2010
	ISH	Bangladesh	1	129343	17 January 2010
	ISH	Indonesia	1	D002010000739	8 January 2010

Trademark	Applicant	Territory	Class	Application No.	Application Date
	ISH	Indonesia	1	D002010000736	8 January 2010
IAO SON HONG	ISH	Indonesia	1	D002010000735	8 January 2010
友信行	ISH	Indonesia	1	D002010000738	8 January 2010
星謙化工	ISH	Hong Kong	1	301585279	13 April 2010
	ISH	Hong Kong	1	301585251	13 April 2010
Infinity Chemical	ISH	Hong Kong	1	301585260	13 April 2010

As at the Latest Practicable Date, the Group has applied for the following patents and the applications are still in progress:

No.	Patent	Territory	Application No.	Applicant	Date of Application	Type of Patent
1.	Adhesive and its preparation method and use	The PRC	200910170843.5	Macau Centresin	9 September 2009	invention
2.	Adhesive and its preparation method and use	The PRC	200910170841.6	Macau Centresin	9 September 2009	invention
3.	Adhesive and preparation method	Vietnam	1-2009-02753	Macau Centresin	18 December 2009	invention
4.	Adhesive and preparation method	Vietnam	1-2009-02754	Macau Centresin	18 December 2009	invention
5.	Adhesive and preparation method and use thereof	Bangladesh	323/2009	Macau Centresin	24 December 2009	invention
6.	Adhesive and preparation method and use thereof	Bangladesh	324/2009	Macau Centresin	24 December 2009	invention
7.	Adhesive and manufacturing method and its use	Indonesia	P00201000008	Macau Centresin	6 January 2010	invention
8.	Adhesive and manufacturing method and its use	Indonesia	P00201000009	Macau Centresin	6 January 2010	invention

3. Information about the Group's PRC establishments

The Group has interests in the registered capital of three wholly foreign-owned enterprises in the PRC, a summary of the corporate information of these entities is set out as follows:

Zhong Bu Centresin (GZ)

Economic nature:	wholly foreign-owned enterprise
Total investment:	US\$33,500,000
Total registered capital:	US\$16,000,000 (of which US\$2,860,000 had been paid up)
Equity holder:	Macau Centresin
Term:	from 10 December 2009 to 10 December 2059
Date of establishment:	10 December 2009
Attributable interest to the Group:	100%
Principal activities:	research and development of adhesive products, sales of adhesive products and after-sale services

Zhongshan Macson

Economic nature:	wholly foreign-owned enterprise
Total investment:	HK\$8,000,000
Total registered capital:	HK\$5,800,000 (fully paid-up)
Equity holder:	Macson
Term:	from 22 September 1998 to 17 September 2013
Date of establishment:	22 September 1998
Attributable interest to the Group:	100%
Principal activities:	manufacture of adhesive products

Zhuhai Centresin

Economic nature:	wholly foreign-owned enterprise
Total investment:	HK\$31,000,000
Total registered capital:	HK\$31,000,000 (fully paid-up)
Equity holder:	Righton
Term:	from 29 July 1999 to 29 July 2029
Date of establishment:	29 July 1999
Attributable interest to the Group:	100%
Principal activities:	manufacture of adhesive products

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF AND EXPERTS**1. Disclosure of interests***(a) Disclosure of interests of Directors*

- (i) During the two years immediately preceding the date of this prospectus, the Group had engaged in dealings with Mr. Jeong, an executive Director, and his associates as described in note 30 to section E of the accountants' report set out in Appendix I to this prospectus; and
- (ii) Mr. Jeong, an executive Director, is interested in the reorganisation of the Group referred to under the paragraph headed "Reorganisation" in the section headed "Further information about the Company and its subsidiaries" of this appendix.

(b) Particulars of service contracts

On 26 March 2010, each of Mr. Jeong, Mr. Ip Chin Wing, Mr. Ip Ka Lun and Mr. Stephen Graham Prince, being all the executive Directors, has entered into a service contract dated 26 March 2010 with the Company (as supplemented by two supplemental agreements dated 11 May 2010 and 20 July 2010 respectively entered into between each of the executive Directors and the Company respectively) for an initial term of three years commencing from the Listing Date, unless terminated by not less than three months' notice in writing served by either party on the other at the end of the initial term or at any time thereafter. Each of these executive Directors is entitled to the respective basic salary set out below (subject to an annual increment after the first anniversary date of the Listing Date at the discretion of the Directors). Each of the executive Directors, is entitled to basic annual salary as follows:

	<i>HK\$</i>
Mr. Jeong	1,800,000
Mr. Ip Chin Wing	1,200,000
Mr. Ip Ka Lun	1,200,000
Mr. Stephen Graham Prince	1,200,000

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

(c) Directors' remuneration

- (i) During the three years ended 30 September 2009 and the four months ended 31 January 2010, the aggregate emoluments paid and benefits in kind granted by the Group to the Directors were approximately HK\$1,907,000, HK\$2,112,000, HK\$2,825,000 and HK\$1,305,000 respectively.

- (ii) Under the arrangements currently in force, the aggregate emoluments payable by the Group to and benefits in kind receivable by the Directors for the year ending 30 September 2010 will be approximately HK\$3,900,000.
- (iii) None of the Directors or any past directors of any member of the Group has been paid any sum of money for each of the three years ended 30 September 2009 and the four months ended January 2010 (1) as an inducement to join or upon joining the Company or (2) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 30 September 2009 and the four months ended January 2010.
- (v) Under the arrangement currently proposed, the annual remuneration (excluding payment pursuant to the management bonus and other discretionary bonus) payable by the Group to each of the executive Directors and independent non-executive Directors will be as follows:

	<i>HK\$</i>
Mr. Jeong	1,800,000
Mr. Ip Chin Wing	1,200,000
Mr. Ip Ka Lun	1,200,000
Mr. Stephen Graham Prince	1,200,000
Mr. Chan Wing Yau George	120,000
Mr. Ho Gilbert Chi Hang	120,000
Mr. Poon Yick Pang Philip	120,000

- (vi) Each of the executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by the Group from time to time or in discharge of his duties to the Company under the service contract.
- (vii) Each of the independent non-executive Directors is entitled to annual director's fee of HK\$120,000.

(d) *Personal guarantees*

As at the Latest Practicable Date, Mr. Jeong has given personal guarantees in favour of certain lenders in respect of bank facilities extended to the Group and such lenders have agreed in principle to release Mr. Jeong from his personal guarantees upon Listing. Save as disclosed herein, none of the Directors had provided any personal guarantees in favour of lenders in connection with banking facilities to the Group.

(e) *Interests and short positions of Directors in the shares, underlying shares or debentures of the Company and its associated corporations*

Immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of the Shares which may be taken up under the Share Offer), the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, once the Shares are listed, will be as follows:

(i) The Company

Name of Director	Capacity	No. of		Percentage of issued share capital
		Shares held	Position	
Mr. Jeong <i>(note)</i>	Interest in controlled corporation	337,500,000	Long	67.50%

Note: These Shares are held by All Reach, the entire issued share capital of which is wholly and beneficially owned by Mr. Jeong. By virtue of the SFO, Mr. Jeong is deemed to be interested in the entire 337,500,000 Shares held by All Reach.

(ii) Associated corporation

Name of associated corporation	Name of Director	Capacity	Position	Percentage of	
				Number of shares in the associated corporation	shareholding in the associated corporation
All Reach	Mr. Jeong	Beneficial owner	Long	100	100%

(f) *Agency fees or commissions received*

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries.

(g) *Related party transactions*

During the two years immediately preceding the date of this prospectus, the Group had engaged in related party transactions as described in note 30 to section E of the accountants' report set out in Appendix I to this prospectus.

(h) Disclaimers

Save as disclosed in this prospectus:

- (i) and taking no account of any Shares which may be taken up or acquired under the Share Offer or upon the exercise of any options which may be granted under the Share Option Scheme, the Directors are not aware of any person who immediately following the completion of the Share Offer will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who 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 general meetings of any other member of the Group;
- (ii) none of the Directors has for the purpose 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, any interests and short positions in the shares, underlying shares and debentures of the 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 the Company pursuant to section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed on the Stock Exchange;
- (iii) none of the Directors or the experts named in paragraph headed “Qualifications of experts” in the section headed “Other information” in this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of the Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of the Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (iv) no Director is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole; and
- (v) none of the experts named in paragraph headed “Qualifications of experts” in the section headed “Other information” in this appendix has any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group.

2. Interests and/or short positions discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as is known to the Directors, immediately following completion of the Share Offer and the Capitalisation Issue, the persons/corporations (other than a director or chief executive of the Company) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name	Capacity	No. of Shares held	Position	Percentage of issued share capital
All Reach (<i>note 1</i>)	Beneficial owner	337,500,000	Long	67.50%
Mrs. Jeong (<i>notes 1 and 2</i>)	Interest of spouse	337,500,000	Long	67.50%
Raffles Partners	Beneficial owner	37,500,000	Long	7.50%
Tang Tsz Kit (<i>note 3</i>)	Interest in controlled corporation	37,500,000	Long	7.50%

Notes:

- 1 The entire issued share capital of All Reach is wholly and beneficially owned by Mr. Jeong. By virtue of the SFO, Mr. Jeong, an executive Director, is deemed to be interested in the entire 337,500,000 Shares held by All Reach. Mrs. Jeong, being the spouse of Mr. Jeong, is also deemed to be interested in the 337,500,000 Shares under the SFO.
- 2 According to the laws of Macau, the regime of matrimonial property of Mr. Jeong and Mrs. Jeong is community (共同財產制).
- 3 The entire issued share capital of Raffles Partners is wholly and beneficially owned by Tang Tsz Kit. By virtue of the SFO, Tang Tsz Kit is deemed to be interested in the entire 37,500,000 Shares held by Raffles Partners.

3. Share Option Scheme

(a) *Summary of terms of the Share Option Scheme*

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest (“Invested Entity”).

(ii) Who may join

Subject to the provisions in the Share Option Scheme, the Board shall be entitled at any time and from time to time within the period of 10 years after the date of adoption of the Share Option Scheme to make an offer to any of the following classes of persons:

- (1) any employee (whether full time or part time employee, including any executive director but not the non-executive directors) of the Company, its subsidiaries and any Invested Entity;
- (2) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (3) any supplier of goods or services to any member of the Group or any Invested Entity;
- (4) any customer of the Group or any Invested Entity; and
- (5) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity.

(iii) Maximum number of Shares

- (1) Notwithstanding anything to the contrary herein, the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

- (2) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 50,000,000 Shares, being 10% of the total number of Shares in issue as at the Listing Date unless the Company obtains the approval of the Shareholders in general meeting for refreshing the 10% limit (“Scheme Mandate Limit”) under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.
- (3) The Company may seek approval of the Shareholders in general meeting for refreshing the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company as “refreshed” shall not exceed 10% of the total number of Shares in issue as at the date of the approval of the Shareholders on the refreshment of the Scheme Mandate Limit provided that options previously granted under the Share Option Scheme or any other share option schemes of the Company (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of the Company or exercised) will not be counted for the purpose of calculating the limit as “refreshed”.

For the purpose of seeking the approval of the Shareholders, a circular containing the information as required under the Listing Rules must be sent to the Shareholders.

- (4) The Company may seek separate approval of the Shareholders in general meeting for granting options beyond the Scheme Mandate Limit provided that the proposed grantee(s) of such option(s) must be specifically identified by the Company before such approval is sought. For the purpose of seeking the approval of the Shareholders, the Company must send a circular to the Shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and the information as required under the Listing Rules.

(iv) Maximum entitlement of each eligible person

No option shall be granted to any eligible person if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue, unless:

- (1) such further grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of the Shareholders in general meeting, at which the eligible person and his associates shall abstain from voting;
- (2) a circular regarding the further grant has been dispatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including the identity of the eligible person, the number and terms of the options to be granted and options previously granted to such eligible person); and
- (3) the number and terms (including the subscription price) of such option are fixed before the general meeting of the Company at which the same are approved.

(v) Grant of options to connected persons

- (1) The grant of options to a Director, chief executive or substantial shareholder of the Company (“Connected Person”) or any of their respective associates requires the approval of all the independent non-executive Directors (excluding any independent non-executive Director who is a prospective grantee of the option) and shall comply with the relevant provisions of Chapter 17 of the Listing Rules.
- (2) Where an option is to be granted to a substantial Shareholder or an independent non-executive Director (or any of their respective associates), and such grant will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (1) exceeding 0.1% of the total number of Shares in issue at the relevant time of grant; (2) exceeding an aggregate value (based on the closing price of the Shares on the Stock Exchange on the date of each grant) of HK\$5 million, such grant shall not be valid unless

(3) a circular containing the details of the grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules (including, in particular, a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the prospective grantee of the option) to the independent Shareholders as to voting); and (4) the grant has been approved by the Shareholders in general meeting (taken on a poll), at which all Connected Persons of the Company shall abstain from voting in favour of the grant.

(3) Where any change is to be made to the terms of any option granted to a substantial Shareholder or an independent non-executive Director (or any of their respective associates), such change shall not be valid unless the change has been approved by the Shareholders by way of poll in general meeting.

(vi) Time of acceptance and exercise of an option

An offer of grant of an option may be accepted by an eligible person within the date as specified in the offer letter issued by the Company, being a date not later than 21 Business Days from the date upon which it is made, by which the eligible person must accept the offer or be deemed to have declined it, provided that such date shall not be more than ten years after the date of adoption of the Share Option Scheme.

A consideration of HK\$1.00 is payable on acceptance of the offer of grant of an option. Such consideration shall in no circumstances be refundable. An option may be exercised in whole or in part by the grantee (or his legal personal representatives) at anytime before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than ten years commencing on the date of the offer letter and expiring on the last day of such ten-year period subject to the provisions for early termination as contained in the Share Option Scheme.

(vii) Performance targets

There is no performance target that has to be achieved before the exercise of any option.

(viii) Subscription price for Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board and notified to an eligible person, and shall be at least the highest of: (1)

the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date (the "Offer Date"), which must be a trading day on which the Board passes a resolution approving the making of an offer of grant of an option to an eligible employee; (2) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of the offer letter of the option; and (3) the nominal value of a Share on the Offer Date.

Where an option is to be granted, the date of the Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option. For the purpose of calculating the subscription price, where an option is to be granted less than 5 Business Days after the listing of the Shares on the Stock Exchange, the offer price shall be taken to be the closing price for any Business Day before the Listing.

(ix) Ranking of Shares

The Shares to be issued and allotted upon the exercise of an option shall be subject to the Company's constitutional documents for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of the Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions declared or recommended or resolved to be paid or made in respect of a record date falling on or after the date of allotment.

(x) Restrictions on the time of grant of options

No option shall be granted after a price sensitive development concerning the Company or any subsidiary has occurred or a price sensitive matter concerning the Company or any subsidiary has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (1) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's result for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (2) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option shall be granted.

(xi) Period of the Share Option Scheme

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme, after which period no further option shall be granted.

(xii) Rights on cessation of employment

Where the grantee of an outstanding option ceases to be an employee of the Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xxi)(e), the grantee may exercise the option up to his entitlement at the date of cessation in whole or in part (to the extent which has become exercisable and not already exercised) within the period of 1 month following the date of such cessation. The date of such cessation shall be his last actual working day at his work place with the Company or any Subsidiary whether salary is paid in lieu of notice or not.

(xiii) Rights on death

Where the grantee of an outstanding option dies before exercising the option in full or at all, the option may be exercised in full or in part (to the extent not already exercised) by his personal representative(s) within 12 months of the date of death.

(xiv) Rights on a general offer

In the event of a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of the Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option within 14 days after the date on which the offer becomes or is declared unconditional.

(xv) Rights on winding-up

In the event that a notice is given by the Company to its Shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all grantees (together with a notice of existence of this provision) and thereupon, each grantee (or his legal representative(s)) shall be entitled to exercise all or any of his options (to the extent which has become exercisable and not already exercised) at any time not later than 2 Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid, which Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up the Company to participate in the distribution of assets of the Company available in liquidation.

(xvi) Rights on compromise or arrangement between the Company and its creditors

In the event of a compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its Shareholders (or any class of them), in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its Shareholders or creditors to consider such a scheme or arrangement, and thereupon any grantee (or his legal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling 2 calendar months thereafter or the date on which such compromise or arrangement is sanctioned by Court be entitled to exercise his option (to the extent which has become exercisable and not already exercised), but the exercise of the option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. The Company may thereafter require such grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his option so as to place the grantee in the same position as nearly as possible as would have been the case had such Shares been subject to such compromise or arrangement.

(xvii) Reorganisation of capital structure

In the event of any alteration in the capital structure of the Company whilst any option has been granted and remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction), the Company shall (if applicable) make corresponding alterations (if any), in accordance with the Listing Rules and any applicable guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplementary guidance issued on 5 September 2005) to:

- (1) the number and/or nominal amount of Shares subject to the options already granted so far as they remain exercisable; and/or
- (2) the subscription price; and/or
- (3) the maximum number of Shares referred to in paragraphs (iii) and (iv) above provided that:
 - (aa) no such alteration shall be made in respect of an issue of Shares or other securities by the Company as consideration in a transaction;
 - (bb) any such alterations must be made so that each grantee is given the same proportion of the equity capital of the Company as that to which he was previously entitled;
 - (cc) no such alterations shall be made which would result in the subscription price for a Share being less than its nominal value; and
 - (dd) any such alterations, save those made on a capitalisation issue, shall be confirmed by an independent financial adviser or the auditors in writing to the Directors as satisfying the requirements of provisos paragraphs (bb) and (cc) above.

(xviii) Cancellation of options

The Company may cancel an option granted but not exercised with the approval of the Board. Any options cancelled by approval of the Board cannot be re-granted to the same eligible person.

(xix) Termination of the Share Option Scheme

The Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provision of the Share Option Scheme shall remain in full force and effect. Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xx) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee 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.

(xxi) Lapse of option

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

- (a) the expiry of the period to be determined and notified by the Board to the grantee;
- (b) the expiry of the periods referred to in sub-paragraphs (xii) or (xiii);
- (c) the date on which the offer referred to in sub-paragraph (xiv) closes;
- (d) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (xvi);
- (e) the date on which the grantee ceases to be an eligible person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an eligible person, on which he begins to appear to be unable to pay or has no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty;
- (f) subject to sub-paragraph (xv) above, the date of the commencement of the winding-up of the Company;
- (g) the date on which the grantee sells, transfers, charges, mortgages, encumbers or creates any interest (whether legal or beneficial) in favour of any third party over or in relation to any option or purport to do any of the foregoing in breach of the Share Option Scheme; and

- (h) the date on which the Directors shall at their absolute discretion determine that the grantee (other than an eligible employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and the Group or any Invested Entity on the other part or that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his or her creditors generally. In such event, his options will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

(xxii) Alterations to the Share Option Scheme

- (1) The Share Option Scheme may be amended or altered in any respect to the extent allowed by the Listing Rules by resolution of the Board except that the following alteration must be approved by a resolution of the Shareholders in general meeting:
 - (aa) any changes to the definitions of eligible person, grantee and option period;
 - (bb) any changes to the terms and conditions of the Share Option Scheme to the advantage of the grantees of the options;
 - (cc) any alteration to the terms and conditions of the Share Option Scheme which are of a material nature;
 - (dd) any change to the terms of options granted; and
 - (ee) any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme except where such alterations take effect automatically under the existing terms of the Share Option Scheme, provided that: (aa) the amended terms of the Share Option Scheme or the options must comply with Chapter 17 of the Listing Rules; and (bb) no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the option granted under the Share Option Scheme.

- (2) Notwithstanding the other provisions of the Share Option Scheme, the Share Option Scheme may be amended or altered in any respect by resolution of the Board without the approval of the Shareholders or the grantee(s) to the extent such amendment or alteration is required by the Listing Rules or any guidelines issued by the Stock Exchange from time to time.
- (3) The Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

(xxiii) Conditions

- (1) The Share Option Scheme is conditional on:
 - (aa) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and any Shares which may fall to be issued pursuant to the exercise of the options under the Share Option Scheme up to the initial Scheme Mandate Limit;
 - (bb) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
 - (cc) the commencement of trading of the Shares on the Stock Exchange.

(b) *Present status of the Share Option Scheme*

- (i) Approval and adoption of the rules of the Share Option Scheme

The rules of the Share Option Scheme were approved and conditionally adopted by the Shareholders on 22 July 2010.

- (ii) Approval of the Listing Committee required

The Share Option Scheme is conditional, among other matters, on the Listing Committee granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of the options under the Share Option Scheme up to the initial Scheme Mandate Limit.

(iii) Application for approval

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 50,000,000 Shares, being 10% of the total number of Shares in issue as at the Listing Date unless the Company obtains the approval of the Shareholders in general meeting for refreshing the said 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit above mentioned.

(iv) Grant of option

As at the Latest Practicable Date, no options have been granted or agreed to be granted under the Share Option Scheme.

(v) Value of options

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

D. OTHER INFORMATION

1. Tax and other indemnities

Mr. Jeong, Mrs. Jeong and All Reach (together, the “Indemnifiers”) have entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (b) referred to in the paragraph headed “Summary of material contracts” in the section headed “Further information about the business” in this appendix) to provide indemnities in respect of, among other matters, any liability which might be incurred by any member of the Group as a direct or indirect result of or in consequence of any claim relating to the amount of any and all taxation falling on any member of the Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring or deemed to occur up to the date on which the Share Offer becomes unconditional.

2. Other indemnities

Each of the Indemnifiers further jointly and severally agrees and undertakes to indemnify and hold harmless the Company and each member of the Group against any and all damages, losses, fees, costs, expenses of any actual claims, actions or proceedings which may be made or established against the Company or any member of the Group arising out of or in connection with:

- (i) the failure of Vietnam Centresin to contribute the remaining of US\$300,000 charter capital of Vietnam Centresin by the time limit prescribed by the relevant Vietnam authorities;
- (ii) the failure of relocating Vietnam Centresin's head office to Road No. 2, Dong An Industrial Zone, Thuan An District, Binh Duong Province to D2-3, Dai Dang Industrial Zone, Tan Uyen District, Binh Duong Province, Vietnam by the time limit prescribed by the relevant Vietnam authorities;
- (iii) the failure of Zhongshan Macson to obtain the land use right certificate in respect of the Zhongshan Production Plant;
- (iv) the failure of Vietnam Centresin to obtain the land use right certificate in respect of a piece of land located at D2-3 Dai Dang Industrial Zone, Tan Uyen District, Binh Duong Province (the "**Vietnam Sublease Property**") leased by Vietnam Centresin pursuant to a land sublease agreement dated 6 March 2008 and entered into between Dai Dang Investment and Construction Co., Ltd as lessor and Vietnam Centresin as lessee; or
- (v) Vietnam Centresin's rights to use the property situated at Road No. 2, Dong An Industrial Park, Thuan An District, Binh Duong Province, Vietnam (the "**Existing Vietnam Leased Property**") have been adversely affected by reason of failure to have the relevant lease certified by Binh Duong Industrial Zones Authority.

The indemnities referred to above shall be extended to cover:

- (1) all damages, losses, fees, costs, expenses incurred by any member of the Group in the event a member of the Group ("**Affected Group Company**") being evicted from any either the Zhongshan Production Plant or the Vietnam Sublease Property or Existing Vietnam Leased Property ("**Affected Premises**") by the landlord or the relevant governmental authority thereof by reason only of the defective title ("**Defective Title**") of the land due to the absence of land use right certificate or non-registration or non-certification of the relevant lease agreement, the Indemnifiers shall as soon as reasonably practicable and in any event before the expiry of two months after such eviction, secure for the use and occupation by the Affected Group Company of a property ("**Substitute Premises**") which is comparable and substantially similar to the Affected Premises in location, area and user, for a term which is in no way shorter than the remaining leased term under the relevant lease agreement for the Affected Premises; and

- (2) any costs, expenses, claims, losses and liabilities which may be incurred or suffered by the Affected Group Company by reason only of the occurrence of the Defective Title and in respect of:
- (a) any difference in rentals between the Substitute Premises and the Affected Premises for the remaining term of the relevant lease for the Affected Premises;
 - (b) any costs or expenses arising from the relocation of the Affected Group Company's business or assets from the Affected Premises to the Substitute Premises;
 - (c) any operating and business losses which the Affected Group Company may suffer as a direct result of a relocation of its business from the Affected Premises to the Substitute Premises;
 - (d) any concluded or unconcluded litigation, claim, action, prosecution, arbitration, mediation or alternative dispute resolution relating to the Defective Title (collectively the "**Proceedings**"); and
 - (e) any dispute with any person(s) not resulting in Proceedings;

and insofar as (d) and/or (e) above are concerned, whether resulting from an award, judgment or finding or from a negotiated settlement or otherwise.

3. Estate duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands.

4. Litigation

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

5. Application for listing of Shares

The Joint Sponsors have made an application on behalf of the Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme on the Stock Exchange.

6. Preliminary expenses

The estimated preliminary expenses of the Company are approximately HK\$30,000 and are payable by the Company.

7. Promoter

- (a) The promoter of the Company is Mr. Jeong.
- (b) Save as disclosed herein, within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter named above in connection with the Share Offer or the related transactions described in this prospectus.

8. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

SinoPac	Licensed corporation under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Hai Tong Capital	Hai Tong Capital (HK) Limited, a licensed corporation for Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
LCH (Asia-Pacific) Surveyors Limited	Professional surveyor
JiaYuan Law Firm	PRC legal advisers
Leong Hon Man Law Office	Macau legal advisers
Vietnam International Law Firm (VILAF – Hong Duc)	Vietnam legal advisers
Doulah & Doulah	Bangladesh legal advisers

Hai Tong Capital is independent to the Company pursuant to Rule 3A.07 of the Listing Rules. Since the sole shareholder of Raffles Partners is an associate of an employee of SinoPac, and such employee is directly engaged in providing sponsorship services to the Company in relation to the Listing, such associate is deemed to be interested in the shareholding interest in the Company and SinoPac is therefore not considered to be an independent sponsor to the Company pursuant to Rule 3A.07 of the Listing Rules.

9. Consents of experts

Each of the experts named in the paragraph headed “Qualifications of experts” under the section headed “Other information” in this appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included in the form and context in which they are respectively included.

None of the experts named in the paragraph headed “Qualifications of experts” under the section headed “Other information” in this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. Binding effect

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

11. Share registrar

The Company’s branch register of members will be maintained in Hong Kong by its branch share registrar and transfer office, Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with and registered by, the branch share registrar in Hong Kong.

12. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on the Company’s Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Shares are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) and, accordingly, Hong Kong estate duty

may be payable in respect thereof on the death of an owner of Shares. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of the Shares whose death occurs on or after 11 February 2006.

(b) The Cayman Islands

Under present Cayman Islands law, transfers and other dispositions of Shares are exempted from Cayman Islands stamp duty.

(c) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of the Company, the Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

13. Bilingual Prospectus

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

14. Miscellaneous

Save as disclosed herein:

- (a) within two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of the Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
- (b) no share, warrant or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (c) the Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 31 January 2010 (being the date to which the latest audited combined financial statements of the Group were made up); and
- (e) all necessary arrangements have been made enabling the Shares to be admitted into CCASS.

**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 copies of the white, yellow and green Application Forms, the written consents referred to in the paragraph headed “Consents of experts” under the section headed “Other information” of Appendix V to this prospectus, and copies of the material contracts referred to in the paragraph headed “Summary of material contracts” under the section headed “Further information about the business” of Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Michael Li & Co. at 14th Floor, Printing House, 6 Duddell Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the memorandum of association of the Company and the Articles;
- (b) the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the accountants’ report on unaudited pro forma financial information of the Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of Keen Castle for each of the three years ended 30 September 2009 and four months ended 31 January 2010;
- (e) the letter, summary of valuations and valuation certificate relating to the property interests of the Group prepared by LCH (Asia-Pacific) Surveyors Limited, the texts of which are set out in Appendix III to this prospectus;
- (f) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;
- (g) the PRC legal opinion issued by JiaYuan Law Firm;
- (h) the Macau legal opinion issued by Leong Hon Man Law Office;
- (i) the Vietnam legal opinion issued by Vietnam International Law Firm (VILAF – Hong Duc);

- (j) the Bangladesh legal opinion issued by Doulah & Doulah;
- (k) the Companies Law;
- (l) the rules of the Share Option Scheme;
- (m) the material contracts referred to in the paragraph headed “Summary of material contracts” under the section headed “Further information about the business” in Appendix V to this prospectus;
- (n) the written consents referred to in the paragraph headed “Consents of experts” under the section headed “Other information” in Appendix V to this prospectus; and
- (o) the service contracts with the Directors referred to in the paragraph headed “Particulars of service contracts” under the section headed “Further information about directors, management, staff and experts” in Appendix V to this prospectus.

Infinity Chemical Holdings Company Limited
星謙化工控股有限公司