

# ZHI SHENG GROUP HOLDINGS LIMITED

智昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8370

PLACING

Sole Sponsor



Sole Bookrunner and Sole Lead Manager



## IMPORTANT

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

# ZHI SHENG GROUP HOLDINGS LIMITED

## 智昇集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

### LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

**Number of Placing Shares : 268,000,000 Placing Shares (subject to the Offer Size Adjustment Option)**  
**Placing Price : Not more than HK\$0.33 per Placing Share and expected to be not less than HK\$0.29 per Placing Shares, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**

**Nominal value : HK\$0.01 per Share**

**Stock code : 8370**

**Sole Sponsor**



**Convoy Capital Hong Kong Limited**

**Sole Bookrunner and Sole Lead Manager**



**CSL Securities Limited**

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

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

The Placing Price is expected to be fixed by the Price Determination Agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about Friday, 13 January 2017 and, in any event, not later than Wednesday, 18 January 2017. The Placing Price will not be more than HK\$0.33 per Placing Share and is expected to be not less than HK\$0.29 per Placing Share. If our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price by that date or such later date as may be agreed by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters), the Placing will not become unconditional and will not proceed. The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with our consent, reduce the indicative Placing Price range below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, notices of reduction of the indicative Placing Price will be published on our website at [www.qtbgi.com](http://www.qtbgi.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk factors" of this prospectus.

Prospective investors of the Placing Shares should note that the Sole Lead Manager is entitled to terminate the obligations of the Underwriters under the Underwriting Agreement by means of a notice in writing given by the Sole Lead Manager upon the occurrence of any of the events set out under the paragraph headed "Grounds for termination" in the section headed "Underwriting" of this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Lead Manager terminate the Underwriting Agreement, the Placing will not proceed and will lapse.

## CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is by publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on companies listed on GEM.

## EXPECTED TIMETABLE

If there is any change to the above following timetable relating to the Placing, we will make an appropriate announcement on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and on our Company's website at [www.qtbgi.com](http://www.qtbgi.com) to inform investors accordingly.

**Date<sup>(1)</sup>**

Expected Price Determination Date on or about<sup>(2)</sup> ..... 13 January 2017

Announcement of the Placing Price and the level of indication of interest in the Placing to be published on

- (i) the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk); and
- (ii) our Company's website at [www.qtbgi.com](http://www.qtbgi.com)<sup>(3)</sup> on or before ..... 19 January 2017

Allotment of Placing Shares to placees (or their designated person(s))

on or about ..... 19 January 2017

Deposit of share certificates for the Placing Shares into CCASS

on or about<sup>(4)</sup> & <sup>(5)</sup> ..... 19 January 2017

Dealing in the Shares on GEM expected to commence at 9:00 a.m. on ..... 20 January 2017

*Notes:*

1. All times and dates refer to Hong Kong local times and dates.
2. The Price Determination Date is scheduled to be on or about Friday, 13 January 2017 and, in any event, not later than Wednesday, 18 January 2017. If the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Placing Price on the Price Determination Date, the Placing will not become unconditional and will lapse immediately.
3. Neither our Company's website nor any of the information contained in our Company's website forms part of this prospectus.
4. The share certificates are expected to be issued in the name of HKSCC Nominees Limited or in the name of the placee(s) or their agent(s) as designated by the Underwriters. Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited directly into CCASS on or about Thursday, 19 January 2017 for credit to the relevant CCASS Participants' or the CCASS Investor Participants' stock accounts designated by the Sole Lead Manager (for itself and on behalf of the Underwriters), the placees or their agents (as the case may be). No temporary documents or evidence of title will be issued by our Company.
5. All share certificates for the Placing Shares will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at any time prior to 8:00 a.m. on the Listing Date. If the Placing does not become unconditional or the Underwriting Agreement is terminated in accordance with its terms, we will make an announcement on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and on our Company's website at [www.qtbgi.com](http://www.qtbgi.com) as soon as possible.

For further details of the structure and conditions of the Placing, you should refer to the section headed "Structure and conditions of the Placing" in this prospectus.

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## IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus pursuant to the Placing. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances. No action has been taken to permit a Placing of the Placing 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 to make your investment decision. Our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, advisers, officers, employees, agents, affiliates or representatives, or any other person or party involved in the Placing.*

*The contents of our Company's website at [www.qtbqji.com](http://www.qtbqji.com) do not form part of this prospectus.*

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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 of the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the entire prospectus before you decide to invest in the Placing Shares.*

*There are risks associated with any investment in the Placing Shares. Some of the particular risks associated with an investment in the Placing 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 Placing Shares. Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary of technical terms” in this prospectus*

### OUR BUSINESS MODEL

We manufacture and sell office furniture. We were established in 1996 and our production facilities are based in the Wenjiang district of Chengdu city, comprising seven buildings with a gross floor area of approximately 33,218.98 sq.m. We sell our products to the domestic PRC market with a large proportion of our sales derived from Sichuan province, Chongqing city, Tibet Autonomous Region and Yunnan province. We operate a sales office in the Gaoxin district of Chengdu city and a branch office in Chongqing city.

### Our products and our pricing policy

Our products can be classified into wooden and hard furniture and upholstered furniture, based on the major raw materials used. During the Track Record Period, we focused on selling office furniture to our customers, and depending on the nature of business carried out by some of our customers, we may also sell certain non-office furniture (such as pantry and bar furniture or bedside tables) to our customers. We adopt a cost plus policy when determining the pricing of our products whereby we apply a margin to the estimated cost of sales of the relevant products (which takes into account various factors such as the cost of raw materials and the cost of production (including volume of order, product specifications as well as manpower and cost of utilities expected to be involved)). External factors such as inflation and market conditions are also considered when setting the price for our products. The table below sets forth the sales volume and average price of our office furniture products on a combined basis over the Track Record Period:

	For the year ended 31 December				For the eight months ended	
	2014	2015			31 August 2016	
	Average price per piece	Sales volume	Average price per piece	Sales volume	Average price per piece	Sales volume
	RMB	piece	RMB	piece	RMB	piece
<b>Wooden and hard furniture</b>						
Desks	2,852	4,381	3,192	5,019	3,760	2,279
Coffee tables	1,005	1,283	1,061	574	1,094	1,005
Filing cabinets	1,870	3,598	1,817	4,067	2,392	976
<b>Upholstered furniture</b>						
Sofas	3,140	1,987	3,318	1,132	3,065	2,217
Chairs	715	27,963	720	33,336	786	25,127

To ensure the quality of our products, we have a quality control department which consists of a team of five staff. Quality control is carried out along the production line from procurement of raw materials to the inspection of finished products.

### Source of customers

Our customers are mainly sourced through either: (i) participation in the tendering process, which on a combined basis accounted for approximately 79.8%, 83.4% and 74.5% of our revenue for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively; or (ii) direct sales, which on a combined basis accounted for approximately 19.3%, 15.6% and 25.3% of our revenue for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively. Please refer to the section headed “Financial information — Combined results — Year ended 31 December 2015 compared with the year ended 31 December 2014; and eight months ended 31 August 2016 compared with the eight months ended 31 August 2015 — Revenue” in this prospectus for details.

## SUMMARY

### Tenders

In terms of tender sales, we participate in generally two types of tenders, namely open tender (whereby the tender would be open to any potential supplier) (“**open tenders**”) and tender by invitation (whereby only selected suppliers are invited to participate in the tender) (“**closed tenders**”). We submit bids for tenders in accordance with the tender procedures as may be specified by the relevant customers. Upon winning a tender, the terms of supply to the customer would be formalised into a written agreement with the customer and we will then manufacture products in accordance with the terms of the written agreement.

The following table sets out the breakdown of submitted tenders to potential customers over the Track Record Period:

	For the year ended 31 December		2015	For the eight months ended 31 August 2016
	2014	2015	2015	2016
Number of tenders submitted	208	236	236	194
Value of total tenders submitted	RMB112.3 million	RMB137.4 million	RMB137.4 million	RMB86.5 million
Number of tenders won	102	145	145	121
Success rate (by number of tenders submitted)	49.0%	61.4%	61.4%	62.4%
Success rate (by value of tenders submitted)	26.7%	27.0%	27.0%	36.3%

### Source of customers by value of tenders submitted

	For the year ended 31 December				For the eight months ended 31 August 2016			
	2014		2015		2015		2016	
	Value of tenders submitted (Note) RMB'000	% of total value of tenders submitted %	Value of tenders submitted (Note) RMB'000	% of total value of tenders submitted %	Value of tenders submitted (Note) RMB'000	% of total value of tenders submitted %	Value of tenders submitted (Note) RMB'000	% of total value of tenders submitted %
PRC governmental departments	23,744	21.1	13,110	9.5	7,885	9.1	7,885	9.1
Financial institutions								
— State-owned	13,977	12.4	10,479	7.6	1,529	1.8	1,529	1.8
— Private	—	—	7,800	5.7	—	—	—	—
Other entities								
— State-owned	58,957	52.5	98,352	71.6	47,051	54.4	47,051	54.4
— Private	15,668	14.0	7,661	5.6	30,069	34.7	30,069	34.7
Total	<u>112,346</u>	<u>100.0</u>	<u>137,402</u>	<u>100.0</u>	<u>86,534</u>	<u>100.0</u>	<u>86,534</u>	<u>100.0</u>

The following table sets out the breakdown of submitted tenders to potential customers subsequent to the Track Record Period and up to the Latest Practicable Date:

Number of tenders submitted	106	Success rate (by number of tenders submitted)	60.4%
Value of total tenders submitted (Note)	RMB32.1 million	Success rate (by value of tenders submitted)	56.1%
Number of tenders won	64		

*Note:* This value is not indicative of (i) the amount of tenders that were won by us; or (ii) the value of contracts that may be entered pursuant to the tenders that were submitted or the amount of revenues that may be generated therefrom (as a tenderor may not necessary specify a conclusive tender amount in the tender process and may also tender by product type only).

The following table sets out the breakdown of value of tenders submitted by each type of our customers subsequent to the Track Record Period and up to the Latest Practicable Date:

	Value of tenders submitted (Note) RMB'000	% of total value of tenders submitted %
PRC governmental departments	3,925	12.2
Financial institutions		
— State-owned	2,129	6.6
— Private	—	—
Other entities		
— State-owned	20,789	64.7
— Private	5,300	16.5
Total	<u>32,143</u>	<u>100.0</u>

*Note:* This value is not indicative of (i) the amount of tenders that were won by us; or (ii) the value of contracts that may be entered pursuant to the tenders that were submitted or the amount of revenues that may be generated therefrom (as a tenderor may not necessary specify a conclusive tender amount in the tender process and may also tender by product type only).

### Direct sales

Under our direct sales, our customers place direct purchase orders to our sales department.



## SUMMARY

### Our customers

During the Track Record Period, our Group's main customers were state-owned financial institutions, which on a combined basis accounted for over 40% of our revenue over the Track Record Period, while our other customers included PRC governmental departments, private financial institutions and other state-owned and private entities. The following table sets forth the breakdown of our revenue on a combined basis by types of customer during the Track Record Period:

Types of customer	For the year ended 31 December				For the eight months ended 31 August			
	2014		2015		2015		2016	
	Revenue RMB'000	% of total revenue %	Revenue RMB'000	% of total revenue %	Revenue RMB'000 (unaudited)	% of total revenue %	Revenue RMB'000	% of total revenue %
PRC governmental departments	10,253	13.4	9,411	10.8	4,902	7.4	3,792	5.3
Financial institutions								
— State-owned	33,615	43.8	37,232	42.9	31,555	47.7	29,244	40.5
— Private	5,143	6.7	1,684	1.9	1,064	1.6	907	1.2
Other entities								
— State-owned	13,774	17.9	20,485	23.6	17,268	26.1	8,928	12.4
— Private	13,952	18.2	18,050	20.8	11,417	17.2	29,349	40.6
<b>Total</b>	<b>76,737</b>	<b>100.0</b>	<b>86,862</b>	<b>100.0</b>	<b>66,206</b>	<b>100.0</b>	<b>72,220</b>	<b>100.0</b>

Set out below is the breakdown of our revenue on a combined basis by geographic region of our major customers:

	For the year ended 31 December				For the eight months ended 31 August			
	2014		2015		2015		2016	
	Revenue RMB'000	% of total revenue %	Revenue RMB'000	% of total revenue %	Revenue RMB'000 (unaudited)	% of total revenue %	Revenue RMB'000	% of total revenue %
Sichuan province	42,850	55.8	51,927	59.8	40,607	61.3	28,344	39.3
Chongqing city	15,898	20.7	15,125	17.4	10,118	15.3	9,435	13.1
Yunnan province	7,253	9.5	4,991	5.7	4,703	7.1	6,099	8.4
Guizhou province	1,134	1.5	6,049	7.0	5,354	8.1	1,911	2.7
Tibet Autonomous Region	6,859	8.9	3,990	4.6	3,705	5.6	9,129	12.6
Guangdong province	—	—	1,081	1.2	382	0.6	8,682	12.0
Others (Note)	2,743	3.6	3,699	4.3	1,337	2.0	8,620	11.9
<b>Total</b>	<b>76,737</b>	<b>100.0</b>	<b>86,862</b>	<b>100.0</b>	<b>66,206</b>	<b>100.0</b>	<b>72,220</b>	<b>100.0</b>

Note: These represent other provinces and cities in the PRC.

Our sales to our top five customers on a combined basis represented approximately 46.0%, 48.0% and 57.1% of our total revenue for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively. The durations of our relationships with our top five customers during the Track Record Period span from four months to seven years.

### Our suppliers

We rely on raw materials for the production of our products. The cost of raw materials for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 on a combined basis amounted to approximately RMB44.6 million, RMB43.1 million and RMB42.9 million respectively, accounting for approximately 77.5%, 69.0% and 81.9% of our cost of sales respectively.

We source our raw materials from suppliers in the PRC. For the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, on a combined basis, our purchases from (i) our top five suppliers amounted to approximately RMB44.9 million, RMB27.3 million and RMB20.7 million respectively, which accounted for approximately 57.0%, 61.0% and 65.9% of our total purchases during the same year/period; (ii) our largest supplier amounted to approximately RMB20.8 million, RMB16.3 million and RMB16.2 million respectively, which accounted for approximately 26.4%, 36.3% and 51.4% of our total purchases during the same year/period. We have not entered into any long term supply contracts with our suppliers. The durations of our relationships with our top five suppliers during the Track Record Period span from one to seven years.

### Our cost of sales

Our costs of sales on a combined basis amounted to approximately RMB57.6 million, RMB62.5 million and RMB52.4 million for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively, and comprised of (i) raw materials used for production, (ii) cost of goods purchased, (iii) labour costs; and (iv) production overheads such as depreciation.

Raw materials used for production, the largest component of our costs of sales, amounted to on a combined basis approximately 77.5%, 69.0% and 81.9% of our total costs of sales for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively. Of all raw

## SUMMARY

materials purchased by us, we incurred the most costs from the purchase of wooden panels, which on a combined basis attributed to approximately 51.8%, 45.0% and 55.4% of our total costs of sales for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively.

The increase in cost of sales from 2014 to 2015 resulted from increase in the cost of goods (such as furniture parts purchased from suppliers) as well as increase in orders over the same period, and was partially offset by decrease in average cost of fibreboard (mainly medium-density fibreboard, one of our major wooden panels used) in 2015 compared to 2014. For further details regarding our cost of sales, please refer to the section headed “Financial information — Description and analysis of principal components in the combined/consolidated statements of profit or loss and other comprehensive income — Cost of sales” in this prospectus.

We have adopted measures to mitigate the risk of cost overruns to prevent making loss such as prepaying certain raw materials based on delivery schedule of contracts we enter into with our customers (to ensure costs of raw materials is kept at a reasonable level) and preparing monthly budget based on the annual budget. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material cost overruns.

### Our machinery and equipment

Our production facilities are equipped with a variety of machinery and equipment which are used for different stages of production, including trimming wood down to the appropriate size, edge banding, drilling, application of paint, assembling and sanding. All our machinery and equipment is owned by us.

The following table sets out the utilisation rate of our production capacity which is calculated based on comparing (i) the actual production volume produced by our workers in key areas of process for our production over the Track Record Period; and (ii) the estimated maximum production capacity based on the maximum number of workers who could have been deployed in the relevant areas of potential congestion in the manufacturing process over the Track Record Period:

	Year ended 31 December 2014			Year ended 31 December 2015			Eight months ended 31 August 2016		
	Actual production volume (Note 1) (’000 pieces)	Utilisation rate (Note 2) (%)	Estimated maximum production capacity (Note 3) (’000 pieces)	Actual production volume (Note 1) (’000 pieces)	Utilisation rate (Note 2) (%)	Estimated maximum production capacity (Note 3) (’000 pieces)	Actual production volume (Note 1) (’000 pieces)	Utilisation rate (Note 2) (%)	Estimated maximum production capacity (Note 3) (’000 pieces)
Wooden and hard furniture	59.94	40%	149.85	50.03	50%	100.06	37.28	48.5%	76.87
Upholstered furniture	44.89	50%	89.78	37.63	50%	75.26	23.72	48.2%	49.21

*Notes:*

- The actual annual production volume refers to the approximate number of products actually produced in the relevant year or period.
- In general, hole drilling (in respect of the manufacturing of wooden and hard furniture) and components assembly (in respect of upholstered furniture) are areas of potential congestion in the manufacturing process and are essential labour intensive processes in the production of our products. The utilisation rate is derived by dividing the average number of hours spent per worker on these representative processes by the maximum number of hours which could have been spent by each worker on these representative processes in the relevant year or period. The average number of workers designated to work on the respective processes was four and two for wooden and hard furniture and upholstered furniture respectively for the year ended 31 December 2014 and five and two respectively for the year ended 31 December 2015 and the eight months ended 31 August 2016. The maximum number of hours spent by each worker represents the number of hours which could have been spent by each worker on the relevant processes at the same time over one shift (being 8 hours) multiplied by two shifts a day (being the maximum number of shifts which our Directors believe that our machinery should be operated to preserve the machinery in good working condition).
- The estimated maximum production capacity is determined based on the actual production volume divided by the utilisation rate for the relevant year or period and therefore varied during the Track Record Period.

### Our payment terms, credit policy and related risks

Our payment terms relating to customer orders are negotiated on a case-by-case basis with customers. We typically require the contract sum to be paid to us within a specified period, in installments, or on a particular date following delivery, assembly (if required), inspection and acceptance of our products, subject that we may permit our customers to withhold payment of a portion of the contract sum (typically equivalent to 5% of the contract sum, except in exceptional circumstances where it may be 10% of the contract sum) as quality assurance deposit which will be paid after expiry of the quality assurance period (which is on average for a period of approximately 1.6 years).

As at 31 December 2014 and 2015 and 31 August 2016, quality assurance deposit of our Group represented approximately 49.0%, 46.2% and 26.1% of trade receivables of our Group respectively.

The credit terms which we offer to our customers is based on commercial negotiations and mutual agreement with our customers following our assessment of their background (including known financial position and reputation), credit track record, length of existing business relationship, future business prospects and contract size of orders being placed.

## SUMMARY

For more information of our credit policy, please refer to the section headed “Business — Customers — Credit terms and payment method”.

Due to negotiated payment and credit terms, the period of recovery of our trade receivables may fluctuate from year to year. Over the Track Record Period, we note that our credit quality has deteriorated. In particular:

- (i) our trade receivables aged more than three months increased from approximately RMB8.7 million as at 31 December 2014 to approximately RMB15.5 million as at 31 December 2015. Such increase by approximately RMB6.8 million from as at 31 December 2014 to as at 31 December 2015 was mainly attributable to approximately RMB5.9 million due from our largest customer. It increased to approximately RMB15.9 million as at 31 August 2016;
- (ii) our trade receivables turnover days were 69.7 days, 80.8 days and 125.1 days as at 31 December 2014, 31 December 2015 and 31 August 2016 respectively.

Approximately 10.9% of our trade receivables aged more than 3 months, amounting to approximately RMB1.7 million, have been subsequently settled in the period after 31 August 2016 up to 31 October 2016. For more information on credit risks which are faced by our business, please refer to the section headed “Risk factor — We are subject to risks associated with outstanding customer payments and non-payment of quality assurance deposits” in this prospectus. For an analysis of our trade receivables and turnover days, please refer to the section headed “Financial information — Discussion on major items of the combined statements of financial position — Trade and other receivables” and “Financial information — Key financial ratios — Trade receivables turnover days” in this prospectus.

As at the Latest Practicable Date, the amount of delivered products to our customers which are still under product warranty relate to customer sales orders of approximately RMB366.6 million. Our Directors consider that the actual risk of exposure of our Group to product warranty claims from customers is relatively low, please refer to the section headed “Business — Business Operations — After-sales services, product returns and complaints handling” in this prospectus for details.

### **Our corporate structure**

Our main operating subsidiary, Sichuan Greenland, has carried out our office furniture business since its incorporation in 1996. Its control changed from Mr. Luo to Mr. Ma, through Smart Raise HK, with a consideration of RMB61 million on 29 December 2014 during the first year of the Track Record Period. On 29 December 2014, Smart Raise HK acquired the entire interest in Sichuan Greenland and Sichuan Greenland became the indirect wholly-owned subsidiary of Smart Raise BVI, through Smart Raise HK. In preparation of the Listing, we carried out the Reorganisation which involved the incorporation of the Company and the acquisition of Smart Raise BVI by the Company. During the Reorganisation, Chengdu Yishishunda was incorporated as a wholly-owned subsidiary of Sichuan Greenland as a trading business. Following the Reorganisation, our Company became the holding company of our Group, which consists of Smart Raise BVI, Smart Raise HK, Sichuan Greenland and Chengdu Yishishunda. For more information of our Group’s history and reorganisation, please refer to the section headed “History, reorganisation and corporate structure” in this prospectus.

### **OUR COMPETITIVE STRENGTHS**

Our Directors believe the following competitive strengths, details of which are set out in the section headed “Business — Our competitive strengths” in this prospectus, contribute to our success:

- quality of our products which is recognised by the PRC government and international certification organisations;
- our ability to produce custom-made office furniture tailored to suit the needs of our customers;
- our provision of after-sales customer service to ensure our customers are satisfied with the quality of our products;
- our experience and knowledge in dealing with PRC governmental departments, major financial institutions and state-owned entities which strengthens our brand image, assists our marketing and sales efforts and increases our competitiveness when participating in tenders; and
- experienced management team with years of experience in the office furniture industry who provide invaluable guidance for our operations and development.

## SUMMARY

### OUR BUSINESS STRATEGIES

Prior to 2014, Sichuan Greenland did not have any particular business strategy. The main criterion for Sichuan Greenland in determining whether to participate in tenders of office furniture was primarily the possibility of successfully winning the tenders, rather than the profit margin or revenue which could be generated from these tenders. In around end of 2013, the management of Sichuan Greenland reviewed the business of Sichuan Greenland and was not satisfied with its performance including but not limited to its gross profit margin of approximately 14.5% in 2013. Due to the low gross profit margin in 2013, Sichuan Greenland changed its business strategy to focus on participating tenders relating to the supply of mid to high end furniture to enhance its growth and profitability by requiring staff to mainly participate in tenders with prospects of more than 20% gross profit margin from early 2014. This change in business strategy took place before, and was not a result of, the change in control in December 2014 when Mr. Ma, through Smart Raise HK, acquired Sichuan Greenland. Mr. Ma affirmed such new strategy after the change in control. After the change in strategy, office furniture remained as our major product. While our existing customers placed orders for office furniture of different specifications and thus the gross profit margin from different orders were different, we tended to accept orders from new and existing customers with a higher gross profit margin. Similarly, we participated in tenders offered by existing and new customers with a higher gross profit margin. Hence, there was a general increase in the average selling price of our key products over the Track Record Period. Sichuan Greenland Group also recorded an increase in gross profit margin from approximately 14.5% in 2013 to 25.0% in 2014 and further to approximately 28.0% in 2015 and the eight months ended 31 August 2016. Our types of customer, including PRC governmental departments, financial institutions and other state-owned and private entities remains unchanged.

At present, our goal is to provide our customers with quality products and premium after-sales services through the implementation of stringent quality control policies and through exercise of management control over the production process. To achieve our goal with a view to safeguarding our reputation and brand, we intend to adopt the following business strategies (details of which are set out in the sections headed “Business — Our business strategies” of this prospectus):

- observing market trends in the office furniture industry and adjusting our strategies to adapt accordingly;
- renovating and refurbishing our exhibition hall to improve the visual experience of our customers and to better manage their expectations and increase their overall satisfaction;
- acquiring new machinery and equipment with broader functionality (in terms of production processes and techniques);
- expanding our market presence in the PRC through entering distributorship and agency arrangements to expand our geographic coverage.

### KEY OPERATIONAL AND FINANCIAL DATA

#### Presentation of Accountant’s Reports

- This prospectus includes two Accountant’s Reports, set forth in Appendix IA and IB respectively:
- (i) Appendix IA sets forth the Accountant’s Reports of our Group for the period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014, the year ended 31 December 2015 and the eight months ended 31 August 2016 and as of 31 December 2014 and 2015 and 31 August 2016; and
  - (ii) Appendix IB sets forth the Accountant’s Reports of Sichuan Greenland Group for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 and as of 31 December 2014 and 2015 and 31 August 2016.

The following tables present a summary of our financial information during the Track Record Period and should be read in conjunction with the section headed “Financial information” and our financial information included in the Accountant’s Reports set forth in Appendix IA and Appendix IB to this prospectus, including the notes thereto.

Comparisons between our Group’s operating results in 2014 and 2015 may not be useful to investors because our Group did not have significant operations in 2014 because Sichuan Greenland, our operating subsidiary which operated our principal underlying business, was only acquired by our Group on 29 December 2014. The changes in operating results of our Group from 2014 to 2015 therefore resulted primarily from such acquisition.

The financial information for the eight months ended 31 August 2015 as set forth in the table below is extracted from our Group’s and Sichuan Greenland Group’s unaudited combined/consolidated financial statements for the eight months ended 31 August 2015, which have been reviewed by our

## SUMMARY

reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

Our Group acquired the entire equity interest at Sichuan Greenland on 29 December 2014 and the events between 29 December 2014 and 31 December 2014 did not result in material changes in terms of the amount of net assets acquired and results. Hence, the Accountant’s Report of our Group, set forth in Appendix IA, only includes the results of Sichuan Greenland Group from 1 January 2015 and does not contain the financial performance of Sichuan Greenland Group, which operated our principal underlying business, for the year ended 31 December 2014. Therefore, we have also provided the consolidated financial statements of Sichuan Greenland Group together with the accompanying notes, for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 in Appendix IB in order to give investors information about the performance of Sichuan Greenland Group’s business during these periods. We consider that, since Sichuan Greenland Group operated our principal underlying business during these periods and contributed the most significant portion of our Group’s operating activity, its financial results are a meaningful indication of our Group’s underlying business. Furthermore, the structure of Sichuan Greenland Group has remained stable after its acquisition by our Group, so we are able to present its results on a stand-alone basis and provide historical year-on-year comparisons of its results.

### Highlights of combined/consolidated statements of profit or loss and other comprehensive income Our Group

	For the period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014 RMB'000	For the year ended 31 December 2015 RMB'000	For the eight months ended 31 August 2015 RMB'000 (unaudited)	For the eight months ended 31 August 2016 RMB'000
Revenue	—	86,862	66,206	72,220
Cost of sales	—	(62,505)	(47,729)	(52,351)
<b>Gross profit</b>	<b>—</b>	<b>24,357</b>	<b>18,477</b>	<b>19,869</b>
Other income	—	61	28	23
Gain on a bargain purchase	14,785	—	—	—
Selling and distribution expenses	—	(4,687)	(2,889)	(2,626)
Administrative expenses	—	(11,232)	(5,872)	(10,802)
Finance costs	—	(1,880)	(1,287)	(1,245)
<b>Profit before income tax</b>	<b>14,785</b>	<b>6,619</b>	<b>8,457</b>	<b>5,219</b>
Income tax expense	—	(2,352)	(2,139)	(2,452)
<b>Profit for the period/year</b>	<b>14,785<sup>(Note)</sup></b>	<b>4,267</b>	<b>6,318</b>	<b>2,767</b>

Note: Our Group’s profit for the period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014 was due to the recognition of the non-recurring gain on a bargain purchase by our Group.

### Sichuan Greenland Group

	For the year ended 31 December		For the eight months ended 31 August	
	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	76,737	86,862	66,206	72,220
Cost of sales	(57,584)	(62,505)	(47,729)	(52,351)
<b>Gross profit</b>	<b>19,153</b>	<b>24,357</b>	<b>18,477</b>	<b>19,869</b>
Other income	1,166	60	28	23
Selling and distribution expenses	(4,646)	(4,687)	(2,889)	(2,626)
Administrative expenses	(8,067)	(7,669)	(5,236)	(5,714)
Finance costs	(2,136)	(1,880)	(1,287)	(1,245)
<b>Profit before income tax</b>	<b>5,470</b>	<b>10,181</b>	<b>9,093</b>	<b>10,307</b>
Income tax expense	(1,219)	(2,592)	(2,298)	(2,612)
Profit and total comprehensive income for the year/period attributable to the owners of Sichuan Greenland	<b>4,251</b>	<b>7,589</b>	<b>6,795</b>	<b>7,695</b>

In order to give investors a meaningful way to analyse the results of our performance during the years ended 31 December 2014 and 2015, we provide revenue, cost of sales and gross profit on a combined basis of our Group and Sichuan Greenland Group (collectively, the “**combined results**”). We obtained the combined results for the year ended 31 December 2014 by adding the combined revenue, cost of sales and gross profit of our Group for the period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014 and revenue, cost of sales and gross profit of Sichuan Greenland Group for the year ended 31 December 2014 respectively. For comparison purpose, the tables below set forth the combined results alongside the combined revenue, cost of sales and gross profit of our Group only for the eight months ended 31 August 2015 and 2016:

# SUMMARY

	For the year ended 31 December		For the eight months ended 31 August	
	2014 <sup>(Note 1)</sup> RMB'000	2015 <sup>(Note 2)</sup> RMB'000	2015 <sup>(Note 2)</sup> RMB'000 (unaudited)	2016 <sup>(Note 2)</sup> RMB'000
<b>Revenue</b>	76,737	86,862	66,206	72,220
Cost of sales	(57,584)	(62,505)	(47,729)	(52,351)
<b>Gross profit</b>	<u>19,153</u>	<u>24,357</u>	<u>18,477</u>	<u>19,869</u>

*Notes:*

1. This represents combined results of our Group and Sichuan Greenland Group.
2. This represents combined results of our Group.

For the year ended 31 December 2014, a non-recurring gain on bargain purchase in the amount of approximately RMB14.8 million was recognised as income in our financial results. Such gain resulted from the acquisition by our Group of Sichuan Greenland pursuant to an agreement entered on 28 July 2014 at a consideration (RMB61.0 million) below the fair value of all identifiable assets and liabilities of Sichuan Greenland (approximately RMB75.8 million). For details on the basis of the gain on a bargain purchase, please refer to note 30 of the Accountant's Report of our Group as set out in Appendix IA to this prospectus.

### Non-HKFRS financial measures

The measures of financial performance described on a combined basis are non-HKFRS measures and accordingly are not audited, not included in the financial statements and not presented in accordance with HKFRS. Although these measures of financial performance are reconcilable to line items on the financial statements, they may not be equivalent to similarly named measures used by other companies and should not be considered as measures comparable to items in the financial statements. They have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, an analysis of our financial results presented under HKFRS.

### Highlights of gross profit and gross profit margin on a combined basis

	For the year ended 31 December				For the eight months ended 31 August			
	2014	2015	2015	2016	2015	2016	2015	2016
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross Profit RMB'000 (unaudited)	Gross profit margin %	Gross Profit RMB'000	Gross profit margin %
Wooden and hard furniture	12,280	23.8	15,398	27.4	11,455	27.2	12,816	27.1
Upholstered furniture	6,671	27.3	8,375	28.1	6,476	27.7	7,220	29.1
Others (Note)	<u>202</u>	<u>30.6</u>	<u>584</u>	<u>69.9</u>	<u>546</u>	<u>72.3</u>	<u>(167)</u>	<u>(134.6)</u>
<b>Total</b>	<u>19,153</u>	<u>25.0</u>	<u>24,357</u>	<u>28.0</u>	<u>18,477</u>	<u>27.9</u>	<u>19,869</u>	<u>27.5</u>

*Note:* Others included mainly assembly service fee and after-sales services fee relating to maintenance and/or repair of our office furniture.

### Highlights of combined statements of financial position

	At 31 December 2014 RMB'000	2015 RMB'000	At 31 August 2016 RMB'000
<b>ASSETS AND LIABILITIES</b>			
<b>Total non-current assets</b>	68,314	70,980	68,995
<b>Current assets</b>	129,514	96,691	93,342
<b>Current liabilities</b>	176,566	142,494	134,707
<b>NET ASSETS</b>	<u>14,847</u>	<u>19,002</u>	<u>21,615</u>

The current liabilities of our Group included bank borrowing in the amount of RMB30.0 million which we rely on for working capital purposes.

Our net current liabilities over the Track Record Period mainly arose from other payables due to Mr. Luo (as at 31 December 2014) or shareholders' loans (as at 31 December 2015 and 31 August 2016), both attributable to our acquisition of the entire entity interest of Sichuan Greenland.

For details of our net current liabilities, please refer to the section headed "Financial information — Current assets/(liabilities)" in this prospectus.

### Highlights of combined statements of cash flows on a combined basis

	For the year ended 31 December		For the eight months ended 31 August	
	2014 <sup>(Note)</sup> RMB'000	2015 RMB'000	2015 RMB'000 (unaudited)	2016 RMB'000
Operating cash flow before changes in working capital	10,145	11,890	12,060	8,554
Net cash from/(used in) operating activities	27,736	(2,813)	(16,925)	(16,547)
Net cash used in investing activities	(324)	(67,118)	(67,102)	(128)
Net cash (used in)/from financing activities	(2,855)	55,900	55,058	6,048
Net increase/(decrease) in cash and cash equivalents	24,557	(14,031)	(28,969)	(10,627)
Cash and cash equivalents at the beginning of year/period	9,567	34,124	34,124	19,981
Cash and cash equivalents at end of year/period	<u>34,124</u>	<u>19,981</u>	<u>5,155</u>	<u>9,200</u>

*Note:* This represents combined cash flows of our Group and Sichuan Greenland Group.

## SUMMARY

### Warning Statement (Non-HKFRS financial information)

Our net cash flows on a combined basis, which are not prepared in accordance with HKFRS, are for illustrative purposes only and do not reflect the audited financial information of our Group for the period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014. Investors should refer to the Accountant's Reports as set out in Appendix IA and Appendix 1B to this prospectus for our Group's combined statements of cash flows and Sichuan Greenland Group's consolidated statements of cash flows for the period/year ended 31 December 2014.

Our primary uses of cash are to satisfy our working capital and capital expenditure needs. Our Group's combined net cash from operating activities was RMB27.7 million for the year ended 31 December 2014, which was mainly attributable to the combined effect of (i) our profit before taxation and after adjustments of non-cash items, interest income and interest expenses of approximately RMB10.1 million; (ii) the decrease in our trade and other receivables of approximately RMB122.0 million mainly due to our receipt of repayment from companies owned by previous shareholders of Sichuan Greenland and the decrease in our prepayments to suppliers; (iii) the increase in our inventories of approximately RMB27.7 million mainly due to the request from our largest customer to postpone our delivery of finished goods to them from 2014 to 2015; and (iv) the decrease in our trade and other payables of approximately RMB73.6 million mainly due to the decrease in our trade payables and repayment to companies owned by previous shareholders of Sichuan Greenland. Our Group recorded net operating cash outflow in the amount of approximately RMB2.8 million for the year ended 31 December 2015, which was mainly attributable to the combined effect of (i) the decrease in our Group's trade and other payables of approximately RMB28.5 million mainly due to our repayment to Mr. Luo (previous shareholder of Sichuan Greenland) of approximately RMB23.7 million; (ii) our Group's profit before taxation and after adjustments of non-cash items, interest income and interest expenses of approximately RMB11.9 million; and (iii) the decrease in our Group's inventories of approximately RMB12.2 million.

For the eight months ended 31 August 2015, our Group's net cash used in operating activities amounted to approximately RMB16.9 million, which was mainly attributable to the combined effect of (i) the increase in our Group's trade receivables of approximately RMB17.4 million and our Group's prepayment and deposits of approximately RMB14.3 million; (ii) the decrease in our Group's trade and other payables of approximately RMB10.3 million; (iii) the decrease in our Group's inventories of approximately RMB14.9 million; and (iv) our Group's profit before taxation and after adjustments of non-cash items, interest income and interest expenses of approximately RMB12.1 million in the corresponding period.

For the eight months ended 31 August 2016, our Group's net cash used in operating activities amounted to approximately RMB16.5 million, which was mainly attributable to the combined effect of (i) the increase in our Group's trade and other receivables of approximately RMB23.2 million mainly due to the increase in our Group's trade receivables of approximately RMB17.8 million; (ii) the decrease in our Group's trade and other payables of approximately RMB13.8 million mainly due to the decrease in our Group's receipts in advance of approximately RMB21.0 million for recognition as revenue afterwards, which was partially offset by the increase in our Group's other payables and accruals of approximately RMB5.9 million; and (iii) the decrease in our Group's inventories of approximately RMB14.7 million in the corresponding period.

We recorded a decrease in our cash and cash equivalents during the Track Record Period. As at 31 December 2014 and 2015 and 31 August 2016, we recorded cash and cash equivalents of approximately RMB34.1 million, RMB20.0 million and RMB9.2 million respectively. The decrease in 2015 compared to 2014 was mainly due to (i) the payment of Listing expenses, (ii) the mandatory fee paid to the local government for civil infrastructure; and (iii) our repayment to Mr. Luo, the previous shareholders of Sichuan Greenland, in cash of approximately RMB3.1 million, RMB3.9 million and RMB3.0 million respectively. The further decrease to 31 August 2016 was mainly attributable to (i) payment for purchase of inventories of approximately RMB8.6 million; (ii) repayment of amount due to a director of RMB4.0 million; and (iii) payment for staff cost of approximately RMB1.4 million.

We recognise the importance of management of our Group's liquidity and for mitigation our operational and financial risks. In particular, to ensure we have sufficient cash for our operations, we (i) prepare cash flow forecasts and closely monitor our spendings and expenditures against our incomes and receivables; (ii) maintain a minimum cash and cash equivalent balance at all times; and (iii) take various

## SUMMARY

measures to maintain sufficient working capital at all times. Please refer to the section headed “Business — Treasury and risk management — Treasury management” in the this prospectus for further information.

For more information on risks relating to our fluctuating operating cash flow, please refer to the section headed “Risk factor — We recorded a net operating cash outflow for the year ended 31 December 2015 and the eight months ended 31 August 2016 and may have difficulty meeting our payment obligations if we continue to record net operating cash outflow in the future” in this prospectus. For more details, please refer to the section headed “Financial information — Liquidity and capital resources” in this prospectus.

### Key financial ratios on a combined basis

	For the year ended 31 December		For the
	2014	2015	eight months ended 31 August 2016
Net profit margin before interest and tax (%)	9.9	9.8	9.0
Net profit margin (%)	5.5	4.9	3.8
Return on assets (%)	2.1	2.5	2.6
Return on equity (%)	28.6	22.5	19.2
Interest coverage (times)	3.6	4.5	5.2
Inventory turnover days (days)	303.5	208.4	97.7
Trade receivables turnover days (days)	69.7	80.8	125.1
Trade payables turnover days (days)	47.7	61.7	55.0
	As at 31 December		As at 31 August
	2014	2015	2016
Current ratio (times)	0.7	0.7	0.7
Gearing ratio (times)	11.4	6.9	5.7
Debt-to-equity ratio (times)	9.1	5.9	5.3

### Warning Statement (Non-GAAP financial information)

Our financial ratios on a combined basis, which are not prepared in accordance with GAAP, are for illustrative purposes only and do not reflect the audited financial information of our Group for the period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014. Investors should refer to the Accountant’s Reports as set out in Appendix IA and Appendix 1B to this prospectus for our Group’s and Sichuan Greenland Group’s financial information for the period/year ended 31 December 2014.

For more details, please refer to the section headed “Financial information” in this prospectus.

Our gearing ratio was approximately 11.4 times as at 31 December 2014 mainly arose from other payables (i) due to the previous shareholders of Sichuan Greenland, Mr. Luo, of approximately RMB23.7 million in aggregate, arising from his advance of working capital to Sichuan Greenland; (ii) for the consideration of RMB61.0 million payable to Mr. Luo in relation to the acquisition of the entire equity interest of Sichuan Greenland by Smart Raise HK in December 2014; and (iii) a smaller total equity of approximately RMB14.8 million as at 31 December 2014 compared with approximately RMB19.0 million as at 31 December 2015. We note that our gearing ratio decreased from approximately 11.4 times as at 31 December 2014 to approximately 6.9 times as at 31 December 2015 and to 5.7 times as at 31 August 2016. The decrease from 2014 to 2015 was mainly due to decrease in other payables and accruals by approximately RMB80.3 million (partially offset by the increase in amounts due to shareholders of approximately RMB52.6 million) and the increase in reserves of approximately RMB4.2 million from 31 December 2014 to 2015. The gearing ratio of our Group further decreased to approximately 5.7 times as at 31 August 2016 mainly due to the decrease in receipts in advance.

### Financial stress of our Group

As aforementioned in this section, our Group (i) recorded considerable cash outflow from operating activities (under paragraph headed “Highlights of combined statements of cash flows on a combined basis”) and high gearing ratio (under paragraph headed “Key financial ratios on a combined basis”); and (ii) was in a net current liabilities position (under paragraph headed “Highlights of combined statements of financial position”) ((i) and (ii) collectively referred to as “**Financial Stress**”), during the Track Record Period.

Our Financial Stress exposes us to various risks, including risks of not having sufficient working capital and pressure on our liquidity. For details on risks relating to our Financial Stress, please refer to sections headed “Risk factors — We recorded a net operating cash outflow for the year ended 31 December 2015 and the eight months ended 31 August 2016 and may have difficulty meeting our payment obligations if we continue to record net operating cash outflow in the future”, “Risk factors —



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Our Group recorded net current liabilities during the Track Record Period and is exposed to liquidity risks” and “Risk factors — We are subject to risks associated with long inventory turnover days” in this prospectus.

For details on the Group’s ability to handle fluctuation in our major operating costs, please refer to sections headed “Financial information — Sensitivity and breakeven analysis” in this prospectus.

### LISTING EXPENSES

The expenses in relation to the Listing (including underwriting commission) are expected to be approximately HK\$23.4 million (assuming a Placing Price of HK\$0.31 per Placing Share, being the mid-point of our indicative Placing Price range between HK\$0.29 and HK\$0.33 per Placing Share), of which (i) approximately HK\$10.8 million are directly attributable to the issue of Placing Shares under the Placing and are expected to be accounted for as a reduction from equity; and (ii) the remaining amount of approximately HK\$12.6 million has been charged to and reflected in the combined statements of profit or loss and other comprehensive income, of which approximately HK\$3.2 million and HK\$5.6 million were charged for the year ended 31 December 2015 and the eight months ended 31 August 2016 respectively and the remainder of approximately HK\$1.7 million and HK\$2.1 million is expected to be recognised in the remaining period in 2016 and the year ending 31 December 2017, respectively. These amounts are latest practicable estimates for reference only and the actual amount may differ from these estimates. Nonetheless, we expect that the Listing expenses (which represent approximately 144.7% of our Group’s net profit for the year ended 31 December 2015) will materially affect our Group’s financial performance and condition and results of operations for the year ending 31 December 2016, and may possibly result in a loss.

### REASONS FOR LISTING

Our Directors believe that the Listing and the proceeds therefrom will facilitate our implementation of our business strategies which are aimed at enhancing our reputation and brand as a reliable supplier of quality office furniture to government, corporate and institutional customers in the PRC.

While our Group is currently an active and key manufacturer in the mid to high end office furniture market, we aim to (i) consolidate our market position; (ii) capitalise on current market trends (including growing demand for environmentally-friendly, technologically-innovative and/or higher quality furniture); (iii) realise our growth potential through sales of products (driven by increasing levels of disposal income and urbanisation in the PRC); and (iv) sustain our competitiveness among office furniture manufacturers in the PRC (which are maturing and transitioning from being accustomed to imitating product designs and service models to exploring and providing innovative solutions and enhanced products for customers).

Our Directors believe that as the office furniture market continues to mature in the PRC and with increasing penetration of expatriate brands, it is crucial for our business to devote substantive resources towards enhancing our production capacity to meet evolving market trends and customer preferences and needs. Further, our Directors believe that our relatively strong market position in Sichuan province in terms of market share is a testimony to sufficient market demand for our products and it is an opportune time to extend our corporate footprint, whilst the Listing and proceeds therefrom are vital to us as we strive to build on our reputation and brand.

The Directors consider that the placing of Shares under the Listing would be an appropriate method of capital raising for the purpose of achieving its business objectives and strategies as: (i) the Group had difficulty in securing long-term bank loans given our gearing ratio and the fact that our production facilities have already been used to secure the repayment obligations under our existing loans of RMB30 million; (ii) the obtaining of short-term borrowings would increase the Group’s interest and administrative costs; and (iii) it is not customary for suppliers in the PRC office furniture industry to lease or enter into hire-purchase arrangements in respect of machinery and equipment.

### RELIEF OF FINANCIAL STRESS OF OUR GROUP

The Listing and the net proceeds from the Placing is expected to enhance our financial position and eliminate our Financial Stress, including (i) considerable cash outflow from operating activities and high gearing ratio; and (ii) net current liabilities, after Listing and going forward. In particular:

- (i) our net current liability position is expected to improve by an amount of approximately RMB105.3 million in aggregate as our short term bank borrowing (in the amount of RMB30 million) and amounts due to shareholders (in the amount of approximately RMB75.3 million as at 31 August 2016) will either be repaid by the net proceeds of the Placing and/or

## SUMMARY

capitalised upon the Listing. This amount is expected to become a net current asset position and our gearing ratio would be improved accordingly and expected to be less than 100% after the aforesaid repayments; and

- (ii) approximately HK\$1 million from the net proceeds will be allocated for funding of our working capital which will improve our working capital position.

Our Directors believe that we will not only benefit from an enhanced financial position and increased financial resources to enhance our production capability which will enable us to improve our products from the perspectives of quality, variety and innovation, but a listing on the Stock Exchange will increase the financial and operational transparency of our business and provide our investors with a clearer understanding of our financial performance and corporate governance, enabling them to appraise our strategies, functional exposure, risk and returns as well as management philosophy.

Furthermore, our Directors believe that such financial and operational transparency and the fact that we will be supervised by regulatory bodies in Hong Kong (including the Stock Exchange and the SFC) would also enhance our profile and brand and increase our competitiveness when competing in tenders for the supply of our products. This is particularly important to us as we derive a material proportion of our revenues, on a combined basis, (79.8%, 83.4% and 74.5% for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, respectively) through winning competitive tenders. In addition, over 75% of our customers for the years ended 31 December 2014 and 2015 and over 58% of our customers for the eight months ended 31 August 2016 were PRC governmental departments and state-owned financial institutions or other entities which are more likely to prefer procuring office furniture from reputable public companies not only because of financial and operational transparency, but also because they are more publicly accountable therefore reduces the purchasing party's risk exposure.

We rely on our single production base to manufacture our products and therefore, any disruptions at the production base could materially and adversely affect our business and operations. Our bank borrowings of RMB30 million are currently secured by our pledge of land use rights and property ownership in our production facilities. It would be in our best interests to have the pledge released in order to give us further flexibility in relation to future bank borrowings. As our cash and cash equivalents amounted to approximately RMB9.2 million as at 31 August 2016 only, there is a need to use part of the funds from the Listing to repay our bank borrowings.

Taken into account (i) the net asset position and improved gearing ratio upon Listing; (ii) the repayment of amounts due to previous shareholder of our Group, being one of the major factors leading to cash outflow from operating activities during the Track Record Period, is non-recurring; (iii) our Group will continue to strictly implement our procedures to review and monitor any overdue balances and receivable balances (details of which as set out in the section headed "Business — Customers — Credit terms and payment method — Overdue balance" in this prospectus); and (iv) the increasing trend of our revenue during the Track Record Period, our Directors believe that our Financial Stress will be further relieved in the future after Listing.

### **FUTURE PLANS AND USE OF PROCEEDS**

We estimate that the aggregate net proceeds to us from the Placing (after deducting the underwriting commission and other estimated expenses payable by us in connection in the Placing), assuming a Placing Price of HK\$0.31 per Placing Share, being the mid-point of our indicative Placing Price range between HK\$0.29 and HK\$0.33 per Placing Share, will be approximately HK\$59.7 million, assuming that the Offer Size Adjustment Option is not exercised. We currently intend to apply the net proceeds in the following manner:

- (i) approximately 8.38% of the total estimated net proceeds, or approximately HK\$5.0 million will be used for the renovation of our exhibition hall at our Chengdu headquarters;
- (ii) approximately 18.26% of the total estimated net proceeds, or approximately HK\$10.9 million, will be used to for the acquisition of new machinery and equipment;
- (iii) approximately 59.63% of the total estimated net proceeds, or approximately HK\$35.6 million, will be used for repayment of existing short-term bank borrowing of our Group (which has an annual interest rate of 20% above the PBOC bench interest rate), the proceeds of which was used for working capital purposes;
- (iv) approximately 12.06% of the total estimated net proceeds, or approximately HK\$7.2 million, will be used for repayment of short-term borrowings of our Group (which the Directors expect to have an annual interest rate of 18%), which was used for repayment of shareholders' loan owed to Mr. Ma, Oasis and Ms. Sum respectively before Listing; and

## SUMMARY

- (v) approximately 1.67% of the total estimated net proceeds, or approximately HK\$1.0 million, will be used for the funding of our working capital and other general corporate purposes.

### DIVIDEND

Our Group did not declare or pay any dividends during the Track Record Period. As such, there is no reference or basis to determine the level of dividends that may be declared and paid to our Shareholders after the Listing. After the completion of the Placing, our Shareholders will be entitled to receive dividends only when declared by our Directors. Our Company does not have any pre-determined dividend policy or dividend distribution ratio. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. The payment and the amount of any future dividends will be at the discretion of our Directors, and will depend on our future operations and earnings, capital requirements and surplus, cash flow, future prospects, general financial condition and other factors that our Directors may consider relevant. As these factors and the payment of dividends is at the discretion of our Board (which reserves the right to change its plan in relation to payment of dividends from time to time), there can be no assurance that any particular dividend amount, or any dividend at all, will be declared or paid in the future. Further, any dividend distribution is subject to our compliance with requirements under the Cayman Companies Law and the provisions of our Memorandum and Articles of Association.

### PLACING STATISTICS

Market capitalisation upon Listing (Note 1)	:	Based on a Placing Price of HK\$0.33 per Share	HK\$221.1 million
		Based on a Placing Price of HK\$0.29 per Share	HK\$194.3 million
Offer size	:		HK\$83,080,000
Placing price per Placing Share	:	Not more than HK\$0.33 per Placing Share and expected to be not less than HK\$0.29 per Placing Share	
Number of Placing Shares	:		268,000,000 Shares
Board lot	:		8,000 Shares
Unaudited pro forma adjusted combined net tangible assets per Share (Note 2)	:	Based on a Placing Price of HK\$0.33 per Share	HK\$0.14
		Based on a Placing Price of HK\$0.29 per Share	HK\$0.13

#### Notes:

1. The calculation of market capitalisation of the Shares is based on 670,000,000 Shares in issue and expected to be in issue immediately after completion of the Capitalisation Issue and the Placing.
2. The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 670,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Placing as set out in the "Share Capital" section to this prospectus, but takes no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or options that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares. The unaudited pro forma adjusted net tangible assets per Share is converted to Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.84. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that date.

### SHAREHOLDER INFORMATION

Immediately following completion of the Capitalisation Issue and Placing, each of Mr. Ma and Sun Universal will directly or indirectly control 36.62% of the issued share capital of our Company. For the purpose of the GEM Listing Rules, Mr. Ma and Sun Universal are hence our Controlling Shareholders. Please refer to the section headed "History, reorganisation and corporate structure — Reorganisation" in this prospectus for details of the shareholding structure among the Controlling Shareholders.

### PRINCIPAL RISK FACTORS

There are certain risks involved in our operations, amongst which, relatively material risks include the following:

- our financial performance and results of operations for the year ending 31 December 2016 will be affected by expenses in relation to the Listing;
- our Group relies heavily on a single production base to manufacture our products and therefore any disruptions at the production base could materially and adversely affect our business and operations;
- our Group relies heavily on our production facilities and machinery and our operations may be materially interrupted if they do not function properly or at all;

## SUMMARY

- approximately 80% of our Group's revenue was derived from agreements awarded through competitive tendering but there is no guarantee that we will be successful in winning tenders in the future;
- our revenue has been significantly dependent on sales to our top five customers and any decrease in sales to them may materially and adversely affect our business and profitability; and
- we may be subject to pay certain housing provident fund payments for our employees which we failed to pay before December 2015.

### COMPETITIVE LANDSCAPE

According to the Frost & Sullivan Report, there were approximately 4,000 to 4,300 furniture manufacturers in Sichuan province in 2015 and the market was highly fragmented. Of these furniture manufacturers, over 1,000 were engaged in the manufacturing of office furniture, and a large portion of these manufacturers targeted the mass market. Sichuan Greenland, our wholly-owned subsidiary, is positioned as a mid to high end office furniture manufacturer. In 2015, the total revenue of mid to high end office furniture manufacturers in Sichuan province reached RMB2.3 billion, with the top five players taking up a combined share of 25% of such revenue. Sichuan Greenland ranked fifth among the top five players, representing a 3.8% share of the total revenue generated by all mid to high end office furniture manufacturers in Sichuan province. Our Directors consider that we face competition from domestic office furniture manufacturers generally in terms of pricing, quality, reliability and timely delivery of products.

### LEGAL COMPLIANCE AND PROCEEDINGS

Our PRC Legal Advisers have confirmed that our Group has obtained all necessary licences, permits, approvals and certificates required for the carrying on of our business operations, that such licences, permits, approvals and certificates are valid and subsisting. Our Directors have confirmed that during the Track Record Period and up to the Latest Practicable Date, there were no non-compliance incidents involving any member of the Group which was material to the Group and its business as a whole. During the Track Record Period and up to the Latest Practicable Date, no fines or penalties were imposed on Sichuan Greenland and our Chongqing branch office.

Our Group has been involved as defendant in two litigation proceedings over the Track Record Period whereby the amount claimed against us accounted for less than 1% of our net assets value of 31 December 2015. Please refer to the section headed "Business — Litigation" in this prospectus for further details. Our Directors are of the view that such litigation would not individually or in aggregate, have any material adverse impact on our business operations, financial position or reputation.

### MATERIAL ADVERSE CHANGE

Other than the non-recurring Listing expenses described above, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 August 2016. From that date and up to the Latest Practicable Date, we have continued to focus on developing our business of manufacturing and sale of office furniture. As far as our Directors are aware, the office furniture industry in the PRC has remained relatively stable after the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, there has been no material adverse change in the general economic and market conditions in the office furniture industry in the PRC that has affected or would affect our Group's business operations or financial condition materially and adversely. Our business model has also remained stable.

### RECENT DEVELOPMENTS

#### Capitalisation of shareholders loan

Please refer to the section headed "History, reorganisation and corporate structure — Reorganisation" of this prospectus.

#### Chengdu Yishishunda

Chengdu Yishishunda was incorporated in the PRC as a wholly-owned subsidiary of Sichuan Greenland on 5 May 2016 with a registered capital of RMB1,000,000. Chengdu Yishishunda will trade items such as carpets, curtains and drapes, wallpaper and floorboards and panels which our existing customers often request when they order office furniture products from us. While we do not manufacture these items, we intend to make product catalogues for these items available to our customers. Customers may choose items from the product catalogues and their orders will be processed by Chengdu

## SUMMARY

Yishishunda, who would source requested items from relevant suppliers. Chengdu Yishishunda will charge its customers on a cost-plus basis for the trading of these items. These items will not be marketed under our “~~Y~~” brand as they are not manufactured by us. We do not expect to commit material resources to develop the business of Chengdu Yishishunda in the short-term, and accordingly we do not expect that its business will materially affect the profitability or financial condition of our Group as a whole in the short-term.

### **Financial performance**

Revenue on a combined basis generated from customers sourced through tenders accounted for approximately 79.8%, 83.4% and 74.5% of our revenue for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively.

The following is a summary of our Group’s unaudited financial information for the 10 months ended 31 October 2016, derived from our Group’s unaudited combined financial statements prepared by our Directors in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the HKICPA, which was reviewed by our reporting accountant in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Based on our unaudited management accounts, our total revenue increased by approximately 11.8% for the ten months ended 31 October 2016 compared to the same period in 2015, primarily due to orders from new customers through direct sales.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have submitted 106 tenders for a value of approximately RMB32.1 million and won 64 of them for a value of approximately RMB18.0 million.

As our Group continued to collect our outstanding invoices, approximately 46.2% of our trade receivables, amounting to approximately RMB17.1 million, or approximately 61.2% of our trade receivables (excluding quality assurance deposit) as at 31 August 2016, amounting to approximately RMB16.7 million, have been subsequently settled after 31 August 2016 up to 31 October 2016.

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospect since 31 August 2016, being the date of our latest audited financial statements, and there is no event since 31 August 2016 which would materially affect the information shown in our financial statements included in the Accountant’s Reports set out in Appendix 1A and 1B of this prospectus.

## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following words and expressions have the following meanings. Certain technical terms are explained in the section headed “Glossary of technical terms” in this prospectus:*

“Articles of Association” or “Articles”	the amended and restated articles of association of our Company, adopted on 19 December 2016, a summary of which is set out in Appendix IV to this prospectus, and as amended from time to time
“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Audit Committee”	the audit committee of our Board
“Board of Directors” or “Board”	our board of Directors
“Brilliant Talent”	Brilliant Talent Global Limited, a company incorporated in the BVI with liability limited by Shares on 28 October 2015, which is wholly-owned by Ms. Zhang
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public through their normal business hours
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the allotment and issue of 401,990,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further information about our Company — Changes in the share capital of our Company” 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 a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

## DEFINITIONS

“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and fractions of CCASS, as from time to time in force
“Chengdu Yishishunda”	成都頤事順達貿易有限公司 (Chengdu Yishishunda Trading Co., Limited), a company incorporated in the PRC with limited liability on 5 May 2016 and an indirect wholly owned subsidiary of our Company
“Code on Corporate Governance Practices”	the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules
“Companies Law” or the “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the laws of Hong Kong) which took effect from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Zhi Sheng Group Holdings Limited 智昇集團控股有限公司 (formerly known as Smart Raise International Holdings Limited 智昇國際控股有限公司), an exempted company incorporated in the Cayman Islands on 4 March 2016 with limited liability under the Companies Law and registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 4 July 2016
“Company Law of the PRC”	Company Law of PRC (中華人民共和國公司法), promulgated by National People’s Congress Standing Committee on 29 December 1993 and the newly revised version became effective on 1 March 2014
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“connected transaction”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and unless the context requires otherwise, in the context of our Company, means each of Mr. Ma and Sun Universal
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules

## DEFINITIONS

“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated 19 December 2016 executed by our Controlling Shareholders, as indemnifiers in favour of our Company (for itself and as trustee for each of our subsidiaries), further details of which are set out in the paragraph headed “1. Tax and other indemnities” under the paragraph headed “E. Other information” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 19 December 2016 executed by the Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries), further details of which are set out in the paragraph headed “Non-competition undertakings” in the section headed “Relationship with Controlling Shareholders” of this prospectus
“Director(s)”	the director(s) of our Company
“EIT Law”	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) adopted by the Tenth NPC on 16 March 2007, and effective on 1 January 2008
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry consultant engaged by our Company
“Frost & Sullivan Report”	an industry research report commissioned by our Company prepared by Frost & Sullivan on the office furniture industry in the PRC
“GAAP”	Generally Accepted Accounting Principles
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM (as amended, supplemented and/or otherwise modified from time to time)
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context permits, shall include the CCASS operating procedures
“Group”, our “Group”, “we”, “us” or “our”	our Company together with our subsidiaries or, where the context so required, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at the relevant time, or the business acquired or operated by them or (as the case may be) their predecessors



## DEFINITIONS

“HK\$” or “HKD” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKEx”	Hong Kong Exchanges and Clearing Limited
“HKFRS”	Hong Kong Financial Reporting Standards issued by HKICPA including Hong Kong Accounting Standards and Interpretations promulgated by the Hong Kong Accounting Standards Board
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	individual(s), company(ies) or party(ies) who or which is/are independent from and not connected with (within the meaning of the GEM Listing Rules) any of the connected persons (including any directors, chief executive, substantial shareholders (as defined under the GEM Listing Rules)) of our Company, our subsidiaries or any of their respective associates
“Internal Control Adviser”	Baker Tilly Hong Kong Risk Assurance Limited, an independent internal control adviser
“Latest Practicable Date”	20 December 2016, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information of this prospectus
“Listing”	the proposed listing of the Shares on GEM
“Listing Date”	the date on which our Shares are listed and dealings in our Shares first commence on GEM, which is expected to be on or about 20 January 2017
“Listing Division”	the Listing Division of the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	Main Board of the Stock Exchange

## DEFINITIONS

“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 19 December 2016, a summary of which is set out in Appendix IV to this prospectus, and as amended from time to time
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部), or its predecessor, the PRC Ministry of Foreign Trade and Economic Cooperation (中華人民共和國對外貿易經濟合作部), as appropriate to the context
“Mr. Liang”	Mr. Liang Xing Jun, one of our executive Directors
“Mr. Luo”	Mr. Luo Jin Yao
“Mr. Ma”	Mr. Ma Gary Ming Fai, our non-executive Director, chairman of the Board and one of our Controlling Shareholders and the sole owner of Sun Universal
“Mr. Man”	Mr. Man Chin
“Ms. Sum”	Ms. Sum Kin Man
“Mr. Yi”	Mr. Yi Cong, one of our executive Directors and the chief executive officer of our Company
“Ms. Zhang”	Ms. Zhang Gui Hong, who is one of our Substantial Shareholders and the sole owner of Brilliant Talent
“Nomination Committee”	the nomination committee of our Board
“Oasis”	Oasis Heritage Limited, a company incorporated in the BVI with liability limited by shares on 10 September 2014, which is wholly-owned by Mr. Man
“Offer Size Adjustment Option”	the option proposed to be granted by our Company to the Sole Lead Manager, exercisable under the Underwriting Agreement pursuant to which the Sole Lead Manager may, at its sole and absolute discretion, require our Company to allot and issue up to an aggregate of 40,200,000 additional Placing Shares, representing 15.0% of the initial number of Placing Shares under the Placing, at the Placing Price, to cover any over-allocation in the Placing as described in the section headed “Structure and conditions of the Placing” in this prospectus

## DEFINITIONS

“on a combined basis”	in the context of certain operational and financial data that we provide in the sections headed “Business” and “Financial information”, combining the results of our Group and Sichuan Greenland Group, which, for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 are equivalent to (i) the combined results of Sichuan Greenland and our Group for the year ended 31 December 2014; (ii) the combined results of our Group for the year ended 31 December 2015; and (iii) the combined results of our Group for the eight months ended 31 August 2016
“PBOC”	the People’s Bank of China (中國人民銀行)
“Placing”	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company for cash at the Placing Price, as described in the section headed “Structure and conditions of the Placing” of this prospectus
“Placing Price”	the placing price of each Placing Share of not more than HK\$0.33 per Placing Share and expected to be not less than HK\$0.29 per Placing Share (excluding brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), such price to be fixed on the Price Determination Date
“Placing Shares”	the 268,000,000 new Shares being offered by our Company for subscription under the Placing (together, where relevant, with any additional Shares which may be issued pursuant to the Offer Size Adjustment Option)
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus only (unless otherwise indicated), excludes Hong Kong, Macau and Taiwan
“PRC Government” or “Chinese Government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, and where the context requires, any of them
“PRC Legal Advisers”	Shu Jin Law Firm (廣東信達律師事務所), our legal advisers as to the laws of the PRC
“Price Determination Agreement”	the agreement to be entered into between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Placing Price

## DEFINITIONS

“Price Determination Date”	the date, expected to be on or about Friday, 13 January 2017, on which the Placing Price will be determined for the purposes of the Placing and, in any event, not later than Wednesday, 18 January 2017
“Renminbi or “RMB”	Renminbi, the lawful currency of the PRC
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, as set out in the paragraph headed “Reorganisation” under the section headed “History, reorganisation and corporate structure” of this prospectus
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal or par value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 19 December 2016, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of the Shares
“Sichuan Greenland”	四川青田家俱實業有限公司 (Sichuan Greenland Furniture Co., Limited), a company incorporated in the PRC with limited liability on 13 December 1996 and an indirect wholly-owned subsidiary of our Company
“Sichuan Greenland Group”	Sichuan Greenland together with its subsidiary
“Smart Raise BVI”	Smart Raise Holdings Limited 智昇控股有限公司, a company incorporated in the BVI with liability limited by Shares on 6 June 2014, which became a wholly-owned subsidiary of our Company upon completion of the Reorganisation

## DEFINITIONS

“Smart Raise HK”	Smart Raise (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on 23 June 2014, which became an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Sole Lead Manager” or “Sole Bookrunner”	CSL Securities Limited, a corporation licensed by the SFC to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being the sole lead manager and the sole bookrunner of the Placing
“Sole Sponsor” or “Convoy Capital”	Convoy Capital Hong Kong Limited, a corporation licensed by the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor of the Listing
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning as ascribed to it under the GEM Listing Rules
“Sun Universal”	Sun Universal Limited, a company incorporated in the BVI with liability limited by Shares on 26 October 2015 and which is wholly owned by Mr. Ma
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented and/or otherwise modified from time to time
“Track Record Period”	the financial period comprising the two financial years ended 31 December 2015 and the eight months ended 31 August 2016
“Trade Marks Registry”	Trade Marks Registry of the Intellectual Property Department of Hong Kong
“Trademark Office”	Trademark Office of the State Administration for Industry & Commerce of the PRC
“Underwriters”	the Underwriters of the Placing named in the paragraph headed “Underwriters” in the section headed “Underwriting” of this prospectus
“Underwriting Agreement”	the underwriting agreement dated 29 December 2016 relating to the Placing and entered into by, among others, our Company, the executive Directors, the Controlling Shareholders, the Sole Sponsor, the Sole Bookrunner and Sole Lead Manager and the Underwriters, details of which are set out in the section headed “Underwriting” of this prospectus

## DEFINITIONS

“US\$” or “US dollars”	United States dollars, the lawful currency of the United States of America
“p.a.”	per annum
“%”	per cent.

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

If there is any inconsistency between the Chinese names of entities, authorities, organisations, institutions or enterprises established in the PRC or awards or certificates given in the PRC and their English translations, the Chinese language version or Chinese names shall prevail. The English translation of company names in Chinese which are marked with “\*” and the Chinese translation of company names in English which are marked with “\*” is for identification purposes only.

Unless otherwise specified, all times refer to Hong Kong time and reference to years in this prospectus are to calendar years.

Unless otherwise specified, all references to any shareholding in the Company in this prospectus assumes no allotment or issue of any Shares which may be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option or the exercise of options under the Share Option Scheme.

## GLOSSARY OF TECHNICAL TERMS

*This glossary of technical terms contains terms used in this prospectus in connection with our Group. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.*

“CAGR”	compound annual growth rate, the year-on-year growth rate over a specified period of time
“CQC”	China Quality Certification Centre, a national certification authority established by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局)
“CQC51-381001-2009”	CQC51-381001-2009 is a certification issued by the CQC recognising the environmental-friendliness of furniture products
“edge banding”	sealing of the exposed edges of wooden panels that have been trimmed
“environmental friendly” or “eco-friendly”	marketing terms referring to goods and services, laws, guidelines and policies that inflict reduced, minimal, or no harm upon the ecosystem or the environment. In the context used in this prospectus, does not necessarily refer to goods and services with certification or labelling that comply with established principles and procedures of ISO for environmental labels and declarations
“fibreboard”	a type of board composed of wood fibre bonded together with resin and compressed into boards
“GDP”	gross domestic production, the total market value of all the goods and services produced within the borders of a nation during a specified period of time
“glue”	a compound in liquid or semi-liquid state that adheres or bonds item together
“hardwood”	timber produced from any broad-leaved trees and short fibred wood which can be temperate or tropical
“HJ/T 303-2006”	HJ/T 303-2006 is a certification approved by the Ministry of Environmental Protection of the PRC in 2006, setting out the requirements of furniture products with environmental labelling and standards of production and inspection methods
“ISO”	International Organisation for Standardisation, a worldwide federation of national standards bodies from all over the world

## GLOSSARY OF TECHNICAL TERMS

“ISO9001”	ISO9001 certification is an internationally recognised standard for quality business management. As a family member of the ISO 9000, it sets out requirements for ongoing improvement of product quality and services and design
“ISO14001”	ISO14001 — Environmental Management Standard is the internationally recognised standard for the environmental management of businesses. It aims at recognising the desirable behaviour of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
“IT”	information technology
“mass market products”	mass market products in the context of office furniture refer to the low-end office furniture products which are typically less expensive than mid to high end office furniture due to factors such as quality of raw material used, functional performance, design styles, durability and level of customisation
“melamine surface”	pre-finished surface on wooden panels
“metal hardware”	metal parts and components
“mid to high end office furniture”	are office furniture products with a mid to high end position in the office furniture market with a selling price of around 5–10% more than that of mass market products which is primarily justified by their better quality (in terms of such factors as quality of raw materials used, functional performance, design styles, durability and level of customisation)
“mid to high end office furniture manufacturers”	refers to manufacturers of office furniture whereby (i) mid to high end office furniture products in terms of quality make up over 60% of its revenue (ii) its products are generally around 5 to 10% more expensive than mass market products, primarily justified by their better quality (in terms of such factors as quality of raw materials used, functional performance, design styles and durability); and (iii) it generally has in-house design capacity
“N/A”	not applicable
“office furniture”	refers to furniture intended for use in an office for sitting, working, storage and other office purposes. Office furniture products typically include, without limitation, tables, desks, cupboards, chairs, sofas and couches, shelves and cabinets.



## GLOSSARY OF TECHNICAL TERMS

“office furniture manufacturing industry”	refers to companies and activities related to the manufacturing of office furniture in the PRC
“office furniture industry”	refers to companies and activities related to the manufacturing and sale (through sales and distribution channels) of office furniture in the PRC
“OHSAS18001”	OHSAS18001 — Occupational Health and Safety Assessment Series is the internationally recognised specification for Occupational Health and Safety Management Systems. It specifies requirements for an occupational health and safety management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational health and safety performance
“particleboard”	a form of composition board made by binding wood particles, which range in size from flakes to sawdust, together with a suitable adhesive, such as a plastic resin, and pressing them to form sheets
“product warranty period”	period following delivery of our products during which we are responsible for rectification of all defects in respect of the relevant products at our own expense
“quality assurance period”	period following delivery or acceptance of our products during which our customers are entitled to withhold payment of part of the contract sum payable in respect of those products until expiry of such period
“sponge”	a soft, light, porous substance used as padding or insulating material
“veneer”	thin timber sheets of uniform thickness peeled by rotary lathe cutting a log, sliced or sawn from saw timber and logs

## FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “project”, “will”, “may”, “plan”, “consider”, “anticipate”, “seek”, “should”, “would” or similar expressions or the negative thereof, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- expansion, consolidation or other trends in the industry in which we operate;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions in which we operate and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or price, including those pertaining to the PRC industry and markets in which we operate;
- changes in the global economic conditions and material volatility in the global financial markets;
- capital market developments;
- general political and economic conditions, including those related to the PRC and other relevant jurisdictions in which we have or intend to have business operations;
- macroeconomic measures taken by the PRC government to manage economic growth;
- our business prospects;
- the competition for our business activities and the actions and developments of our competitors;
- our financial condition and performance;
- our dividend policy;

## FORWARD-LOOKING STATEMENTS

- changes to our expansion plans and use of capital expenditures;
- our ability to successfully implement and realise the benefits of our business plans and strategies; and
- other factors beyond our control.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are inaccurate or misleading or that any fact has been omitted that would render such forward-looking statements inaccurate or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, the Controlling Shareholders, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any other party involved in the Placing or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to, those discussed under the section headed “Risk factors” and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates of our management based on their views as of the date of this prospectus, and apply only as of the date they are made. Subject to the requirements of the GEM Listing Rules, our Company does not intend to publicly update or otherwise revise any forward-looking statements contained in this prospectus whether as a result of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. 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 our Company expects, or at all.

We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement. 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 cautioning statement.

In this prospectus, statement of or references to our Group’s intentions or those of any of the Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

## RISK FACTORS

*You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Placing Shares. You should pay particular attention to the fact that our business is, to a significant extent, located in the PRC, and we are governed by a legal and regulatory environment which in some respects differs from that which prevails in other countries. Our business, financial condition or results of operations could be materially and adversely affected by any of the risks and uncertainties described below. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations. The trading prices of the Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.*

### **RISK RELATING TO BUSINESS AND OPERATIONS OF OUR GROUP**

**Our Group relies heavily on a single production base to manufacture our products and therefore, any disruptions at the production base could materially and adversely affect our business and operations**

Our Group currently carries out our entire production process at a single production base situated at Wenjiang district of Chengdu city in Sichuan province in the PRC which is owned by us and currently pledged as security to secure repayment of our existing bank borrowings.

Any disruptions to our use of and ownership of our production base for whatsoever reasons (including enforcement of relevant security and/or damage caused by floods, fires, earthquakes, typhoons and other natural disasters or matters outside our control) may affect our ability to produce and deliver products to our customers on a timely manner and/or in accordance with the terms of agreements entered with our customers.

Such disruptions will not only materially and adversely affect our business and operations as well as our profitability and financial results (as efforts to restore operations following a disruption may be costly and time-consuming), but may also negatively affect our brand image and reputation if we fail to fulfil customer orders.

**Our Group relies heavily on our production facilities and machinery and our operations may be materially interrupted if they do not function properly or at all**

The manufacturing of our products and our ability to meet customer demands rely heavily on the proper functioning of our production facilities and machinery. Where the use or efficiency of our production facilities and/or machinery may be hampered or disrupted due to power shortages or breakdowns or where these production facilities may be damaged due to accidents, fires or other natural disasters, our ability to produce and deliver products in a timely or agreed manner would be materially prejudiced.

Further, our insurance policy over our production facilities and/or machinery may not be sufficient to compensate us for all the losses which we may suffer as a result of such disruptions to our production facilities and/or machinery. Therefore, any such disruptions may have a material adverse effect on our business, reputation, financial condition and results of operations.

## RISK FACTORS

### **Our Financial Stress exposes us to various risks**

Our Group (i) recorded considerable cash outflow from operating activities and high gearing ratio; and (ii) was in a net current liabilities position during the Track Record Period. Please refer to the section headed “Summary — Key operational and financial data — Financial stress of our Group” in this prospectus and the three paragraphs below for details.

### **We recorded a net operating cash outflow for the year ended 31 December 2015 and the eight months ended 31 August 2016 and may have difficulty meeting our payment obligations if we continue to record net operating cash outflow in the future**

Over the Track Record Period, (i) our Group recorded net operating cash outflow in the amount of approximately RMB2.8 million and RMB16.5 million for the year ended 31 December 2015 and the eight months ended 31 August 2016 respectively; and (ii) Sichuan Greenland’s net cash from operating activities decreased from approximately RMB27.7 million for the year ended 31 December 2014 to approximately RMB0.3 million for the years ended 31 December 2015, and its net operating cash outflow in the amount of approximately RMB9.8 million for the eight months ended 31 August 2016. Please refer to the paragraphs headed “Liquidity and capital resources” and “Our Group — Cash flows — Operating activities” in the “Financial information” section of this prospectus for detailed analysis of these fluctuations.

The fluctuation in our operating cashflow over the Track Record Period resulted from a number of financial activities of our Group such as the repayment of amounts due to previous shareholder of our Group. We cannot guarantee that prospective business activities of our Group and/or other matter beyond our control (such is market competition and changes to the macroeconomic environment) will not adversely affect our operating cashflow and lead to net operating cash outflows in the future.

If we face a net operating cash outflow in the future, (i) we may not have sufficient working capital to cover our operating costs and we may have to fund our operating costs by obtaining bank borrowings. There is however no assurance that we will succeed in obtaining bank borrowings at terms favourable to us and we may incur significant finance costs for any such bank borrowings; and (ii) our liquidity may be adversely affected and we may not be able to meet the payment obligations, such as our trade payables. This may materially and adversely affect our business, financial position and results of operations.

### **Our Group recorded net current liabilities during the Track Record Period and is exposed to liquidity risks**

Our Group recorded net current liabilities of approximately RMB47.1 million, RMB45.8 million and RMB41.4 million as at 31 December 2014, 31 December 2015 and 31 August 2016 respectively. Our Group’s financial position attained a net assets position as at the respective dates. For more information, please refer to the section headed “Financial information — Current assets/(liabilities)” in this prospectus.

There can be no assurance that we will not experience liquidity problems in the future. If we fail to generate sufficient revenue from its operations or to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure and we may need

## RISK FACTORS

to rely on additional external borrowings for funding, and our business and financial position will be adversely affected. In addition, if we encounter any liquidity issues in the future, we may curtail or defer our business expansion plans based on the availability of sufficient funds.

### **We are subject to risks associated with long inventory turnover days**

Our inventories include raw materials, work-in-progress and finished products. For the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, our Group recorded inventory turnover days on a combined basis of approximately 303.5 days, 208.4 days and 97.7 days respectively. Our long inventory turnover days for the years ended 31 December 2014 and 2015 was mainly due to some of our customers, in particular, our largest customer during the Track Record Period which is a state-owned financial institution with various locations in the PRC, who requested us to postpone our delivery of the goods they ordered. For details, please refer to the section headed “Financial information — Key financial ratios — Inventory turnover days” in this prospectus.

We cannot assure you that our inventory control policy and measures will be implemented effectively. In addition, we cannot assure you that we will not experience any slow movement of inventory due to various seasons which may lead to increase in our costs in holding the inventory and the risk that we may have to write off our inventory. This can result in pressure on our operating cash flow and liquidity which may materially and adversely affect our business, results of operations and financial conditions.

### **We are subject to risks associated with outstanding customer payments and non-payment of quality assurance deposits**

One of the major credit risks we face is default in payments in respect of customer orders for products which we have processed and delivered. There is no assurance that we will be able to fully recover relevant payments from our customers especially if they experience any financial difficulty or their creditworthiness deteriorates. Further, most of our customers are governmental departments, financial institutions and state-owned enterprises which may require a longer period of time to process their payments. Please refer to the section headed “Financial information — Key financial ratios — Trade receivables turnover days” in this prospectus for details. There is no guarantee that we would be able collect outstanding and due payments from these and other entities on a timely basis in accordance with the agreed credit terms.

In addition, our supply terms may entitle our customers to withhold part of the payment for our products as quality assurance deposit (typically an amount equivalent to 5% of the contract sum), which will only be paid after the expiry of the quality assurance period (which is on average for a period of approximately 1.6 years). There is no guarantee that we would be able to recover such amounts from our customers upon expiry of the quality assurance period, especially if the relevant customers makes a warranty claim or if they cease business operations or to exist.

Further, due to payment and credit terms which are negotiated with our customers on a case-by-case basis, the rate of recovery of our trade receivables may fluctuate from year to year and our credit quality may deteriorate as a result of longer payment terms granted and/or the amount of quality assurance deposits withheld by some of our major customers (which we may provide more lenient terms with a view to foster long-term business relationships). In particular, we note that the trade receivables turnover days of Sichuan Greenland, our operating subsidiary, increased from 69.7 days for the year

## RISK FACTORS

ended 31 December 2014 to 80.8 days for the year ended 31 December 2015, and 125.1 days for the eight months ended 31 August 2016. It may become more difficult for us to collect overdue trade receivables, in particular where payments are deliberate or in dispute or where they remained overdue for a long period of time. Where we fail to collect these receivables, we may need to eventually treat all or part of such trade receivables as bad debt.

Any failure to receive payments in respect of products we supply on a timely basis or if at all, may have a material and adverse effect on our profitability, cash flow and financial position.

### **Our financial results are materially dependent on our ability to secure orders through competitive tendering but we may not be successful in winning tenders**

Our customers include PRC governmental departments, financial institutions and certain state-owned entities who may be required, as a matter of law or by their internal policy, to select suppliers through competitive tenders. We rely heavily on our successful bidding in these and other competitive tenders to secure orders and/or to enter into supply agreements with our customers. For the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, on a combined basis our revenues which were generated from orders secured through the winning of competitive tenders accounted for approximately 79.8%, 83.4% and 74.5% of our total revenue respectively.

Where we are successful in winning a tender, we would typically become an approved supplier of the customer in respect of certain products on an exclusive basis or otherwise, and such status may sometimes only be effective for a limited term. Upon expiry of the effective period, we may need to submit new bids and/or go through the tendering process again in order to continue to secure further orders from the customer.

There is no assurance that we would be successful in securing orders through competitive tenders of new or existing customers, and the failure to do so would materially and adversely affect our profitability.

Further, the profitability of our Group is dependent on our supply terms such as pricing but there is no guarantee that our supply terms in successful tenders will be comparable to those of existing orders. In particular, in order to increase the competitiveness of our tenders or to foster customer relationships, we may lower our price quotation or offer more favourable terms than existing orders.

Accordingly, our historical financial results during the Track Record Period should not be taken as an indication of our future performance, and prospective investors should be aware of the risk that our Group may not be able to secure future competitive tenders, which will materially affect our profitability, when assessing our Group's future prospects.

### **We determine our tender price based on estimated costs involved in producing certain products yet the actual costs incurred may deviate from our estimates due to unexpected circumstances, thereby adversely affecting our operations and financial results**

We determine our tender price based on our cost estimate plus a certain mark-up margin. For details of the factors we take into account when making our cost estimate, please refer to the paragraph headed "Business — Pricing" in this prospectus. The actual costs that may be incurred by us however may be increased due to various factors including unexpected fluctuation in the price of raw materials

## RISK FACTORS

resulting from reduced supply in the market (resulting from natural disasters or otherwise), disputes with suppliers, difficulty in retaining necessary number of workers with requisite skills, receipt of variation orders from customers, and other unforeseen circumstances. These factors may lead to delay in completion and/or costs overrun by us.

If we set a significant mark-up margin over our estimated costs to cater for the unfavourable circumstances above, our tender may become uncompetitive. There is no assurance that we will always be able to price our tenders competitively, and if we fail to do so, our customers may opt for our competitors, thereby resulting in loss of orders. Conversely if we set a mark-up margin which is too low, we may not be able to fully offset our costs in particular where we are affected by the unfavourable circumstances described above. In both cases, our profitability and financial results may be materially and adversely affected.

**Our revenue has been significantly dependent on sales to our largest customer and any decrease in sales to this customer may materially and adversely affect our business and profitability**

The sales to our largest customer for the two years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 amounted, on a combined basis, to approximately RMB20.3 million, RMB25.8 million and RMB25.9 million respectively, which accounted for approximately 26.4%, 29.7% and 35.8% of our total revenue respectively.

Sales to our largest customer over the Track Record Period were mainly generated through contracts entered with it following participation in its tendering processes. There is no assurance that our largest customer will continue to be our recurring customer if: (i) it ceases to hold open tenders for procurement of office furniture in the future; or (ii) we fail to win tenders or secure other orders of comparable value from it in the future. Where our largest customer ceases to be our customer, our Group's business and profitability may be adversely affected.

**Our Group's insurance coverage may not be sufficient to cover all the risks which our operations are exposed to and therefore our Group is susceptible to significant liabilities**

While our Group's insurance coverage includes property insurance in connection with our production plant, finished products, inventory, machinery and equipment which are necessary for compliance with PRC laws and regulations, our Group is not insured, and has not obtained insurance policies to cover, such matters as product liability claims, business disruptions (including disruption to electricity and water supply), litigation and proceedings, theft, natural disasters (such as earthquakes) and personal injuries caused by defects of our products. There is no assurance that these events will not occur.

These events would divert management and resources from our normal course of business, and the associated losses and liabilities which we may incur or suffer as a result (including the costs of defending lawsuits or claims which are inherently expensive) may have a material adverse effect on our financial condition and the results of our operations. Further, our business may not have sufficient resources to recover from such events.



## RISK FACTORS

### **An increase in raw materials costs or our inability to procure raw materials at satisfactory prices may adversely affect our profitability**

We depend on the supply of wooden panels (such as medium-density fibreboards), leather, cloth, metal hardware, glass and chemical substances (such as glue and paint) for the production of our products. On a combined basis, our costs of raw materials accounted for approximately 77.5%, 69.0% and 81.9% of our costs of sales for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively. These raw materials are purchased from suppliers in the PRC with whom we have not entered into any long-term supply contracts.

There is no guarantee that the price of required raw materials will not fluctuate in the future due to increase in demand or a shortage of supply. If the price of raw materials increases and we are unable to shift the added costs efficiently or adequately to our customers, our business and financial condition may be adversely affected.

Further, there is no guarantee that we would be able to secure supply of raw materials from existing suppliers at acceptable prices on an ongoing basis, and such supply may be affected or disrupted by factors (such as weather conditions and infestations at plantations in respect of wood) beyond our or our suppliers' control. In the event of a shortage or disruption of supply from existing suppliers, we may not be able to procure adequate raw materials from alternative sources at acceptable prices in a timely manner. This will affect our production and supply of products which will materially and adversely affect our Group's business and operations.

### **Any increase in labour cost may reduce our profit margins and liquidity, as well as materially and adversely affect our financial condition and results of operations, and labour shortage may disrupt our operations**

Our production process is labour intensive. We cannot assure you that we will not experience any shortage of labour for our production needs or that the costs of labour in the PRC will not increase in the future. If we experience a shortage of labour, we may not be able to maintain our production volume. If there is a significant increase in our labour costs and our Group fails to adopt appropriate means to reduce costs or pass on such increase in costs to our customers, our production costs will increase and our profit margins may be materially and adversely affected. Our business and financial condition and results of operations may also be adversely and materially affected as a result of an increase in labour costs or shortage of labour.

### **We rely on the management skills and experience of our key executives and senior management and inability to retain them may materially and adversely affect our business**

Our Group's operations are dependent on the skills and expertise of our Directors (in particular, Mr. Yi) and our team of senior management in managing the Group. Mr. Yi, who is one of the founders of Sichuan Greenland, has contributed significantly to the growth and development of the Group with his dedication and experience over the years. Further, the realisation of any of our future plans will depend heavily on our team of senior management as they have the relevant expertise in the industry. We cannot guarantee that we will be able to retain our key executives and senior management and in the event of their retirement or resignation, there is no assurance that we will be able to recruit appropriate persons to replace them as necessary. If our key personnel ceases employment with us, our business operations would be adversely affected.

## RISK FACTORS

### **Inability to extend our pollutant discharge licence and timber and bamboo operation and processing licence may materially and adversely affect our operations and business**

Under the laws of the PRC, we are required to obtain the approval of the competent forestry authority of the government at or above county level in respect of timber operation and processing as well as obtain the pollutant discharge licence 《排污許可證》 in respect of discharging pollutants into the environment directly or indirectly. These approvals and licences are intended to control the cutting of forest timber and the discharge of pollutants by manufacturers into the environment. Please refer to the section headed “PRC regulatory overview” of this prospectus for further details. As advised by our PRC Legal Advisers, we have obtained such approval and licences for our operations, all of which remain valid and subsisting as at the Latest Practicable Date.

Our Directors are aware that, in recent years, the local provincial Government has been increasingly concerned about the effect of hazardous waste and pollutants discharged by manufacturers on the environment, and may impose stricter controls and/or higher standards in terms of disposal of such waste. As such, there is no guarantee that the existing approvals of the competent authorities will not be revoked or cancelled in the future, and there is no assurance that we would be able to renew the timber and bamboo operation and processing licence 《木竹材經營加工許可證》 and the pollutant discharge licence 《排污許可證》 when they expire in 31 December 2017 and 1 September 2019 respectively.

If we fail to renew our timber and bamboo operation and processing licence 《木竹材經營加工許可證》 or our pollutant discharge licence 《排污許可證》, or if these licences and/or the approval from the competent authorities is revoked or cancelled before their expiry, then we may not be able to operate our business in accordance with applicable PRC laws and our operations and financial conditions may be materially and adversely affected. Any delay in renewing our licences may also delay our production of products for delivery to our customers, which may affect our reputation.

### **Failure to monitor occupational safety and implement timely counter-measures to ensure safety in our production facilities may materially and adversely affect our business**

Our Directors believe that our workers in our production facilities may be subject to or exposed to various hazardous substances emitted during the production processes. In addition, the creation of dust during the manufacturing of our products may affect the indoor air quality of our production plant, and noise pollution generated by machinery may also pose a risk to our workers’ health. Our Group has implemented internal production safety emergency measures and has obtained the Occupational Health and Safety Management System Certificate issued by China Quality Certification Centre. However, we cannot guarantee that our workers will not suffer from or be exposed to work-related injuries and/or health risks associated with the production environment of our business. In the event that material workplace accidents occur or if we fail to implement our safety policies and measures, substantial costs may be incurred and our business may be materially or adversely affected.

## RISK FACTORS

### **Failure to adequately protect our intellectual property rights may have a material adverse impact on our business and results of operations**

While we have registered trademarks in the PRC for the marketing and protection of our brand, there can be no assurance that such registrations will provide us with sufficient protection and that they may not be challenged, invalidated or circumvented. There are a number of factors which could cause our existing trademarks to be invalid or unenforceable, including known or unknown prior trademark registrations or applications.

Further, intellectual property rights protection in the PRC may not be as effective as in developed countries due to factors including difference in terms of procedural rules for discovery and evidence and judicial independence. We may need to resort to litigation to enforce our registered trademarks, but the experience and capability of PRC courts in handling intellectual property litigation may vary and outcomes may be unpredictable. Any litigation involving our trademarks may require significant expenditure and management efforts, and an unfavourable determination in such litigation may materially harm our business, prospects and reputation.

In addition, a number of third parties have successfully registered trademarks bearing Chinese words “青田” under different classes from those in which our “青田” trademark are registered. There is no assurance that we would be able to effectively prevent third parties from using trademarks bearing Chinese words “青田” rendered in different artistic styles or combinations, which might cause confusion among investors in our Company and consumers in the market. If there is any improper use of such trademarks resulting in negative publicity, our brand and reputation could suffer damage which in turn could harm our business and profitability.

Further, our “青田” trademark is currently registered by third parties for uses different to those required for our business and operations. Please refer to the paragraph headed “Further information regarding our registered trademarks in the PRC” in the “Business” section of this prospectus. We cannot assure you that no infringement claims would be brought against us by those companies, in which case we may become involved in time-consuming litigation which could divert our management’s attention, consume significant management resources and result in significant legal costs. If a claim is successful, we may also become liable for substantial damages for infringement and may be restricted from using the “青田” trademark when marketing our brand.

If we are unable to defend our use of our registered trademarks, other competitors may be able to imitate our products and erode or negate any competitive advantage we may have in terms of our brand and reputation, and this could harm our business and profitability.

### **Any non-compliance with the anti-bribery and anti-corruption laws by our employees or parties who have a business relationship with us may materially and adversely affect our business operations**

During the Track Record Period, our customers included PRC governmental departments and state-owned financial institutions and entities and revenue generated from them represented approximately 75.1%, 77.3% and 58.2% of our revenue on a combined basis for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively.

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We are subject to relevant PRC laws and regulations relating to anti-bribery and anti-corruption which generally prohibit (i) companies from making improper payments to public officials to obtain and/or retain business; and (ii) governmental department and state-owned financial institutions and entities from soliciting or accepting payments or gifts from companies. We are also governed by the anti-bribery provisions provided in the Bidding Law of the PRC and the Public Procurement Law of the PRC when we obtain our contracts through public tender.

While our relevant customers who are PRC government departments or state-owned financial institutions and entities may have established procurement and/or tendering procedures and processes, we are subject to the risk that they may violate the relevant PRC laws and regulations and engage in bribery, corruption and fraudulent activities. Further, we are unable to assure you that we will be able to identify and prevent acts of corruption committed by our staff. If our staff are found to have violated PRC anti-bribery or anti-corruption laws and regulations, we could be deemed responsible for their actions which may subject us and the relevant staff to investigations, fines, lawsuits, damage to our reputation as well as risk of business and other licences. Any such violations may also lead to void or invalidation of the relevant customer orders. All these could have a material adverse effect on our business, financial condition and results of operations.

### **We may be compelled to make housing provident fund contributions which we failed to pay to our employees in the past and such payment may adversely affect our financial condition**

As advised by our PRC Legal Advisers, under the applicable PRC laws and regulations, our Group is required to apply for housing provident fund registration and contribute to housing provident fund payments for our employees. However, our Group had not fully contributed towards the housing provident fund for all our employees prior to December 2015, and may be ordered by PRC authorities to pay outstanding amounts especially if a complaint or report has been filed by the relevant employees. Further, the relevant employees may also take legal actions in respect of our failure to make sufficient contributions.

In the event that we are ordered by the relevant PRC authorities to pay the unpaid housing provident fund contributions to our employees, our financial condition and reputation may be adversely affected.

### **There can be no assurance that we will declare dividends in the future**

Our Group has not declared any dividends during the Track Record Period. As such, there is no reference or basis to determine the level of dividends that may be declared and paid to our Shareholders after the Listing. We cannot guarantee we will declare any dividends after the Listing.

The declaration, payment and amount of any future dividends are subject to the discretion of our Board and such declaration will be subject to consideration in respect of various factors including (i) our results of operations, financial conditions, future prospects, cash requirements; (ii) the provisions governing the declaration and distribution of dividends as contained in the Articles; (iii) compliance with applicable laws and other factors which our Board may determine are important. Accordingly, our historical dividend distributions at any given point of time after Listing may not be indicative of our future dividend distribution policy and potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined.

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### **The appraised value of our properties in the property valuation report may be different from the actual realisable value and is subject to change**

The appraised value of our properties contained in “Appendix III — Valuation report” prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, was based on multiple assumptions containing elements of subjectivity and uncertainty, including, that:

- the seller could sell the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could affect their values;
- the areas shown on the title documents and official site plans are correct;
- the properties are free from encumbrances or restrictions and outgoings of an onerous nature; and
- the suitability of the ground conditions and services for any development are satisfactory and that no unexpected cost and delay will be incurred during construction.

The assumptions adopted may prove to be inaccurate. As a result, the appraised value of our properties may differ materially from the price we could receive in an actual sale of the properties in the market and should not be taken as their actual realisable value or a forecast of their realisable value. Unforeseeable changes to our properties as well as national and local economic conditions may affect the value of these properties. You should not place undue reliance on such estimated value attributed to these properties.

### **RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE**

#### **Competition from existing industry players and new entrants in our target markets may harm our financial performance**

We face intense competition from over 1,000 office furniture manufacturers in the highly fragmented market in the Sichuan region where we operate, having approximately the same market share as other office furniture manufacturers in the same tier of market players in which we identify ourselves. Please refer to the “Industry Overview” section of this prospectus for further information. In addition, we face threats from expatriate brands which enter the market where we target our sales through their distribution networks in the PRC.

Some of our competitors are larger than us in terms of assets, manufacturing facilities, revenue and distribution networks and thus benefit from superior economies of scale and they may be able to devote more resources to the development, marketing and sales of their products. Some of our other competitors may have a longer operating history, better recognition and superior financial, technical, marketing and support resources, and may be able to deliver more innovative or quality services or products, penetrate the market more effectively, respond more quickly to market trends and changes in market demand and price their products more competitively than us. We also compete against new entrants to the office furniture industry who sell to our target markets, some of whom may be able and willing to invest significant resources in building their businesses, including by reducing prices to gain market share. In

## RISK FACTORS

the event that we are unable to maintain our competitiveness against both our existing competitors and new entrants, we may not be able to retain our present customers and/or secure new customers. This may materially reduce our revenue and profits.

In addition, the pricing of our products may be indirectly linked to those of our competitors. If our competitors reduce the prices of their products significantly to win customers through tender or direct sales, we may have to reduce the price of our products in order to maintain our competitiveness and this could have a material adverse effect on our revenue and profitability.

For details, please refer to the section headed “Business — Competition” in this prospectus.

### **We may not be able to keep up with the market trends and preferences of our customers**

Our Group’s ability to remain competitive in the office furniture industry is dependent on our ability to produce quality products which are reasonably and competitively priced and which satisfy our customers’ requirements and preferences.

Our customers’ requirements and preferences however may change over time. For example, they may attach more importance to the eco-friendliness of materials used in our products, or may require the integration of certain technologies which may enhance their use of our products.

We may not necessarily be able to identify changing market trends and shifts in customer preferences and we may not have the capability, expertise or resources to keep up with these trends and preferences even when they can be identified. The failure to adapt to evolving market trends and customer preferences may reduce our competitiveness in the market, which will adversely affect the sales of our products, our profitability and financial position.

### **RISKS RELATING TO THE PRC MARKET**

We only sell our products in the PRC and we do not export any of our products. The following are some material risks faced by our Group in supplying to the PRC market.

#### **We may be materially and negatively affected by a weak PRC economy**

The demand for our products is heavily dependent on the state of the PRC economy. In a slowing economy, the business prospects and growth of our customers may be materially hampered and our customers may become more cautious with their spending for the acquisition and/or replacement of office furniture. In an economic downturn, some of our customers may downsize their business or cease business operations altogether, in which case, they may not order any products from us.

According to the Frost & Sullivan Report, the per capita nominal GDP growth of the PRC is predicted to slow to a CAGR of 7.2% over the period from 2015 to 2020 from the CAGR of 10.1% from 2010 to 2015. Such slowing down of the PRC economy may adversely affect the demand for our products, our profitability and financial position, if the businesses of our customers are negatively affected as a result.

## **RISK FACTORS**

### **Changes in existing laws and regulations or additional or stricter laws and regulations on environmental protection in the PRC may cause us to incur additional capital expenditures**

Our operations in the PRC are subject to a wide range of PRC environmental laws and regulations, which regulate, among other things, the emission or discharge of pollutants or wastes into the soil, water or atmosphere.

Environmental laws and regulations in the PRC have generally become more stringent in recent years and could become even more stringent in the future. Our Group may in the future be required to obtain further licences before it is permitted to carry out certain activities. Some of these environmental laws and regulations could impose significant costs, expenses, penalties and liabilities on our Group for violations of existing conditions attached to our Group's licences, whether or not our Group caused or knew about them. Violations of such laws and regulations may result in civil penalties (such as fines and recovery of costs), remediation expenses, potential injunctions, prohibition orders and criminal penalties. Some environmental statutes impose strict liability, rendering a person liable for environmental damage regardless of negligence or fault. Compliance with, or damages or penalties for violating, current and future environmental laws and regulations could incur significant expenses, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Any tightening of the requirements prescribed by environmental laws and regulations in the PRC, or changes in the manner of interpretation or enforcement of such existing laws or regulations, could adversely impact our operations by increasing our compliance costs and potential liabilities in connection with such laws and regulations, including additional capital or operating expenditures, and in the event that we are unable to pass on such costs to our customers, we may suffer financial loss. In addition, it may place additional demands on our Group's liquidity and adversely affect our results of operations.

### **PRC regulations on loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of the Placing to make loans or additional capital contributions to our PRC subsidiary**

Any capital contributions or loans that we, as an offshore entity, would like to make to our PRC subsidiary, including from the proceeds of the Placing, are subject to PRC regulations. For example, any of our loans to our PRC subsidiary must be registered with SAFE or its local branches. Furthermore, our capital contributions to our PRC subsidiary must be approved by MOFCOM or its local branches. There is no assurance that we will be able to obtain these approvals and registrations. If we fail to obtain such approvals and registrations, we may not be able to make equity contributions or provide loans to our PRC subsidiary, which may adversely affect our PRC subsidiary's liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments.

### **Our Company is a holding company and relies on dividend payments from our PRC subsidiary**

We are a holding company and rely principally on dividends paid by our PRC subsidiary which carry out our operation to make dividend payments and other distributions in cash, pay expenses, service any debts incurred, and finance the needs of other subsidiaries. The ability of our PRC subsidiary to pay dividends or other distributions to us may be subject to its earnings, financial positions, cash requirements and availability, applicable laws, rules and regulations, and restrictions on making

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payments to our Company contained in financing or other agreements. If our PRC subsidiary incurs debt in its own name in the future, the instruments or agreements governing the debt may restrict it from declaring dividends or making other distributions to us, which could in turn restrict our ability to fund our business operations and to pay dividends to our Shareholders. Our Company's future declaration of dividends may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiary only out of its accumulated retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC subsidiary is required to set aside a certain percentage of its after tax profits based on PRC accounting standards to their statutory reserves in accordance with the requirements of relevant PRC laws and provisions in its articles of associations. As a result, our PRC subsidiary may be restricted in its ability to transfer a portion of its net income to us whether in the form of dividends, loans or advances. These restrictions and requirements could reduce the amount of distributions that we receive from our subsidiaries, which would restrict our ability to fund our operations, generate income, pay dividends and service our indebtedness. Moreover, these limitations on the flow of funds between and amongst us and our PRC subsidiary could restrict our ability to respond to changing market conditions or appropriately allocate funds to our PRC subsidiary in a timely manner, or at all.

### **An outbreak of severe communicable disease in the PRC may adversely affect our operating results directly or indirectly**

The outbreak of any severe communicable disease in the PRC may have an adverse effect on the business sentiment and environment in the PRC, which in turn may have a material adverse impact on domestic consumption and the overall GDP growth of the PRC. Any slowdown in the growth of domestic consumption and the GDP may adversely affect our operations (as our customers may become more cautious with their spending on office furniture if their business prospects and growth are hampered), which could affect our financial position and future prospects.

In addition, if any of our employees is affected by any severe communicable disease outbreak, we may be required to close our production facilities and quarantine the employees that have been suspected of becoming infected, as well as others that have come into contact with those employees to prevent the spread of the disease. We may also be required to disinfect our affected premises, which may also cause a temporary suspension of our manufacturing capacity, thus adversely affecting our operations. In such event, the disruption to our production could affect our financial condition and operational results.

### **Adverse changes in the economic, political and other policies of the PRC government could have a material and adverse affect on our business, financial position and operations**

As all our business assets are located in the PRC and all our sales are made in China, we may be affected to a significant degree by changes to economic, political and legal developments in the PRC relevant to our business.

The PRC's economy differs from the economies of most developed countries in a number of aspects, including the extent of government intervention, level of infrastructure development, growth rate, control of foreign exchange and allocation of resources. In the past decades, the PRC government



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has undertaken reform measures in its economic and political systems, resulting in significant economic growth in the PRC. However, there is no assurance that the PRC government will continue to pursue such reforms or that all the reform measures implemented will be effective. Such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. We cannot predict the effect that the changes in the PRC's political, economic and social conditions will have on our future business or financial positions.

### **Uncertainties revolving around the PRC legal system may adversely affect our business, results of operations and the value of the Shares as well as limit the legal protections available to investors**

Our business and operations are primarily conducted in the PRC and are governed by the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which prior court decisions may be cited for reference but have limited weight as precedents. Since the 1970s, the PRC government has promulgated laws and regulations governing economic matters in general such as foreign investment, corporate organisation and governance, commerce, taxation and trade. As many of these laws, regulations and legal requirements are relatively new and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve greater uncertainties than those in other jurisdictions. In addition, the PRC legal system is based, in part, on government policies and administrative rules that may have a retroactive effect. These uncertainties may limit the legal protections available to us and to investors. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. Any changes to such laws and regulations may materially increase the compliance and regulatory costs that we may incur in complying with them. This may also result in a diversion of resources and management attention.

### **RISKS RELATING TO THE PLACING**

#### **Our financial performance and results of operations for the year ending 31 December 2016 will be affected by expenses in relation to the Listing**

The expenses in relation to the Listing (including underwriting commission) are expected to be approximately HK\$23.4 million (assuming a Placing Price of HK\$0.31 per Placing Share, being the mid-point of our indicative Placing Price range between HK\$0.29 and HK\$0.33 per Placing Share), of which (i) approximately HK\$10.8 million are directly attributable to the issue of Placing Shares under the Placing and are expected to be accounted for as a reduction from equity; and (ii) the remaining amount of approximately HK\$12.6 million has been charged to and reflected in the combined statements of profit or loss and other comprehensive income, of which approximately HK\$3.2 million and HK\$5.6 million were charged for the year ended 31 December 2015 and the eight months ended 31 August 2016 respectively and the remainder of approximately HK\$1.7 million and HK\$2.1 million is expected to be recognised in the remaining period in 2016 and the year ending 31 December 2017, respectively. These amounts are current estimates for reference only, and the actual amounts are subject to adjustments based on audit and changes in variables and assumptions. Nonetheless, we expect that the non-recurring Listing expenses (which represent approximately 144.7% of our Group's net profit for the year ended 31 December 2015) will materially affect our Group's financial performance and condition and results of operations for the year ending 31 December 2016, and may possibly result in a loss.

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### **An active trading market may not develop**

Prior to the Placing, there has not been a public market for our Shares. The Placing Price for the Placing Shares was the result of negotiations among our Company and the Sole Lead Manager (for itself and on behalf of the Underwriters). The Placing Price may differ significantly from the market price for the Shares following the Placing. Furthermore, there is no assurance that an active or liquid public market for our Shares will develop or be sustained if developed. An investor who purchases our Shares in the Placing may not be able to resell such Shares at or above the initial Placing Price. The market price of our Shares may decline below the initial Placing Price.

### **There has been no prior public market for our Shares, and the liquidity, market price and trading volume of the Shares may be volatile which may result in substantial losses for investors purchasing our Shares in Placing**

The market price of our Shares and trading volume of our Shares may be volatile. The market price and trading volume of our Shares may fluctuate significantly and rapidly as a result of the following factors, some of which are beyond our control:

- the variations in our revenue, earnings, results of operations and cash flows;
- announcement by us of joint ventures, significant acquisitions and strategic alliances;
- regulatory developments;
- industrial accidents suffered by our Group;
- involvement in litigation;
- addition or departure of key personnel;
- general economic and stock market conditions; and
- changes in securities analyst' estimates of our financial performance.

There is no assurance that such developments will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange but which were unrelated or did not fully correspond to the operating performance of related companies. They could also be adversely affected by factors beyond our control and unrelated to our business performance such as downturn of the global and PRC economy.

### **There may be a risk of dilution of the Shareholders' equity interests**

We may need to raise additional funds in the future to finance our business development or expansion. If the funds required are raised through issuing new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in the Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Placing Shares.

## RISK FACTORS

### **Exercising options under the Share Option Scheme may dilute or reduce shareholding of the Shareholders**

Our Company has conditionally adopted the Share Option Scheme. As at the Latest Practicable Date, no option was granted under the Share Option Scheme. Following grant of any options under the Share Option Scheme in the future and the issue of new Shares which may be granted under the Share Option Scheme upon exercise of the options, there will be an increase in the number of issued Shares. As such, there may be a dilution or reduction of shareholding of the Shareholders which may also result in a dilution or reduction of the earnings per Share or net asset value per Share.

In addition, the fair value of the options to be granted to employees of our Group under the Share Option Scheme will be charged to the combined statements of profit or loss and other comprehensive income of our Group over the vesting periods of such options. Accordingly, the financial conditions and results of operations of our Group may be adversely affected.

### **Future sales by existing Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares**

The Shares held by the Controlling Shareholders of our Group are subject to lock-up beginning on the date on which trading in our Group's Shares commences on GEM. While our Group is not aware of any intentions of its existing Shareholders to dispose of significant amounts of their Shares upon expiry of relevant lock-up periods, there is no assurance that the Controlling Shareholders will not dispose of the Shares held by them. Our Group cannot predict the effect, if any, of any future sales of the Shares by any substantial shareholder of our Company or Controlling Shareholder, or the availability of Shares for sale by any substantial Shareholder or Controlling Shareholder may have on the market price of the Shares. Sales of a substantial amount of Shares by any substantial Shareholder of our Company or Controlling Shareholder or the issuance of a substantial amount of new Shares by our Company, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of the Shares and could impair our future ability to raise capital through offering of our shares.

### **The interests of our Controlling Shareholders may not always coincide with our interests and those of our other shareholders**

Immediately following completion of the Placing and Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised and taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), Sun Universal and Mr. Ma will hold directly or indirectly (as applicable) approximately 36.62% of the issued share capital of our Company. Our Controlling Shareholders will be in a position which has significant influence over the operations and business strategy of our Company, and may have the ability to require us to effect corporate actions according to their own desires. If the interests of any of our Controlling Shareholders conflict with our and/or your interests, our Company or those other Shareholders, including you, may be adversely affected as a result.

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### **There may be difficulties in protecting your interests because our Company is incorporated under the Companies Law in the Cayman Islands**

Our corporate affairs are governed by, among other things, our Memorandum and Articles of Association and by the Companies Law and common law of the Cayman Islands. The law of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. Such differences may mean that our minority shareholders may have different protection than they would have under the laws of Hong Kong and other jurisdiction. For more details, please see the section headed “Summary of the constitution of our Company and Cayman Islands Company Law” in Appendix IV to this prospectus.

### **RISKS RELATING TO THIS PROSPECTUS**

#### **Risk of accuracy and completeness of information and statistics**

This prospectus, particularly the section headed “Industry overview” in this prospectus, contains information and statistics, including information relating to the PRC, PRC economy and the office furniture industry in the PRC. Such information and statistics have been extracted from various government official sources and publications and from a third party report commissioned by us. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. Nevertheless, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from various public or governmental sources used in this prospectus may not be consistent with other information available from other sources and therefore, these statistics and facts should not be unduly relied upon. In addition, these information and statistics have not yet been independently verified by our Company, the Sole Sponsor, the Sole Lead Manager, the Underwriters, any of their respective directors or any other party involved in the Placing and therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

#### **Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus**

There may have been coverage in the media regarding the Placing and our operations. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any of the information in press articles or other media coverage.

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**Forward-looking statements contained in this prospectus are subject to risks and uncertainties and therefore investors should not place undue reliance on such information**

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors and our Group. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. Any and all of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could also be incorrect. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section.

Subject to the GEM Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. 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 PLACING**

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### **UNDERWRITING AND INFORMATION ON THE PLACING**

This prospectus sets out the terms and conditions of the Placing.

This prospectus is published solely in connection with the Placing, which is sponsored by the Sole Sponsor and managed by the Sole Lead Manager and is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement).

Further information regarding the structure of the Placing, including its conditions, are set out in the section headed "Structure and conditions of the Placing".

Further information about the Underwriters and the underwriting arrangements is contained in the section headed "Underwriting" in this prospectus.

### **RESTRICTIONS ON SALE OF THE PLACING SHARES**

As at the Latest Practicable Date, no action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation. No invitation may be made to the public in the Cayman Islands to subscribe for or purchase any of the Placing Shares.

The Placing Shares are offered for subscription solely on the basis of the information contained, and the representations made in this prospectus. So far as the Placing is concerned, no person is authorised in connection with the Placing to give any information or to make any representations not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other persons or party involved in the Placing.

Neither the delivery of this prospectus or any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

The distribution of this prospectus and the offer and sale of the Placing 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.

Each person acquiring the Placing Shares will be required to confirm, and is deemed to have confirmed with our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters that he or she is aware of the restrictions on the placing of the Placing Shares described above and that he or she is not acquiring, and has not been offered, any such Shares in circumstances that contravenes any such restrictions.

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

### **DETERMINATION OF THE PLACING PRICE**

The Placing Price is expected to be fixed by the Price Determination Agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is currently scheduled to be on or about Friday, 13 January 2017 and, in any event, not later than Wednesday, 18 January 2017. For details, please refer to the section headed “Structure and Conditions of the Placing — Determination of the Placing Price” in this prospectus.

An announcement on the final Placing Price, the level of indication of interest in the Placing and the basis of allocation of the Placing Shares is expected to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.qtbj.com](http://www.qtbj.com) on or before Thursday, 19 January 2017.

### **APPLICATION FOR LISTING ON GEM**

Our Company has applied to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Placing and any new Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or options that may be granted under the Share Option Scheme and as otherwise described herein.

No part of our Company’s share or loan capital is listed or dealt in on any other stock exchange and, save as disclosed in the paragraph above, no such listing or permission to deal is being or proposed to be sought.

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment or transfer made in respect of any application or placing of the Placing Shares will be void if permission for the listing of, and dealing in, the Shares on GEM has been refused before the expiration of three weeks from the date of closing of the Placing or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of the Company must at all times be held by the public. A total of 268,000,000 Placing Shares representing 40% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Capitalisation Issue and the Placing, and upon Listing (without taking into account of any new Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or options that may be granted under the Share Option Scheme).

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors for the Placing Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder.

It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other persons or party involved in the Placing accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising any rights attached to them.

### **REGISTER OF MEMBERS AND STAMP DUTY**

The Shares may be registered on the principal share register in the Cayman Islands or on the branch share register of our Company in Hong Kong.

Our Company's principal share register will be maintained in the Cayman Islands by our Company's principal share registrar, Estera Trust (Cayman) Limited, and our Company's branch share register will be maintained in Hong Kong by our Hong Kong branch share registrar, Tricor Investor Services Limited.

All the Placing Shares will be registered on the branch register of our Company in Hong Kong and unless the Stock Exchange otherwise agrees, only Shares registered on our branch share register maintained in Hong Kong may be traded on GEM. Dealings in the Placing Shares registered on the branch share register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless our Board determines otherwise, dividends payable in HK\$ in respect of the Shares will be paid by cheque sent at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the registered address of that one whose name stands first in the register in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct.

### **STRUCTURE AND CONDITIONS OF THE PLACING**

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



## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM 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 on any other date as may be 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. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stock broker or other professional adviser.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on GEM are expected to commence on or about 20 January 2017. Shares will be traded in board lots of 8,000 shares each. The stock code of our Shares is 8370.

### **LANGUAGE**

If there are any inconsistencies between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

If there are any inconsistencies between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translation, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purposes only.

Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for reference only.

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

<b>DIRECTORS AND PARTIES INVOLVED IN THE PLACING</b>
--

**DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
<i>Executive Directors</i>		
Mr. Yi Cong (易聰)	No.1-21, Block 823 Weiyena Senlin Bieshu No. 1 Section 2, Mushan Road Shengli, Shuangliu District Chengdu, Sichuan PRC	Chinese
Mr. Liang Xing Jun (梁興軍)	Flat 4, 8/F, Unit 3, Block 22 No. 33 Ludao Road Wuhou District Chengdu, Sichuan PRC	Chinese
<i>Non-executive Director</i>		
Mr. Ma Gary Ming Fai (馬明輝)	House 113 Boulevard Deforet The Beverly Hills Sam Mum Tsai Road Tai Po, New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Chan Wing Kit (陳永傑)	Flat E, 22/F, Block 26 Laguna City Kwun Tong Hong Kong	Chinese
Ms. Cao Shao Mu (曹少慕)	Room 501, Unit 1, Block 10 Shangxin Garden, Xinghe Bay Panyu District Guangzhou, Guangdong PRC	Chinese
Mr. Kwok Sui Hung (郭瑞雄)	Flat D, 15/F, Tower 23, Laguna Verde Hung Hom, Kowloon Hong Kong	Chinese

For further details, please refer to the section headed “Directors and senior management” of this prospectus.

## DIRECTORS AND PARTIES INVOLVED IN THE PLACING

### PARTIES INVOLVED IN THE PLACING

**Sole Sponsor**

Convoy Capital Hong Kong Limited  
Rooms 1406–12, 14/F  
Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

**Sole Bookrunner**

CSL Securities Limited  
Rooms 1406–12, 14/F  
Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

**Sole Lead Manager**

CSL Securities Limited  
Rooms 1406–12, 14/F  
Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

**Underwriters**

CSL Securities Limited  
Rooms 1406–12, 14/F  
Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

Astrum Capital Management Limited  
Room 2704, 27/F  
Tower 1, Admiralty Centre  
18 Harcourt Road  
Admiralty  
Hong Kong

China Demeter Securities Limited  
3/F, Central 88  
88–98 Des Voeux Road Central  
Hong Kong

China Jianxin Financial Services Limited  
Room 907, 9/F  
Wing On Centre  
111 Connaught Road Central  
Sheung Wan  
Hong Kong

## DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Fordjoy Securities and Futures Limited  
Unit A1 & A2, 12/F  
Lippo Leighton Tower  
103 Leighton Road  
Causeway Bay  
Hong Kong

Jun Yang Securities Company Limited  
Unit 2103, 21/F  
Tower 1, Lippo Centre  
89 Queensway  
Admiralty  
Hong Kong

**Legal adviser to our Company  
as to Hong Kong law**

Guantao & Chow  
Suites 1604–6, 16/F  
ICBC Tower  
3 Garden Road  
Central  
Hong Kong

**Legal adviser to our Company  
as to PRC law**

Shu Jin Law Firm  
12/F, Taiping Finance Tower  
Yitian Road 6001  
Futian District  
Shenzhen  
China

**Legal adviser to our Company  
as to Cayman Islands law**

Appleby  
2206–19 Jardine House  
1 Connaught Place  
Central  
Hong Kong

**Legal adviser to the Sole Sponsor and the  
Underwriters as to Hong Kong law**

Charltons  
12th Floor, Dominion Centre  
43–59 Queen's Road East  
Hong Kong

**Legal adviser to the Sole Sponsor and the  
Underwriters as to PRC law**

Jingtian & Gongcheng  
31/F, One Aerospace Center  
No. 7 Xin Guang Hua Street  
Jinjiang District, Chengdu, Sichuan Province  
China

## DIRECTORS AND PARTIES INVOLVED IN THE PLACING

<b>Auditor and reporting accountant</b>	BDO Limited 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
<b>Internal control adviser</b>	Baker Tilly Hong Kong Risk Assurance Limited 2nd Floor 625 King's Road North Point Hong Kong
<b>Independent property valuer</b>	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6/F Three Pacific Place 1 Queen's Road East Hong Kong
<b>Independent industry consultant</b>	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Room 1014–1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai PRC

## CORPORATE INFORMATION

<b>Registered office</b>	Clifton House 75 Fort Street, P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
<b>Headquarters</b>	3/F, 222 Tianren Road Gaoxin District Chengdu City, Sichuan Province PRC
<b>Principal place of business in Hong Kong</b>	Level 12, China Minmetals Tower 79 Chatham Road South Tsim Sha Tsui, Kowloon Hong Kong
<b>Company's website address</b>	www.qtbgj.com <i>(information contained in this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Ms. Leung Yuk Yi (梁玉宜) (HKICPA) Flat F, 9/F, Block 3, The Avenue No. 200 Queen's Road East Wanchai Hong Kong
<b>Authorised representatives</b>	Mr. Yi Cong (易聰) No.1-21, Block 823 Weiyena Senlin Bieshu, No. 1 Section 2, Mushan Road Shengli, Shuangliu District Chengdu, Sichuan PRC  Ms. Leung Yuk Yi (梁玉宜) Flat F, 9/F, Block 3, The Avenue No. 200 Queen's Road East Wanchai Hong Kong

## CORPORATE INFORMATION

<b>Compliance officer</b>	Mr. Yi Cong (易聰) No.1-21, Block 823 Weiyena Senlin Bieshu, No. 1 Section 2, Mushan Road Shengli, Shuangliu District Chengdu, Sichuan PRC
<b>Audit Committee</b>	Mr. Chan Wing Kit (陳永傑) ( <i>Chairman</i> ) Ms. Cao Shao Mu (曹少慕) Mr. Kwok Sui Hung (郭瑞雄)
<b>Remuneration Committee</b>	Mr. Chan Wing Kit (陳永傑) ( <i>Chairman</i> ) Ms. Cao Shao Mu (曹少慕) Mr. Kwok Sui Hung (郭瑞雄)
<b>Nomination Committee</b>	Mr. Chan Wing Kit (陳永傑) ( <i>Chairman</i> ) Ms. Cao Shao Mu (曹少慕) Mr. Kwok Sui Hung (郭瑞雄)
<b>Compliance Adviser</b>	Convoy Capital Hong Kong Limited Rooms 1406-12, 14/F Nan Fung Tower 88 Connaught Road Central Central Hong Kong
<b>Principal share registrar and transfer office</b>	Estera Trust (Cayman) Limited Clifton House 75 Fort Street, P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

## CORPORATE INFORMATION

### Principal bankers

China Citic Bank (Jinxu Branch)  
No. 47 Renmin South Road (4th section)  
Chengdu, Sichuan  
PRC

China Minsheng Bank (Kehua Branch)  
No. 145 Kehua North Road (Annex 1)  
Chengdu, Sichuan  
PRC

China Construction Bank (Keji Branch)  
Chengdu High-tech Zone Business Centre  
Tianfu Avenue  
South Gaoxin District  
Chengdu, Sichuan  
PRC

China Construction Bank (Wenjiang Branch)  
No. 1 East Street  
Wenjiang District  
Chengdu, Sichuan  
PRC

Agricultural Bank of China (Chongqing branch)  
1st Floor  
No. 103 Xinhua Road  
Yuzhong District  
Chongqing  
PRC

Industrial and Commercial Bank of China  
(Jiuyanqiao Branch)  
No. 1 Kehua Road  
Chuanda Garden  
Wuhou District  
Chengdu, Sichuan  
PRC

Industrial and Commercial Bank of China  
(Zhiquan Branch)  
No. 103 Yihuan Road East (5th section)  
Jinjiang District  
Chengdu, Sichuan  
PRC



## INDUSTRY OVERVIEW

*We have extracted and derived the information and statistics in the section below, unless otherwise specified, from the report prepared by Frost & Sullivan, which was commissioned by us. We believe that the sources of such information are appropriate and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any other party involved in the Placing and no representation is given as to the accuracy or completeness of such information or statistics. The information and statistics may not be consistent with other information and statistics compiled within or outside Hong Kong and the information should not be relied upon in making, or refraining from making, any investment decision. Our Directors confirm that after making reasonable enquiries, there is no adverse change to the market information since the date of the commissioned report which may qualify, contradict or have an impact on the information in the section below.*

### SOURCES OF INFORMATION & RESEARCH METHODOLOGY

We have commissioned Frost & Sullivan, an Independent Third Party, to conduct market research and prepare a report entitled China's Furniture Market Study for a total sum of HK\$380,000. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training.

The market research process for this study has been undertaken through detailed primary research which involves discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected total market size was obtained from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.

Frost & Sullivan Report was compiled based on the assumptions below:

- China's economy is likely to maintain steady growth in the next decade;
- China's social, economic, and political environment is likely to remain stable in the forecast period; and
- market drivers like increasing wealth and consumption upgrade, continual urbanisation and the development of tertiary industry, enhancing manufacturing and innovation capability, and better regulated competitive environment and increasing industry concentration are likely to drive the growth of Sichuan's office furniture market.

Value and percentage figures in this report are all rounded. Figures may not add up to the respective totals owing to rounding. The base year is 2015. The historic period is from 2010 to 2014. The forecast period is from 2016 to 2020.

### OVERVIEW OF THE FURNITURE MARKET IN CHINA

China is the largest manufacturer and consumer of furniture products in the world.

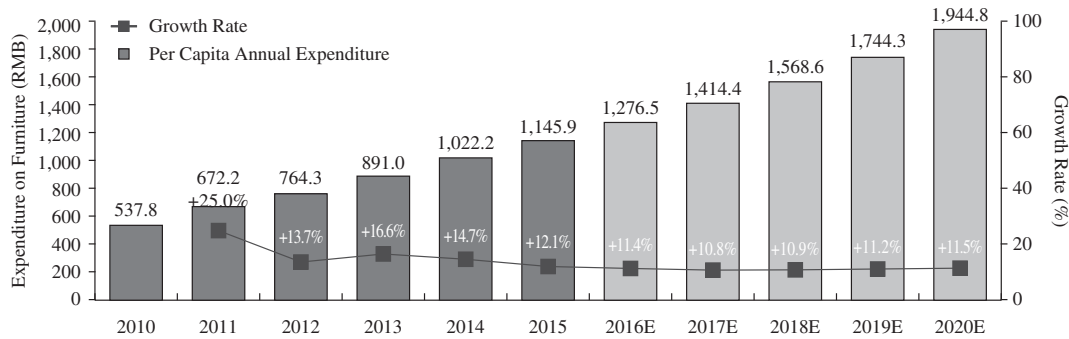
Besides China's large population base, demand in furniture products is supported by sustainable growth in the home furnishing market which is driven by:

- (i) economic growth in China which has led to increasing prosperity and accelerated urbanisation;
- (ii) general cycle of house and apartment refurbishment of approximately six to eight years; and
- (iii) increasing housing demand which is stimulated by many local government's ease on property restrictions and the establishment of affordable housing regimes.

## INDUSTRY OVERVIEW

As illustrated in the following graph, the per capita annual expenditure on furniture in China rose sharply over the last five years at a CAGR of 16.3%, and it is expected to continue to grow at a CAGR of 11.2% in the next five years with per capita annual expenditure on furniture in China expected to reach RMB1,944.8 million in 2020.

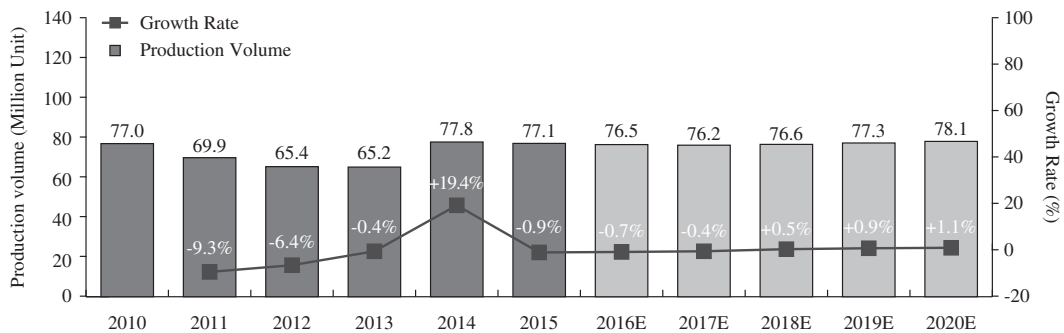
**Per capita annual expenditure on furniture in China, 2010–2020E**



Source: Frost & Sullivan analysis

Production volume of furniture in China on the other hand has been relatively stable in recent years where the production volume remained at approximately 77 million units annually over the period from 2010 to 2015. The production volume is expected to be maintained at a stable level going forward to meet the needs of new office furnishing and existing office refurbishment of customers.

**Production volume of furniture market (China), 2010–2020E**



Source:

1. Historical Data: National Bureau of Statistics of China
2. Forecast Data: Frost & Sullivan Analysis

As there is a direct correlation between customer spending on furniture and production volume (as furniture producers generally based their production on orders received), the stable development trend in production volume demonstrates that value growth of China's furniture market is expected to be primarily driven by consumption upgrade (i.e. consumers being willing to pay higher prices for better quality and experience from the use of products).

# INDUSTRY OVERVIEW

## OVERVIEW OF THE OFFICE FURNITURE MARKET IN CHINA

Office furniture products refer to furniture products intended for office use including office desk, office chairs, folding screens, filing and book cabinets, sofas and tables.

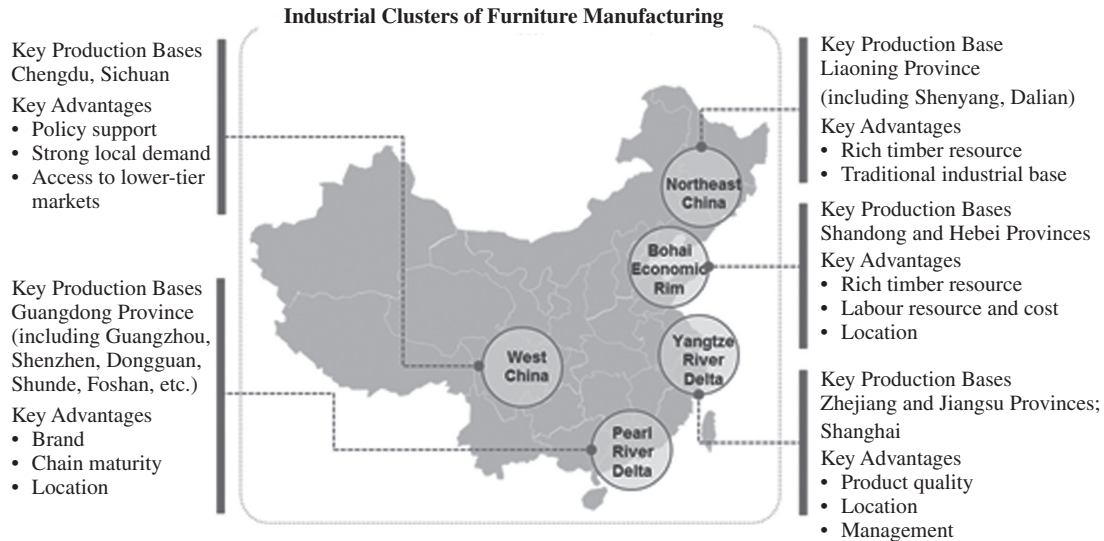
China's office furniture industry encompasses four key processes, namely:

- (i) upstream supply of raw materials (including solid wood, wooden panel, metal, plastics etc.) for furniture production;
- (ii) production of office furniture;
- (iii) distribution of office furniture through various methods including direct sales, competitive tenders, retail stores and home furnishing malls; and
- (iv) downstream consumption by public and private companies as well as government offices.

### China's major office furniture production bases

Production of office furniture in China is highly developed into five main geographical clusters, namely the Yangtze River Delta, Northeast China, West China, the Pearl River Delta and the Bohai Economic Rim.

### China's major office furniture production bases



Key production bases in the Pearl River Delta primarily refer to the Guangdong province (which includes Guangzhou, Shenzhen, Dongguan, Shunde and Foshan). Guangdong's mature industry chain and geographic advantages attracted many Hong Kong and Taiwan companies most of which have their own brands.

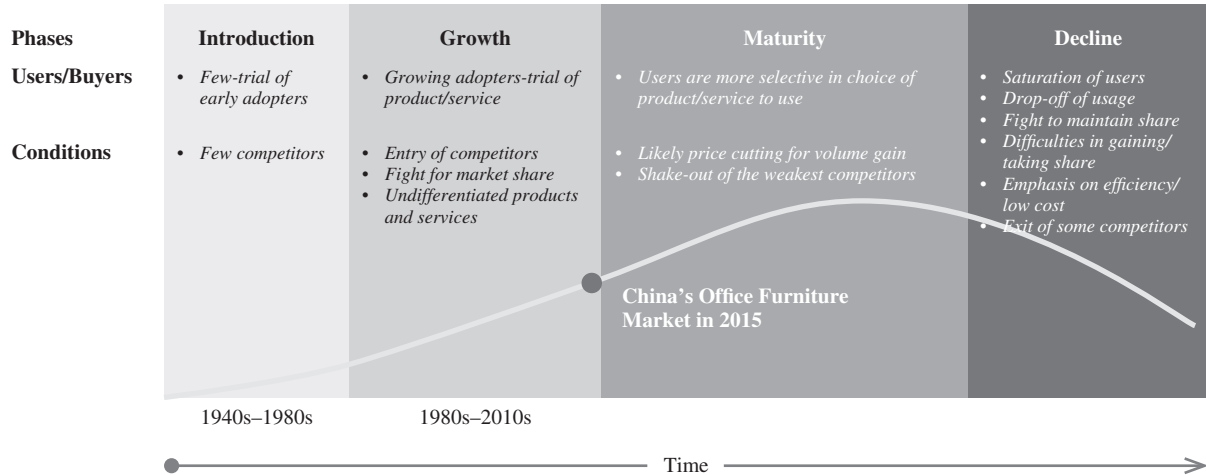
West China has also been rising in importance as a major office furniture production base, primarily owing to its promising prospect of local demand, which is supported by West China's strong economic development.

# INDUSTRY OVERVIEW

## Industry maturity of China's office furniture market

After decades of development, China's office furniture market is at the late growth stage in terms of industry life cycle and is approaching maturity, as illustrated in the chart below:

**China's Office Furniture Market, 2015**



At this stage of development, China's office furniture market is highly fragmented with a large number of local-based players whose scale of business is limited, and among these players the level of product differentiation in terms of product offerings and quality is relatively low. Nevertheless, as end users are becoming more selective and demanding when choosing their products, it is expected that players who possess competitive advantages in terms of quality, design and channel development are expected to strengthen their market position, resulting in the elimination of weaker players and the gradual increase in the level of concentration in market players as the market enters the maturity stage.

## Revenue generated by office furniture manufacturers in China

Demand for office furniture in China is linked to the level of disposable income as well as the living standards of the Chinese people which are in turn affected by the state of China's macro economy.

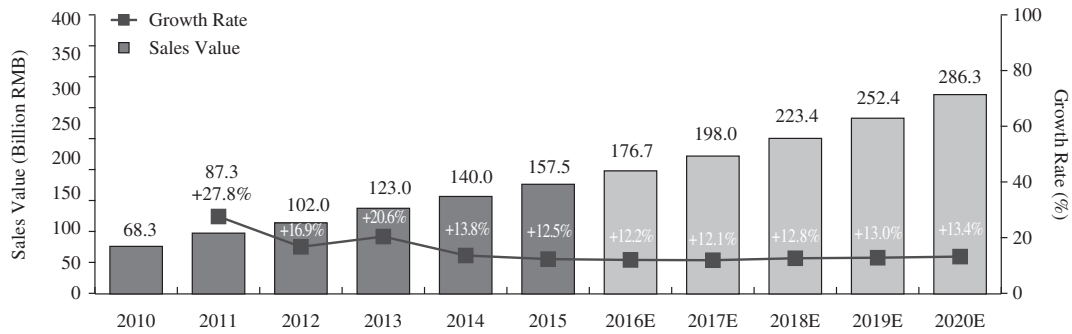
Over the past years, the Chinese economy has maintained solid growth (at CAGR of 10.6% from 2010 to 2015, with per capita nominal GDP increasing 10.1% to RMB49,351 over the same period) despite the world financial crisis, mainly attributable to effective stimulus policies which were implemented by the Chinese Government and accelerating urbanisation in the PRC. It is expected that the Chinese economy will keep growing at a CAGR of 7.8% from 2015 to 2020 (and the per capita nominal GDP to grow at a CAGR of 7.2% to RMB69,823 over the same period), according to the IMF, as China shifts from an investment-driven economy to a consumption-driven economy.

The rise in per capita nominal GDP in China has led to an increase in the level of disposable income as well as an improvement in the living standards of the Chinese people, and this has in turn led to an increase in demand for office furniture. China's furniture market grew at fast pace during the past years, with total sales value increasing (at a CAGR of 18.2%) from RMB68.3 billion in 2010 to RMB157.5 billion in 2015.

It is expected that the total market revenue of China's office furniture industry will continue growing at a relatively fast pace, and total market revenue is likely to reach RMB286.3 billion in 2020 based on a CAGR of 12.7%.

## INDUSTRY OVERVIEW

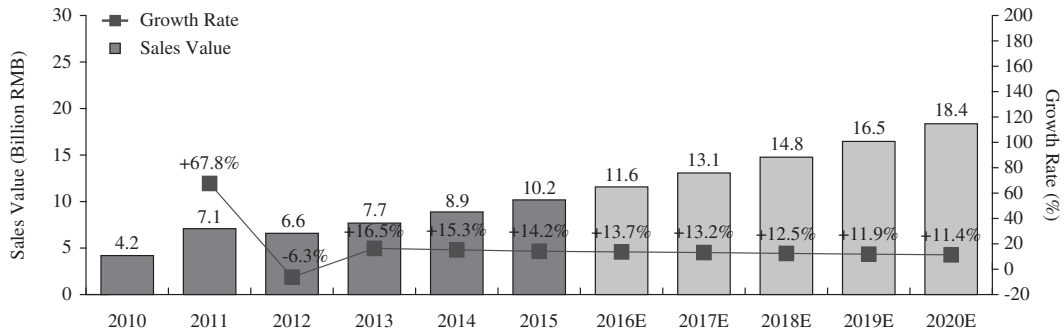
### Total revenue generated by office furniture manufacturers in China



Source: Frost & Sullivan Analysis

As Sichuan province has continued to be an important furniture production base in China and the PRC Government's initiatives to boost the economies of western provinces (resulting in increasing levels of disposable income of people in Sichuan), the Sichuan office furniture market is expected to continue to grow at a fast rate (at a CAGR of 12.5% in the next five years), as illustrated in the chart below:

### Total revenue generated by office furniture manufacturers in Sichuan province



Source: Frost & Sullivan Analysis

### Raw material price analysis for China's office furniture market

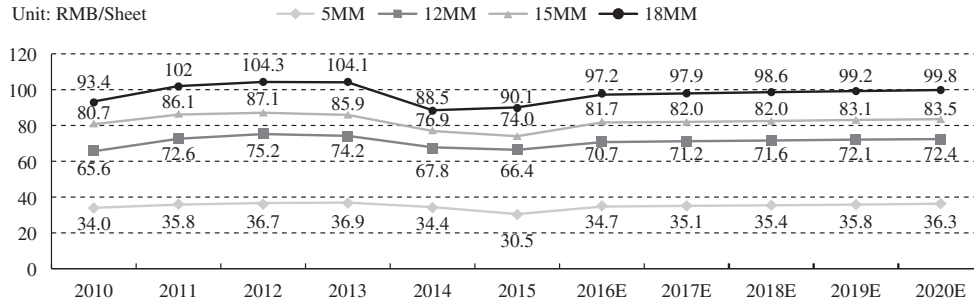
Medium-density fibreboard is the major raw material for office furniture manufacturing in China, the prices of which differ based on thickness. During the observation period, prices of 12mm, 15mm, and 18mm reached their peak values in 2012, while the price of 5mm reached peak value in 2013 before declining in the period therefrom until 2016. The average prices of 5 mm, 12 mm, 15 mm and 18 mm medium-density fibreboard per sheet were RMB30.5, RMB66.4, RMB74.0, and RMB90.1 respectively in 2015. In 2016, all selected thickness medium-density fibreboard observed rebound in prices, and the trend is expected to continue.

Panel manufacturers are key upstream suppliers of China's office furniture industry, and China's panel manufacturing industry is highly fragmented, with around 5000 of above scale manufacturers. Shandong, Jiangsu, Guangxi, Anhui, Henan, and Hebei are major provinces for panel manufacturing in China, which together account for approximately 60% to 70% of total panel production in China in terms of volume.

## INDUSTRY OVERVIEW

### Raw material price analysis for China's office furniture market

#### Price of Medium-Density Beaverboard\* (China), 2010–2016



Source: Frost & Sullivan Analysis

Note: \*Beaverboard refers to wooden fibreboard  
“E” denotes expected forecast figures

### Major drivers of growth in the office furniture market in China

The following are the major drivers of growth in the office furniture market in the PRC (especially in Sichuan province):

*(1) Increasing wealth and consumption upgrade*

Consumption upgrade, the trend whereby consumers become increasingly willing to pay higher prices for better quality and experience from the use of products, is expected to be a major driver of growth in the office furniture market in China, especially in Sichuan province. Continuing economic development and increasing wealth is expected to drive and enable end users of office furniture to opt for better quality, more user-friendly and higher performance products. From the supply side, such demand of end users is expected to be matched by increasing product diversity and development of quality and branded products. These two forces together are facilitating a consumption upgrade which drives the growth of the market.

*(2) Urbanisation and the development of tertiary industry*

China, especially West China with Sichuan province as a representative province, is expected to continue its economic development and urbanisation trends, which are likely to drive the demand for the decoration of new offices and the refurbishment of existing offices, supporting the growth of the office furniture market.

*(3) Enhancing manufacturing and innovation capability*

Office furniture manufacturers in China are experiencing a transition from one which is accustomed to imitating product designs and service models of developed economies to one which explores innovative solutions, based on accumulation of knowhow and experience as well as enhancement in amount of capital and other resources. Also, local manufacturers have started to adopt advanced branding and marketing schemes. Effectiveness gains from such strengthened innovation capability is expected to deliver long-term growth for the office furniture market in China.

## INDUSTRY OVERVIEW

### (4) Better regulatory and competitive environment

The office furniture market in China is relatively fragmented with a large number of small participants whose processes and materials are outdated and non-environmental. National and local governments have been introducing new and revised regulations which serve to eliminate these uncompetitive groups and create a better industrial environment for sustainable development of the industry.

Major drivers		Impact (1–2 years)	Impact (3–5 years)
1	Increasing wealth and consumption upgrade	High	High
2	Continual urbanisation and the development of tertiary industry	High	High
3	Enhancing manufacturing and innovation capability	Medium	High
4	Better regulated competitive environment	Medium	High

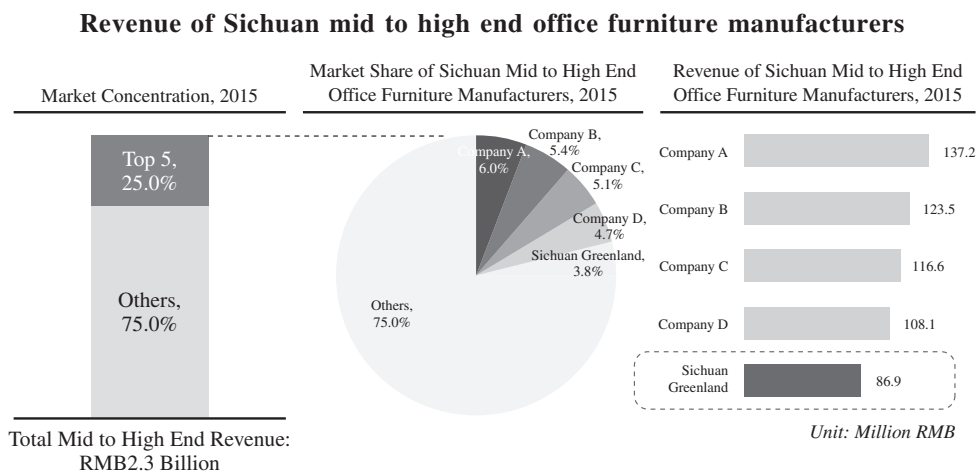
Source: Frost & Sullivan Analysis

### OVERVIEW OF COMPETITIVE LANDSCAPE OF MID TO HIGH END OFFICE FURNITURE MANUFACTURING IN SICHUAN

Sichuan Greenland is a manufacturer of mid to high end office furniture. A mid to high end office furniture manufacturer is one whereby (i) mid to high end furniture products in terms of quality make up over 60% of its revenues; (ii) its products are generally around 5 to 10% more expensive than mass market products, primarily justified by their better quality (in terms of such factors as quality of raw materials used, functional performance, design styles and durability); and (iii) it generally has in-house design capacity.

In terms of size of the mid to high end furniture market relative to the entire office furniture market, in 2015, mid to high end furniture manufacturers represented (i) around 30% of the market share of the office furniture market in China in terms of revenue; (ii) around 23% of the market share of the office furniture market in Sichuan province in terms of revenue. In Sichuan province, there are around 50 mid to high end office furniture manufacturers which operate at a gross profit margin of about 25 to 40%, whereas there are around 1,000 mass market office furniture manufacturers which operate at a gross profit margin of about 10 to 20%. Customer bases of mid to high office furniture manufacturers are usually less fragmented with long term cooperation with key clients such as large enterprises and government institutions, whereas mass market furniture manufacturers focuses mainly on retail sales.

### Competitive landscape of the mid to high end office furniture market in Sichuan province



Source: Frost & Sullivan Analysis

## INDUSTRY OVERVIEW

In 2015, total revenue of mid to high end office furniture manufacturers in Sichuan province reached approximately RMB2.3 billion, and the top five players took a combined share of 25.0%.

### *Ranking of our Group*

Company A and Company B ranked 1st and 2nd with total revenue amounting to approximately RMB137.2 and RMB123.5 million respectively, followed by Company C and Company D with total revenue amounting to approximately RMB116.6 million and RMB108.1 million respectively. Our Group ranked 5th with total revenue amounting to approximately RMB86.9 million, representing a 3.8% market share.

### *Profiles of key competitors and Sichuan Greenland*

The following table set out the profiles of our key competitors:

Headquarter	Company A	Company B	Company C	Company D	Sichuan Greenland
Year of establishment	1997	1995	1998	1997	1996
Mid to high end office furniture revenue (2015)	RMB137.2 million	RMB123.5 million	RMB116.6 million	RMB108.1 million	RMB86.9 million
Product category	Office desk, chair, table, folding screen, sofa, filing cabinet	Filing cabinet, office desk, sofa, chair, table	Office desk, filing cabinet, table, sofa, folding screen, pantry cabinet	Office desk and chair, conference table and chair, filing cabinet, folding screen, table, sofa	Office desk, chair, folding screen, sofa, table, filing cabinet, book cabinet
Geographical coverage	Southwest China, primarily Sichuan province	Southwest China, primarily Sichuan province	Southwest China	Sichuan province, Chongqing city	Southwest China, primarily Sichuan province
Major customer groups	<ul style="list-style-type: none"> <li>● Government offices</li> <li>● Private and public enterprises</li> </ul>	<ul style="list-style-type: none"> <li>● Government offices</li> <li>● Public enterprises and institutions</li> </ul>	<ul style="list-style-type: none"> <li>● Public enterprises and institutions</li> <li>● Private enterprises</li> </ul>	Primarily government offices and public institutions	<ul style="list-style-type: none"> <li>● PRC governmental departments</li> <li>● financial institutions (state-owned and private)</li> <li>● other entities (state-owned and private)</li> </ul>
Sales channel <i>(Note 1)</i>	80% Direct sales: 20% Distributor Sales	100% Direct sales	70% Direct sales: 30% Distributor Sales	80% Direct sales: 20% Distributor Sales	100% Direct sales

*Note 1:* For the purpose of the Frost & Sullivan's Report, sales by tender is categorised under direct sales.

The table above illustrates that the profiles of competitors of Sichuan Greenland are not materially different from that of Sichuan Greenland.

### **Product pricing of mid to high end office furniture**

The average selling price for mid to high end office furniture products is generally around 5% to 10% higher than mass market products of same category. For the forecast period from 2015 to 2020, the average prices of mid to high end office furniture are likely to continue increasing based on the general increasing trend of commodity price levels in the PRC, the trend of consumption upgrade for office furniture products among consumers in the PRC and the increasing environmental and quality standard that drive up the costs of production. The averages prices of mid to high end office furniture are forecasted to grow at a CAGR of around 5% to 8% from 2015 to 2020.



## INDUSTRY OVERVIEW

From 2014 to 2016, the average selling prices of all major categories of mid to high end office furniture in the PRC observed an upward trend, with a CAGR of around 4% to 6%. Our Group's average selling prices of each major category during the Track Record Period were similar to average selling prices of mid to high end office furniture of same category and comparable features, primarily materials and sizes in the PRC.

### **Future outlook of the office furniture market in China and the Sichuan province**

It is expected that the office furniture market in China and the Sichuan province will be affected by the following factors in the future:

*(1) Increase in demand for environmental friendly furniture*

As Chinese consumers are becoming increasingly aware of environmental issues, their increasing consciousness is expected to lead to an increase in demand for environmental friendly office furniture. Chinese consumers may opt for more eco-friendly office furniture (as an alternative to less eco-friendly office furniture) despite their higher costs as the disposal income of the Chinese people continues to rise. Meanwhile, the tightening of controls and improvements in the PRC regulatory framework regarding environment standard for office furniture manufacturing is expected to further support such trend.

*(2) Technological innovation*

Smart office is becoming an increasingly popular concept as with the proliferation of the internet and digital technology. Thus the integration of advanced digital technologies with office furniture is expected to be a key development trend for the office furniture market. Acceleration in such innovation is expected as more resources are being devoted by local manufacturers for the purpose of carrying out independent research (as the PRC office furniture manufacturing industry is undergoing a transition from one which is accustomed to imitating product designs and service models of developed economies to one which will innovate and develop original designs and business models).

*(3) West China Economic Development*

West China has been rising in importance as a major office furniture production base, primarily owing to its promising prospect in terms of local demand, which is supported by West China's strong economic development and policies which had led to rapid urbanisation and increase in income and wealth in the region. As part of West China, it is expected that production volume of furniture in the Sichuan province will grow at a much stronger rate than the rest of China during the period from 2015 to 2020.

### **Threats to the office furniture market in China and the Sichuan province**

Office furniture manufacturers in China and Sichuan province are faced with the following threats:

*(1) Government's promotion of frugality*

Since May 2011, the PRC Government has advocated for and introduced regulations designed to reduce administrative costs for government and public institutions. Such regulations explicitly prohibits government agencies from purchasing luxury items, goods or commodities above standards, as well as defines a frugal working style for the country's civil servants. To comply with such regulations, PRC state ministries and government offices have taken active measures to limit their expenditure on office furniture and equipment. Such calls for prudent spending by the PRC Government would favour manufacturers of mass market products with more economic pricing but would be a threat for mid to high end office furniture manufactures.

*(2) Expatriate brands*

Expatriate brands are continuing to penetrate the Chinese and Sichuan office furniture market, primarily through the distribution and selling their products through distributors in China. These market participants typically target customers which demand high end or premium office furniture. These expatriate brands poses a threat to local mid to high end office furniture manufacturers with whom they may be in direct competition with. However, some of these expatriate brands may be discouraged by the PRC Government's promotion of frugality as described in the preceding paragraph.

*(3) Substitutability of office furniture by household furniture*

Some office furniture may be substituted by household furniture, especially those with creative designs which may make them suitable for use in the office. While office furniture manufacturers continue to innovate and develop a wide range of products and designs to counter the effects of substitutability of household furniture, such substitutability still poses as a threat to office furniture manufacturers in China.

*(4) Price competition*

The Sichuan office furniture market is highly fragmented with a large number of local-based players whose scale of business is limited and the level of differentiation is fairly low. Nevertheless, the level of concentration is expected to gradually increase as the market continues to develop and mature. Competition among market participants are expected to intensify which will lead to a downward pressure on pricing whereby less competitive interest participants will be eliminated. This may potentially destabilise the highly concentrated office furniture market in the Sichuan province.

### **Entry barriers to the mid to high end office furniture market**

The following are the key entry barriers faced by new entrants to the mid to high end furniture market in Sichuan province:

*(1) Green barriers*

As explained in the previous section, there is an increasing demand for eco-friendly office furniture given the increasing awareness of Chinese consumers with environmental issues and the rise of their disposal income despite the higher price of eco-friendly office furniture. Major consumer groups of mid to high end office furniture include large enterprises and government offices which pay attention to whether their suppliers comply with environment or green standards

## INDUSTRY OVERVIEW

when evaluating their bids for their purchase orders. However, a commitment to manufacturing eco-friendly office furniture products would require committing substantive resources (including locating reliable eco-friendly suppliers and verifying their eco-friendly claims) and often the relevant sustainable raw materials are not available in the domestic market which increases costs of production. The amount of resources to keep up with such trend can be a challenge for new entrants.

### *(2) Reputation and customer network*

Reputation and track record are important factors that affect customers' choice over office furniture suppliers as customers generally prefer recognised manufacturers with a strong track record of delivering quality products to mitigate their risk exposure. While leading manufacturers of mid to high end office furniture manufacturers often have established and long-term cooperation with key customers such as large enterprises and governmental institutions, new entrants often do not have such customer network or long-term relationships, both of which take years of operations to build. Securing and maintaining customers may pose as a challenge for new entrants to the office furniture market for mid to high end office furniture.

### *(3) Capital investment*

New entrants to the mid to high end office furniture market need a high level of initial and operating investment, for establishment of a system that delivers quality products that meet expected standards of target customers of mid to high end office furniture. Specifically, new entrants need to have sufficient capital support for land, equipment, staff hiring, quality and system control, and continuous expenditure on quality raw materials. Therefore capital investment serves as an entry barrier to this market.

## PRC REGULATORY OVERVIEW

This section sets out a summary of certain aspects of the laws, rules, regulations, government policies and requirements, which are relevant to our Group's operations and business.

### LAWS AND REGULATIONS ON FOREIGN-OWNED ENTERPRISES

Our PRC subsidiaries are subject to laws and regulations relating to foreign-owned enterprises, which include the Foreign Investment Industrial Guidance Catalogue 《外商投資產業目錄》 and the Law of the People's Republic of China on Foreign-funded Enterprises 《中華人民共和國外資企業法》.

Pursuant to the Foreign Investment Industrial Guidance Catalogue 《外商投資產業目錄》(2015 amendment) promulgated on 10 March 2015 which came into effect on 10 April 2015, the business of our operating subsidiary, Sichuan Greenland, falls within industries in which investment by foreign enterprises is allowed.

Pursuant to the Law of the People's Republic of China on Foreign-funded Enterprises 《中華人民共和國外資企業法》 promulgated on 12 April 1986 and amended on 31 October 2000 and its rules for implementation promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014 respectively, a wholly foreign-owned enterprise is a legal entity with the capacity to bear civil liabilities, enjoy civil rights and to own, use and sell properties independently. The registered capital of a wholly foreign-owned enterprise must be contributed by foreign investors and the liability of a foreign investor is limited to the amount of the registered capital for which it agrees to subscribe.

### LAWS AND REGULATIONS RELATED TO QUALITY OF PRODUCTS

Our operating subsidiary, Sichuan Greenland, produces and sells office furniture, it is subject to the Product Quality Law of the PRC 《中華人民共和國產品質量法》.

Pursuant to the Product Quality Law of the PRC 《中華人民共和國產品質量法》 which was passed on 22 February 1993, became effective on 1 September 1993, and was amended on 8 July 2000 and 27 August 2009 respectively, producers are liable for the quality of the products they produce. It is prohibited to produce or sell products that do not meet the standards or requirements for safeguarding human health or constitute unreasonable threats to the safety of human life or property. For products which, if improperly used, may cause damage to the products per se or may constitute a threat to the safety of human life or property, such products or their packaging must be marked with warning marks or statements in Chinese. Where a defective product causes physical injury to a person or damage to his/her property, he/she may claim compensation against the producer or the seller of such product.

Where any person produces or sell products that do not comply with the relevant national or trade standards for safeguarding human health or constitute unreasonable threats to the safety of human life or property, the related authority will order the relevant producer or seller to suspend the production or sale of the relevant products, confiscate the products produced or for sale, and impose a fine in an amount of up to three times the value of the relevant products. Where illegal earnings were made or was involved, the relevant earnings will be confiscated accordingly. Where the breach of regulation is serious, the business licence of the relevant producer and seller may be revoked. Where the relevant activities constitute a crime, the offender may be prosecuted.

## PRC REGULATORY OVERVIEW

### LAWS AND REGULATIONS ON THE PROTECTION OF CONSUMERS' RIGHTS AND INTERESTS

We manufacture and sell office furniture and are subject to the Law of the PRC on Protection of Consumers' Rights and Interests 《中華人民共和國消費者權益保護法》.

Products of our operating subsidiary, Sichuan Greenland, manufactured within their scope of operation are subject to the Law of the PRC on Protection of Consumers' Rights and Interests 《中華人民共和國消費者權益保護法》, which became effective on 1 January 1994 and was amended on 25 October 2013, which became effective on 15 March 2014 and other related laws and regulations, which set out requirements for sellers which are aimed at safeguarding the personal safety and property of consumers. A seller who sells products which pose health and safety or property damage risks to consumers must disclose such risks and include a clear warning statement on the product (together with an explanation on the proper way to use the product and methods to mitigate relevant risks). In the event of personal injury or property damage to customers caused by product defects, the customers shall be entitled to claim for damages from the relevant producer or seller.

### LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

As pollutants are produced and discharged over our production process, our operations are subject to the PRC laws and regulations relating to environmental protection. Such laws and regulations include the Environmental Protection Law of the PRC 《中華人民共和國環境保護法》, the Law of the PRC on the Prevention and Control of Water Pollution 《中華人民共和國水污染防治法》, the Law of the PRC on the Prevention and Control of Atmospheric Pollution 《中華人民共和國大氣污染防治法》, the Law of the PRC on the Prevention and Control of Pollution From Environmental Noises 《中華人民共和國環境噪聲污染防治法》, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes 《中華人民共和國固體廢物污染環境防治法》, the Regulations on the Administration of Environmental Protection of Construction Projects 《建設項目環境保護管理條例》, and Administrative Regulations on Levy and Utilisation of Sewage Charge 《排污費徵收使用管理條例》 etc. These environmental protection laws and regulations govern a broad range of environmental matters, including air pollution, noise emission, and the discharge of waste water and solid wastes, etc.

Enterprises are required to comply with all the applicable national and local environmental laws and regulations. Pursuant to these environmental laws and regulations, all business operations that may cause environmental pollution and other public hazards must include environmental protection measures in their business plans as well as establish reliable systems and adopt effective measures to prevent the discharge of or control the level of environmental pollution and hazards (including exhaust fume, waste liquids, solid waste, dust, pungent gases, radioactive materials, noise, vibrations and electromagnetic radiations) which may be produced or discharged into the environment during the process of production, construction or other activities. Companies are also required to carry out an environmental impact assessment before commencing construction of production facilities and must also install pollution treatment facilities that meet the relevant environmental standards to treat pollutants before discharge.

Companies or enterprises causing environmental pollution and hazards are responsible for taking appropriate actions to remedy the hazards and consequences caused by such pollution, and for compensating any person who may suffer any loss or damage as a result. If a company is required by

## PRC REGULATORY OVERVIEW

authorities to restore the environment to its original state or improve the environment as affected by the pollution within the time limit specified by the authorities but fails to do so, it will be penalised, and its business licence may be revoked.

Pursuant to the Interim Provisions of Sichuan Province for the Administration of Pollutant Discharge Licence 《四川省排污許可證管理暫行辦法》, which became effective on 23 April 2013, enterprises which discharge pollutants must obtain a pollutant discharge licence and shall be supervised by the competent department of environmental protection.

### LAWS AND REGULATIONS ON HOUSE LEASING

Our leasing of properties in the PRC is subject to the Administrative Measures for Commodity House Leasing 《商品房屋租賃管理辦法》 which was promulgated on 1 December 2010 and became effective on 1 February 2011. Under these administrative measures, parties to house leasing shall, within 30 days after the conclusion of the house leasing contract, carry out house leasing registration at the construction (real estate) administrative department of the municipality city, city or county at the place where the leased house is located.

Where the registered contents relating to house leasing are required to be changed due to change in circumstances, or if the leasing contract is renewed or terminated, the relevant party(ies) shall, within 30 days, carry out house leasing modification, renewal or cancellation formalities with the relevant department where the leasing contract was originally registered.

The construction (real estate) administrative department of a municipality city, city or the county may order anyone violating the above regulations to rectify the breach within a prescribed time, and if an individual fails to do so, may impose a fine of up to RMB1,000 on him; and if an entity fails to do so, may impose a fine of up to RMB10,000 on it.

### LAWS AND REGULATIONS ON TRADEMARK

Our trademark registrations with the Trademark Office of the PRC are subject to the Trademark Law of the People's Republic of China 《中華人民共和國商標法》 and the Regulations for the Implementation of the Trademark Law of the PRC 《中華人民共和國商標法實施條例》.

Pursuant to the Trademark Law of the People's Republic of China 《中華人民共和國商標法》 which was promulgated on 23 August 1982 and revised on 22 February 1993, 27 October 2001 and 30 August 2013 respectively, and the Regulations for the Implementation of the Trademark Law of the PRC 《中華人民共和國商標法實施條例》 which was promulgated on 3 August 2002 and amended on 29 April 2014, any natural person, legal person, or organisation wishing to acquire the right to exclusively use a trademark in respect of certain goods or services in the course of business operations may apply to the Trademark Office for trademark registration.

The period of validity of a registered trademark shall be ten years, commencing from the date of approval of the registration. Where the registrant wishes to continue to use a registered trademark following the validity period of the trademark registration, the registrant may apply for renewal of the trademark registration by following the procedure prescribed by the relevant regulations within 12 months before the trademark's expiration date. Where the registrant fails to proceed with the renewal procedure within the said period, a grace period of six months may be granted.

## PRC REGULATORY OVERVIEW

To assign the ownership of a registered trademark, the assignor and assignee shall sign a transfer agreement and jointly submit an application to the Trademark Office. The assignment of a registered trademark will be published after it has been approved following which the assignee shall be entitled to enjoy the exclusive right to use the trademark.

A trademark registrant may, by signing a trademark licensing agreement, authorise other parties to use its registered trademark. Where a party grants a licence for other persons to use its registered trademark, it shall submit the relevant trademark licensing agreement to the Trademark Office for its record. The Trademark Office shall therefrom arrange the publication of such records. A trademark licence without recordation with the Trademark Office shall not be enforceable against any bona fide third party.

Violation of the aforementioned laws and regulations relating to trademark may result in the imposition of fines and/or confiscation and destruction of the infringing goods.

### LAWS AND REGULATIONS ON WORK SAFETY

Our production activities relating to the manufacturing of office furniture are subject to the Work Safety Law of the PRC 《中華人民共和國安全生產法》.

Pursuant to the Work Safety Law of the PRC 《中華人民共和國安全生產法》 which was promulgated on 29 June 2002, became effective on 1 November 2002 and was revised on 27 August 2009 and 31 August 2014 respectively which became effective on 1 December 2014, business entities shall meet the work safety conditions prescribed by this law and other relevant laws, administrative regulations, and national or industry standards. Business entities not meeting such conditions shall not be engaged in production and other business activities. Business entities shall provide their employees with work safety education and training to ensure that their employees (i) have necessary work safety knowledge; (ii) are familiar with the relevant work safety policies and rules and safe operating procedures; (iii) possess the safe operating skills for their respective posts; (iv) know the emergency response measures for accidents, and (v) are informed of their rights and obligations in terms of work safety. Employees failing to satisfactorily complete or pass relevant work safety education and training shall not be engaged in relevant posts. Special operation workers of a business entity must receive special training on safe operation as required by the State, and may take their posts only after obtaining a corresponding qualification.

To manufacture, market, transport, store, or use hazardous substances or dispose of hazardous waste, business entities must comply with relevant laws and regulations and national or industry standards, establish a special safety management system, adopt reliable safety measures, and be subject to the supervision and administration of the competent authorities according to the law.

A person who violates the Work Safety Law of the PRC may be ordered to take measures to rectify the breach within a prescribed time period, or may be fined, or ordered to suspend production or business or bear other administrative responsibilities. Further, the person-in-charge or the personnel directly responsible may be imposed with an administrative punishment or fine. If any crime has been committed, the offender may be liable to criminal liabilities.

## **PRC REGULATORY OVERVIEW**

### **LAWS AND REGULATIONS ON THE REGISTRATION OF APPLICATION OF SPECIAL EQUIPMENT**

According to the Regulations on Safety Supervision over Special Equipment 《特種設備安全監察條例》 which was promulgated on 11 March 2003 and became effective in 1 June 2003, revised by the State Council on 24 January 2009 and, became effective on 1 May 2009, the term “special equipment” means boilers, pressure vessels (including gas cylinders), pressure pipelines, elevators, lifting appliances, passenger ropeways, large amusement facilities, any special equipment and non-road vehicles, the misuse of which carries high risks or endangers human lives. Enterprises are required to register any special equipment with their local special equipment safety supervision and management department by no later than 30 days from the date they commence use of the relevant special equipment.

Pursuant to Measures for the Supervision and Management of the Operating Personnel of Special Equipment 《特種設備作業人員監督管理辦法》 which was issued on 10 January 2005 and became effective on 1 July 2005, and was amended on 3 May 2011 the amendments of which became effective on 1 July 2011, unless a special equipment operator has passed an examination and has obtained a special equipment operating personnel licence, he may not undertake responsibilities relating to the supervision of operation of special equipment.

### **LAWS AND REGULATIONS RELATING TO LABOUR RELATIONSHIP**

Our relationship with our employees is mainly governed by the PRC Labour Law 《中華人民共和國勞動法》, which became effective from 1 January 1995 and was revised on 27 August 2009, the PRC Labour Contract Law 《中華人民共和國勞動合同法》, which became effective on 1 January 2008 and was amended on 28 December 2012 and Regulations on the Implementation of the PRC Labour Contract Law 《中華人民共和國勞動合同法實施條例》 which was adopted on 18 September 2008.

The PRC Labour Contract Law and its implementation rules impose certain requirements in respect of human resources management which relate to, without limitation, the entering and termination of labour contracts with employees, remuneration and compensation payments to employees and the making of social insurance contributions. Such laws and its implementation also impose requirements relating to minimum wage, severance payment and non-fixed term employment contracts, and establish time limits for probation periods as well as the duration and the number of times that an employee can be placed on a fixed term employment contract.

### **LAWS AND REGULATIONS ON SOCIAL INSURANCES AND HOUSING PROVIDENT FUND**

Pursuant to the Social Insurance Law of the PRC 《中華人民共和國社會保險法》, which was issued on 28 October 2010 and became effective on 1 July 2011, and other relevant laws and regulations, enterprises and employees are both required to make contribution payments to the pension insurance, medical insurance, unemployment insurance of employees at a prescribed rate. At the same time, enterprises shall make contribution to provide employees with coverage for work-related injury insurance and maternity insurance.

Pursuant to Regulation on Administration of Housing Provident Funds 《住房公積金管理條例》, issued on 3 April 1999 and amended on 24 March 2002, enterprises must be registered with the local housing provident fund administration center when an enterprise employs a new worker or staff, the enterprise must register all payments and deposits of housing provident fund contributions for the



## **PRC REGULATORY OVERVIEW**

worker or staff within 30 days of such payments or deposits. The housing provident fund contributed by enterprises and employees in a year shall not be less than 5% of the average monthly wages paid or payable to the relevant employees in the previous year.

### **LAWS AND REGULATIONS RELATING TO TAXATION**

The PRC Enterprise Income Tax Law 《中華人民共和國企業所得稅法》 (the “**EIT Law**”) and Regulation on the Implementation of the PRC Enterprise Income Tax Law 《中華人民共和國企業所得稅法實施條例》, which both became effective on 1 January 2008, impose a uniform enterprise income tax rate of 25% on both domestic and foreign-invested enterprises.

Pursuant to the Provisional Regulations of the PRC on Value-Added Tax 《中華人民共和國增值稅暫行條例》 which was promulgated on 13 December 1993 and amended on 5 November 2008 which became effective on 1 January 2009, and Detailed Rule for the Implementation of the Provisional Regulations of the PRC on Value-Added Tax 《中華人民共和國增值稅暫行條例實施細則》, which was promulgated on 18 December 2008 and became effective on 1 January 2009, and was amended on 28 October 2011 which became effective on 1 November 2011, unless stated otherwise, value-added tax is chargeable on persons who sells or imports goods or provides processing, repairs and replacement services in the PRC at the rate of 17%.

### **LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE**

Pursuant to the PRC Administration Regulation of Foreign Exchange 《中華人民共和國外匯管理條例》, which was promulgated on 29 January 1996 and became effective on 1 April 2006, and amended on 14 January 1997 and 1 August 2008 respectively which became effective on 5 August 2008, conversion of Renminbi and remittance of the foreign currency outside the PRC for capital account items, such as direct equity investments, loans and repatriation of investment, are subject to the obtaining of prior approval from SAFE and/or one of its branches.

### **LAWS AND REGULATIONS RELATING TO MERGER AND ACQUISITIONS**

The Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors 《關於外國投資者併購境內企業的規定》 (the “**M&A Rules**”), which became effective on 8 September 2006 and was amended on 22 June 2009, applies to the acquisition of PRC enterprises by foreign investors. When a foreign investor merges with a domestic enterprise to establish a foreign-funded enterprise, such merger is subject to the approval of MOFCOM or one of its branches in accordance with the said provisions, and the enterprise must register the make modification or establishment with SAIC or one of its branches.

### **LAWS AND REGULATION IN RELATION TO DISTRIBUTION OF DIVIDENDS BY FOREIGN-INVESTED COMPANIES**

The principal regulation governing distribution of dividends of foreign invested companies include the Company Law of the PRC 《中華人民共和國公司法》, which was promulgated on 29 December 1993 and the newly revised version became effective on 1 March 2014, the Foreign-owned Enterprise Law of the PRC 《中華人民共和國外資企業法》 promulgated on 12 April 1986 and revised on 31 October 2000 and the Rules for the Implementation of the Foreign-owned Enterprise Law of the PRC 《中華人民共和國外資企業法實施細則》. Under these laws and regulations, foreign invested enterprises

## PRC REGULATORY OVERVIEW

in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign investment enterprises in China are required to allocate at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of their registered capital.

### LAWS AND REGULATIONS RELATING TO TIMBER OPERATIONS

Under the Forestry Law of the PRC 《中華人民共和國森林法》, Implementation Regulations of the Forestry Law of the PRC 《中華人民共和國森林法實施條例》 and Sichuan Greening Regulations 《四川省綠化條例》, we are required to obtain an approval from the competent forestry authority of the government at or above county level in respect of the carrying on of timber operation and processing activities.

Pursuant to the Forestry Law of the PRC 《中華人民共和國森林法》 which was promulgated on 20 September 1984 and amended on 29 April 1998, and Regulations on the Implementation of the Forestry Law of the PRC 《中華人民共和國森林法實施條例》, which was promulgated and became effective on 29 January 2000, and was amended on 8 January 2011 and 6 February 2016 respectively, any entity engaged in the processing of timber or related activities in forestry areas must obtain an approval from the forestry authority of the local government at the county level or above.

Certain provinces impose further requirements for granting permission to engage in the timber business within certain areas. Pursuant to Sichuan Greening Regulations 《四川省綠化條例》, which was adopted on 25 January 1992 and amended on 17 October 1997 and 30 March 2002 respectively, unlicensed processing of timber or bamboo is prohibited. Manufacturing enterprises and individuals processing timber and bamboo or using timber and bamboo as their main raw material shall possess timber and bamboo operation and processing licence.

### LAWS AND REGULATIONS RELATING TO PUBLIC PROCUREMENT

The procurement of our products by PRC government bodies is subject to the Public Procurement Law of the PRC 《中華人民共和國政府採購法》 and Implementation Regulations of the Public Procurement Law of PRC 《中華人民共和國政府採購法實施條例》.

Pursuant to the Public Procurement Law of the PRC 《中華人民共和國政府採購法》, which was issued on 29 June 2002, became effective on 1 January 2003 and amended on 31 August 2014 and Regulations on the Implementation of the Public Procurement Law of PRC 《中華人民共和國政府採購法實施條例》, which was promulgated on 30 January 2015 and became effective on 1 March 2015, the term “government procurement” refers to the procurement by State organs, public institutions or bodies of goods or services specified in a prescribed list or beyond a prescribed limit (in terms of monetary value) using public fiscal funds. All government procurement within such definition must undergo a public bidding and tendering process services listed on a prescribed lists.

The parties concerned in government procurements must not collude with each other to impair the lawful rights and interests of the state or the general public or other parties concerned, and may not interfere with the bidding of other suppliers of goods or service providers by any means.

## **PRC REGULATORY OVERVIEW**

Providers may not seek to win bids or conclude transactions by offering bribes to the procuring entity or agency, any member of the bid appraising committee, any member of the competitive negotiating group, any member of the inquiry group or by any unfair means.

Any provider who violates the relevant laws may be liable to a fine in the amount of not less than 0.5% but not more than 1% of the total procurement value and may be prohibited within one to three years, from participating in government procurement activities. Any illicit gain derived by improper means shall be confiscated by the relevant administrative department for industry and commerce, and if the circumstances are serious, its business licence may be revoked. If a crime is committed, it shall be investigated for criminal responsibility in accordance with the law.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### OVERVIEW

The history of our Group can be traced back to 1996 when Sichuan Greenland, our operating subsidiary, was established as a domestic company in Chengdu city, Sichuan Province, the PRC with the business scope to engage in the sale of, amongst others, furniture, kitchenware, decoration materials and construction materials. Mr. Yi, an executive Director and the chief executive officer of our Company, is one of the founders of Sichuan Greenland with 16.5% equity interest at the time it was established while the remaining equity interest was owned by two Independent Third Parties. Mr. Liang, one of our executive Directors and the head of our production department, was also with Sichuan Greenland since its establishment in 1996.

In the beginning, we were principally engaged in the trading of furniture, kitchenware, decoration materials and construction materials. In 2003, our business scope has been expanded to include the production of furniture. At present, our Group focuses on the manufacturing and sale of office furniture to customers within the PRC. Over the last two decades, we have established our reputation and brand and have received numerous product quality and brand related awards and recognitions (details of which are set out in the section headed “Business — Awards and recognitions” in this prospectus).

For further information in relation to our business, please refer to the section headed “Business” in this prospectus.

### BUSINESS DEVELOPMENT AND KEY MILESTONES

The following table summarises some key milestones of Sichuan Greenland’s development from its inception to the present:

- |      |   |
|------|---|
| 1996 | — Incorporated on 13 December 1996 and commenced trading business   |
| 2003 | — Expansion of business scope to cover production of furniture  |
| 2005 | — Obtained ISO9001:2008 certification (quality management system)   |
| 2006 | — Awarded “Grade AA Trusted Enterprise of Chengdu City in the Year 2006”* (2006年度成都市AA級守合同重信用企業) by Chengdu Administration for Industry & Commerce (成都市工商行政管理局)   |
| 2008 | — Obtained ISO14001:2004 certification (environmental management system)  |
| 2009 | — Completed construction of our factory, office complex and exhibition hall and commenced trial operation<br>— Recognised as “Top Ten Chengdu Office Furniture Enterprise”* (成都辦公家具十強企業)  |
| 2010 | — Established branch office in Chongqing city<br>— Recognised as “Celebrity Enterprise in terms of Brand, Quality and Service”* (品牌、品質、服務明星企業)<br>— Awarded “Top Ten Brand for Overall Proficiency in the Sichuan Furniture Industry”* (四川家具行業綜合實力十強品牌) |

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- 2011 — Recognised as “Highly Recommended Enterprise for Government Procurement of Office Furniture”\* (政府採購辦公傢俱重點推薦企業)
- Recognised as “Top Five Office Furniture Manufacturer”\* (辦公傢俱製造五強)
- 2012 — Recognised as “Most Competitive Government Selected Supplier for Office Furniture”\* (政府採購辦公傢俱最具競爭力企業)
- Became Chengdu City Office Furniture Model Enterprise with Quality Products and Credibility (成都市辦公傢俱行業質量誠信公約示範企業)
- 2013 — Our office furniture was listed in Sichuan’s local quality products catalogue\* (四川省地方名優產品推薦目錄)
- Recognised as “Top Ten Office Furniture Brand in Sichuan”\* (四川辦公家具十強品牌))
- 2014 — Recognised as “Most Influential Office Furniture Brand”\* (最具影響力辦公家具品牌)
- Recognised as “Users’ Most Trusted Office Furniture Brand”\* (最受用戶信賴辦公家具品牌)
- Awarded “Grade AAA Enterprise in terms of Quality, Brand and Services”\* (品質、品牌、服務AAA級企業)
- 2015 — Sichuan Greenland obtained OHSAS18001:2007 certification (occupational health and safety management system)
- Recognised as “Sichuan Government’s Reliable Supplier for Public Procurement”\* (四川政府採購誠信供應商)
- Our office furniture was listed in Sichuan’s local quality products catalogue\* (四川省地方名優產品推薦目錄)

For further details of the awards and recognitions received by our Group, please refer to the paragraph headed “Awards and recognitions” in the “Business” section of this prospectus.

### CORPORATE DEVELOPMENT

#### Sichuan Greenland

Sichuan Greenland (四川青田傢俱裝飾材料有限責任公司), our wholly-owned and major operating subsidiary, was incorporated as a company with limited liability in the PRC on 13 December 1996 with a registered capital of RMB3,000,000. At the time of incorporation, Sichuan Greenland was owned by Mr. Wang Jin (王晉), Mr. Tang Zhong (唐忠) and Mr. Yi as to 67%, 16.5% and 16.5% respectively. To the best knowledge of our Directors, Mr. Wang Jin and Mr. Tang Zhong are, as at the Latest Practicable Date, Independent Third Parties. Mr. Yi has confirmed that the acquisition of his initial equity stake in Sichuan Greenland when it was established was funded through his personal resources.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Over the years, Sichuan Greenland underwent a number of capital structure changes, including increase in registered and paid-up capital, change of equity holders and change of company name, the major changes of which are summarised as follows:

- On 14 May 2002, Mr. Yi sold his entire equity interest, being a 5% interest, in Sichuan Greenland at the consideration of RMB500,000 to an Independent Third Party and ceased to be a shareholder but remained to be the general manager of Sichuan Greenland. The consideration was agreed by the parties based on the then registered capital of Sichuan Greenland. Upon the completion of the share transfer, the entire registered capital of Sichuan Greenland in the amount of RMB10,000,000 was owned by three Independent Third Parties as to 90%, 5% and 5% respectively.
- On 9 October 2006, Ms. Li Yan Ling and Mr. Luo Jin Yao acquired a 10% and 42% equity interest, respectively in Sichuan Greenland from three of its then shareholders at a consideration of RMB1,000,000 and RMB4,200,000 respectively. The consideration was agreed by the parties based on the then registered capital of Sichuan Greenland. The remaining 48% equity interest in Sichuan Greenland was owned by an Independent Third Party.
- On 13 July 2007, Sichuan Greenland changed its name from Sichuan Greenland Furniture and Furnishings Company Limited (四川青田家俱裝飾材料有限公司) to Sichuan Greenland Furniture Co., Limited (四川青田家俱實業有限公司).
- On 3 July 2009, Mr. Luo Jin Yao acquired a further 48% equity interest in Sichuan Greenland from one of its then shareholders at a consideration of RMB9,600,000. The consideration was agreed by the parties based on the then registered capital of Sichuan Greenland. Upon the completion of the above share transfer, Sichuan Greenland was owned as to 10% and 90% by Ms. Li Yan Ling and Mr. Luo Jin Yao respectively.
- From June 2010 to September 2011, Sichuan Greenland underwent a series of capital increases, following which its registered capital was increased to RMB61,000,000.
- On 29 December 2014, Smart Raise HK acquired the entire interest in Sichuan Greenland from Ms. Li Yan Ling and Mr. Luo Jin Yao at a consideration of RMB61,000,000 in aggregate. The amount of consideration was agreed by the parties based on the registered capital of RMB61 million and the net asset value of Sichuan Greenland of approximately RMB60.66 million as at 30 June 2014. Taking into account (i) that the factory of Sichuan Greenland has been well set up on the existing location and the operation has been smooth over the years, (ii) the relocation cost and cost for refurbishing another production base, (iii) possible interruption on the operation of Sichuan Greenland, in particular, its production schedule, resulting in possible delay in product delivery to customers, and (iv) the uncertainty to locate another suitable location at a reasonable price to set up a new production base, it is considered not worthwhile to sell the property of Sichuan Greenland and relocate its existing production base. Hence, in determining the consideration, no account had been taken into in respect of the prevailing market value of our factory (including the land and the buildings erected thereon) in Chengdu City, Sichuan Province, as it was a

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

property for self-use only and not intended to be as an asset/investment held for sale. Upon the completion of the said share transfer, Sichuan Greenland became a wholly-owned subsidiary of Smart Raise HK and was converted into a wholly foreign-owned enterprise.

As a result of the Reorganisation, Sichuan Greenland became an indirect wholly-owned subsidiary of our Company. The principal business of the Sichuan Greenland is manufacturing and sale of office furniture in the PRC.

### Smart Raise BVI

Smart Raise BVI was incorporated as a company limited by shares in the BVI on 6 June 2014. It is an investment holding company.

As at the date of its incorporation, Smart Raise BVI was authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On 23 June 2014, one ordinary share of par value US\$1.00 in Smart Raise BVI was allotted and issued as fully paid to Mr. Ma and Smart Raise BVI was wholly owned by Mr. Ma.

On 30 September 2014, Smart Raise BVI allotted and issued 6,101, 499, 499, 1,450 and 1,450 ordinary shares of par value US\$1.00 each, credited as fully paid, to Mr. Ma, Oasis, Ms. Sum, Ms. Zhang and Mr. Yi Pengfei respectively, the consideration for the 1,450 and 1,450 shares held by Ms. Zhang and Mr. Yi Pengfei respectively are owed by them to Mr. Ma. Upon completion of the allotment and issue of shares, Smart Raise BVI is owned by Mr. Ma, Oasis, Ms. Sum, Ms. Zhang and Mr. Yi Pengfei as to 61.02%, 4.99%, 4.99%, 14.5% and 14.5% respectively.

The initial investment in Smart Raise BVI was approximately HK\$76 million, which was contributed by Mr. Ma, Oasis, Ms. Sum, Ms. Zhang and Mr. Yi Pengfei in the form of paid-up capital and shareholders' loans to Smart Raise BVI. Mr. Ma, Oasis and Ms. Sum made their respective portion of contribution with their respective own financial resources. Each of Ms. Zhang and Mr. Yi Pengfei made his/her portion of contribution by way of a loan of HK\$11,200,000 from Mr. Ma.

### *Pre-IPO Investment*

On 18 February 2016, Ms. Zhang acquired from Mr. Yi Pengfei his 14.5% interest in Smart Raise BVI and the shareholder's loan owed by Smart Raise BVI to Mr. Yi Pengfei in the sum of HK\$11,200,000 (the "**Shareholder's Loan**") and took up the debt due from Mr. Yi Pengfei to Mr. Ma in the sum of HK\$11,200,000 (the "**Debt**") as a family arrangement (the "**Pre-IPO Investment**"). Ms. Zhang is the mother of Mr. Yi Pengfei and the spouse of Mr. Yi. The following table sets out the summary of the Pre-IPO Investment:

— Name of investor	Ms. Zhang
— Subject of the sale and purchase agreement	14.5% shares in Smart Raise BVI and the Shareholder's Loan
— Date of investment	18 February 2016

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

—	Amount of consideration paid	US\$1.00 plus assumption of the Debt
—	Basis of determining the consideration	Not applicable. The Pre-IPO Investment was a family arrangement.
—	Date of completion and payment of consideration in full	18 February 2016
—	Cost per share paid ( <i>Note 1</i> )	HK\$7,724.14 (before the Capitalisation Issue) and HK\$0.19 (after the Capitalisation Issue).
—	Discount to the Placing Price	38.71% to the mid-point of our indicative Placing Price range of HK\$0.31 per Placing Share ( <i>Note 2</i> ).
—	Use of proceeds	Not applicable. The investment by Ms. Zhang was by way of purchasing the shares of Smart Raise BVI from Mr. Yi Pengfei.
—	Strategic benefits	Given that the Pre-IPO Investment was a family arrangement, it does not provide any strategic benefits to our Group.
—	Lock-up period	Nil
—	Approximate shareholding upon Listing ( <i>Note 3</i> )	8.70%

*Notes:*

- (1) As part of the Reorganisation, the interests held by Ms. Zhang in Smart Raise BVI was converted into the interest in our Company indirectly held through Brilliant Talent. Please refer to the paragraph headed “Reorganisation” in the section headed “History, reorganisation and corporation structure” of this prospectus”.
- (2) The consideration for the Pre-IPO Investment was nominal.
- (3) This percentage is derived based on a total of 58,290,000 Shares attributable to this 14.5% shareholding in Smart Raise BVI upon completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme).

Ms. Zhang is not entitled to any special rights or privileges or any guaranteed discount to the Placing Price in connection with her shareholding in Smart Raise BVI.

*Sponsor’s confirmation*

Given that (i) no special rights have been granted to Ms. Zhang in respect of the Pre-IPO Investment; (ii) the share transfer is a family arrangement between Mr. Yi Pengfei and Ms. Zhang and (iii) the consideration under the Pre-IPO Investment has been settled on 18 February 2016, which is more than 28 clear days before the date of the first submission of the first listing application form, the



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Sole Sponsor is of the view that the Pre-IPO Investment is in compliance with the guidance letters “Interim Guidance on Pre-IPO Investments” (HKEx-GL29-12) and “Guidance on Pre-IPO investments” (HKEx-GL43-12) issued by the Stock Exchange.

As at the Latest Practicable Date, Smart Raise BVI is owned by Mr. Ma, Oasis, Ms. Sum and Ms. Zhang as to 61.02%, 4.99%, 4.99% and 29.00% respectively, and the consideration for the 2,900 shares now held by Ms. Zhang are owed by her to Mr. Ma.

### **Smart Raise HK**

Smart Raise HK was incorporated in Hong Kong with limited liability on 23 June 2014. It is an investment holding company. Upon incorporation, one subscriber share was allotted and issued as fully paid to the initial subscriber, which was subsequently transferred to Smart Raise BVI. On the same date, Smart Raise HK allotted and issued 9,999 shares (credited as fully paid) to Smart Raise BVI, following which it became a wholly-owned subsidiary of Smart Raise BVI.

On 29 December 2014, Smart Raise HK acquired the entire equity interest of Sichuan Greenland from Mr. Luo Jin Yao and Ms. Li Yan Ling at a total consideration of RMB61,000,000.

### **Chengdu Yishishunda**

Chengdu Yishishunda was incorporated in the PRC as a wholly-owned subsidiary of Sichuan Greenland on 5 May 2016 with a registered capital of RMB1,000,000. Chengdu Yishishunda will engage in trading of items such as carpets, curtains and drapes, wallpaper, floorboards and panels. Our Directors do not expect Chengdu Yishishunda to generate material income or incur substantial expenses in the near future.

### **Our Company**

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 March 2016. On 18 April 2016, our Company changed its name from Smart Raise International Holdings Limited (智昇國際控股有限公司) to Zhi Sheng Group Holdings Limited (智昇集團控股有限公司). Please refer to the paragraph headed “A. Further information about our Company — 2. Changes in the share capital of our Company” in Appendix V to this prospectus for details of changes in the share capital of our Company.

Upon completion of the Reorganisation, our Company became the holding company of our Group on 19 December 2016, details of which are set out in the paragraph headed “Reorganisation” in this section. The principal business of our Company is investment holding.

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## REORGANISATION

In preparation for the Listing, we have carried out the Reorganisation which involved the following steps:

### 1. Incorporation of the Company

On 4 March 2016, our Company was incorporated as an exempted company with limited liability in the Cayman Islands, one subscriber Share was allotted and issued in nil paid form to the initial subscriber, which was subsequently transferred to Sun Universal on the same date.

On 9 December 2016, the Company issued and allotted 6,101, 499, 499 and 2,900 Shares in nil paid form to each of Sun Universal (a company wholly owned by Mr. Ma), Oasis (a company wholly owned by Mr. Man), Ms. Sum and Brilliant Talent (a company wholly owned by Ms. Zhang), respectively, such that after such issue and allotment (and together with the initial subscriber Share transferred to Sun Universal), the number of Shares and percentage shareholding of them were as follows:

Shareholder	No. of Shares Held (% shareholding)
Sun Universal	6,102 (61.02%)
Oasis	499 (4.99%)
Ms. Sum	499 (4.99%)
Brilliant Talent	2,900 (29%)

### 2. Capitalisation of shareholders' loans by Smart Raise BVI and Smart Raise HK

#### *Capitalisation of shareholders' loans of Smart Raise BVI*

On 19 December 2016, Mr. Ma, Oasis, Ms. Sum and Ms. Zhang (collectively, the “Ultimate Shareholders”) and Smart Raise BVI entered into a loan capitalisation agreement, pursuant to which the Ultimate Shareholders agreed to capitalise part of their respective non-interest bearing shareholders' loans previously granted to Smart Raise BVI in the total amount of approximately HK\$77,241,380 into shares of Smart Raise BVI by the issue and allotment to them of a total of 10,000 new ordinary shares of par value US\$1.00 each as follows:

Shareholders	Amount of shareholders' loan capitalised (HK\$)	Number of new shares issued to the Shareholder	Total number of shares held by Shareholder after capitalisation of loan (% shareholding)
Mr. Ma	47,132,690	6,102	12,204 (61.02%)
Oasis	3,854,345	499	998 (4.99%)
Ms. Sum	3,854,345	499	998 (4.99%)
Ms. Zhang	22,400,000	2,900	5,800 (29%)
Total	77,241,380	10,000	20,000 (100%)

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

After the aforesaid capitalisation of loans, the percentage interest held by each Ultimate Shareholder in Smart Raise BVI remained unchanged. The remaining shareholders' loans due from Smart Raise BVI to the Ultimate Shareholders currently in the aggregate amount of approximately HK\$15.4 million (of which an amount of HK\$12.5 million is due to Mr. Ma, approximately HK\$1.5 million due to Oasis and approximately HK\$1.5 million due to Ms. Sum) are expected to be repaid in full by Smart Raise BVI before the Listing using the Group's internal resources and facilities from financial institutions.

### *Capitalisation of shareholders' loans of Smart Raise HK*

On 19 December 2016, Smart Raise BVI and Smart Raise HK entered into a loan capitalisation agreement, pursuant to which Smart Raise BVI agreed to capitalise its entire non-interest bearing shareholder's loan in Smart Raise HK in the total amount of approximately HK\$76,077,308 into share capital of the Smart Raise HK by the issue and allotment to 10,000 shares to Smart Raise BVI.

After the aforesaid capitalisation of loan, Smart Raise HK remained 100% owned by Smart Raise BVI.

### **3. Acquisition of Smart Raise BVI**

On 19 December 2016, the Ultimate Shareholders, as vendors, Mr. Man as warrantor and the Company, as purchaser entered into a sale and purchase agreement, pursuant to which the Company acquired 61.02%, 4.99%, 4.99% and 29% shares of Smart Raise BVI representing all its issued shares in aggregate, from Mr. Ma, Oasis, Ms. Sum and Ms. Zhang respectively, at a consideration of HK\$24,500,000, which was determined with reference to the net asset value of Smart Raise BVI as at 31 August 2016. The consideration was satisfied by the Company crediting as fully paid at par the (i) 6,102 nil paid Shares held by Sun Universal (including one nil paid subscriber Share) with instruction from Mr. Ma; (ii) 499 nil paid Shares held by Oasis with instruction from Oasis; (iii) 499 nil paid Shares held by Ms. Sum with instruction from Ms. Sum; and (iv) 2,900 nil paid Shares held by Brilliant Talent with instruction from Ms. Zhang.

Upon the completion of the above acquisition on 19 December 2016, (i) Smart Raise BVI became a wholly-owned subsidiary of the Company; and (ii) the issued share capital of the Company was held as to 61.02%, 4.99%, 4.99% and 29% by Sun Universal, Oasis, Ms. Sum and Brilliant Talent respectively.

### **4. Capitalisation Issue**

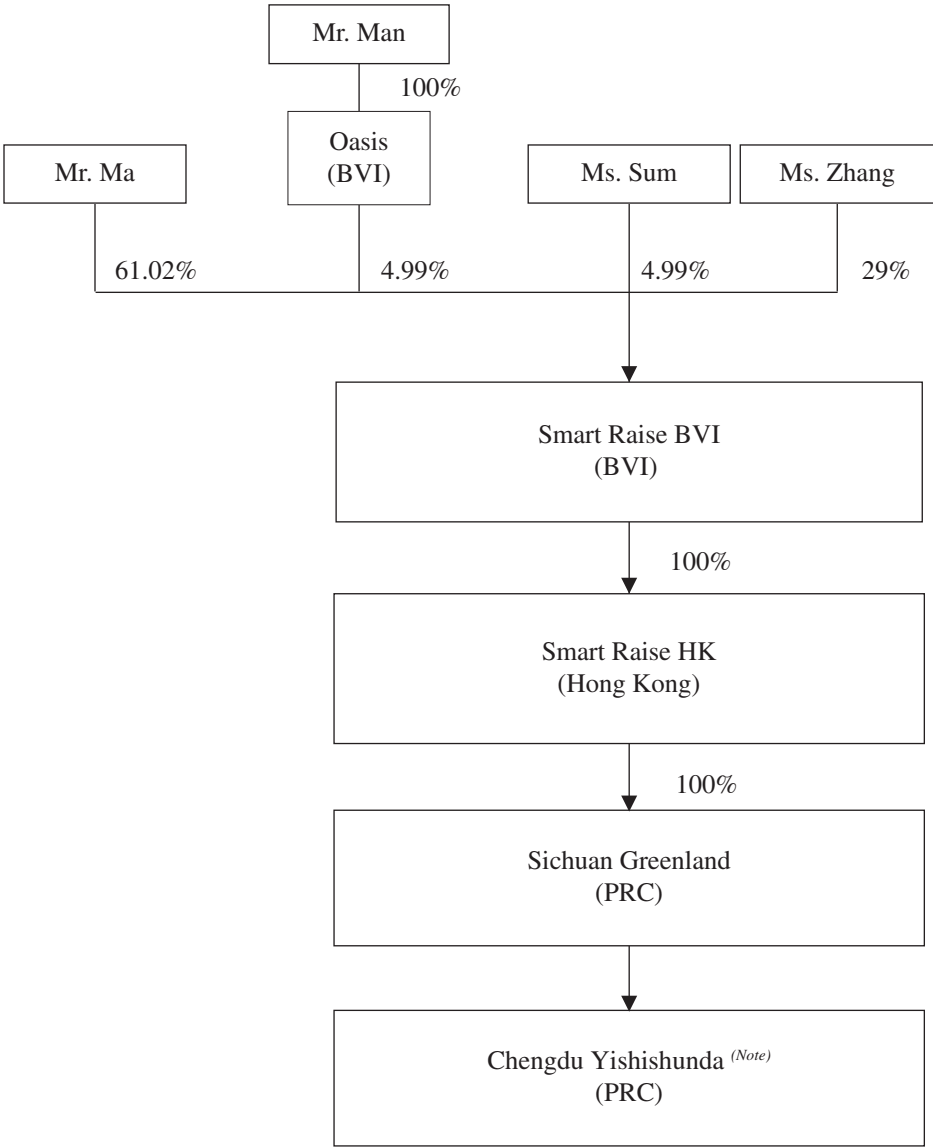
Pursuant to the resolutions of our Shareholders passed on 19 December 2016, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of allotment and issue of New Shares pursuant to the Placing, our Directors are authorised to allot and issue a total of 401,990,000 Shares credited as fully paid at par to the holder of Shares on the register of members or principal share register of our Company at the close of business on 19 December 2016 in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$4,019,900

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to the Capitalisation Issue shall carry the same rights in all respects with the existing issued Shares.

## GROUP STRUCTURE

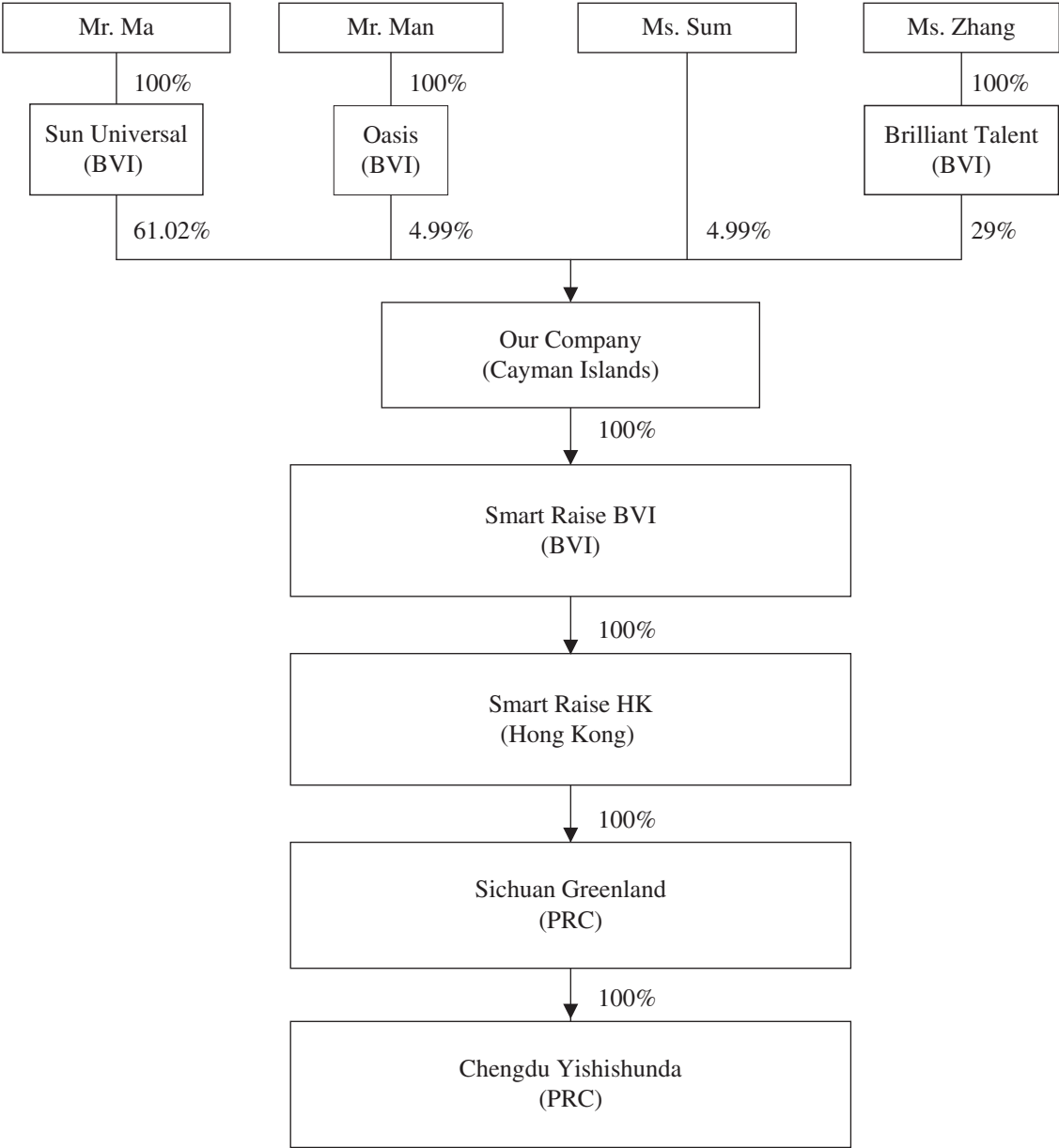
The following chart sets out the shareholding and corporate structure of our Group immediately before the Reorganisation:



*Note:* Chengdu Yishishunda, a wholly owned subsidiary of Sichuan Greenland, was incorporated in the PRC on 5 May 2016 after the incorporation of our Company but prior to the following Reorganisation steps. The incorporation of Chengdu Yishishunda did not form part of the Reorganisation.

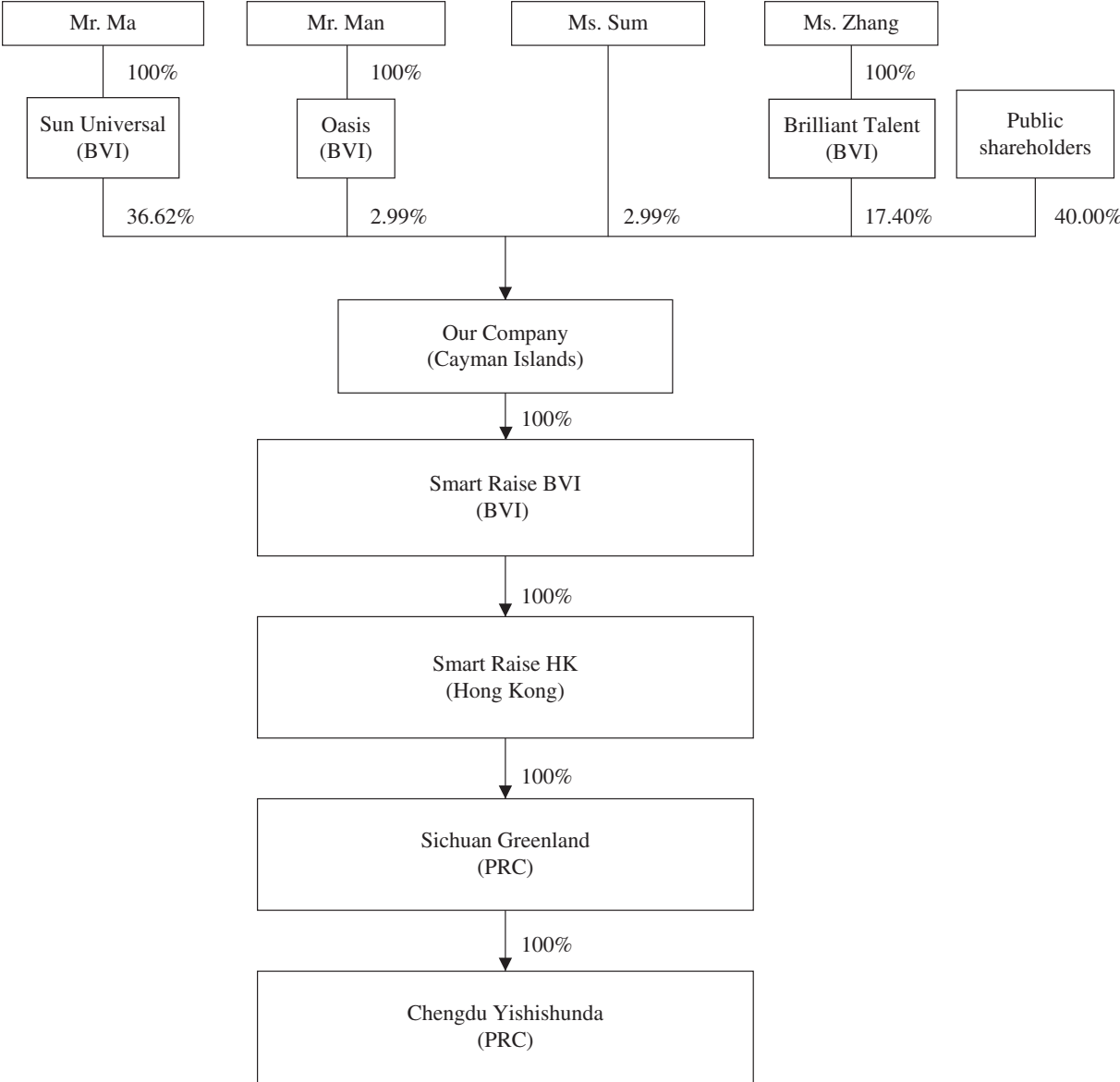
# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but before the Placing and the Capitalisation Issue:



# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately upon completion of the Placing and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme):



## PRC LEGAL COMPLIANCE

### Foreign exchange

SAFE issued the “Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles” (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (“**Circular No. 37**”), effective on 14 July 2014, which replaced the previous Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles. Circular No. 37 requires PRC residents (including PRC individuals and institutions) to register with SAFE or its local branches in connection with their direct establishment or indirect control of an offshore entity for the purpose of investment and financing, its legally owned assets or equity interests in domestic enterprises or offshore assets or interests. Such offshore entity is referred to as an offshore special purpose vehicle. In addition, such PRC residents must update their foreign exchange registrations with SAFE when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

When Smart Raise HK acquired Sichuan Greenland in December 2014, the ultimate shareholders of Smart Raise HK were all natural persons, Mr. Ma, Mr. Man, Ms. Sum, Ms. Zhang and Mr. Yi Pengfei, amongst which Mr. Ma, Mr. Man and Ms. Sum were Hong Kong permanent residents and Ms. Zhang and Mr. Yi Pengfei were PRC residents. When the acquisition took place, Sichuan Greenland was owned by Ms. Li Yan Ling and Mr. Luo Jin Yao as to 10% and 90% respectively. Ms. Zhang and Mr. Yi Pengfei did not hold any asset or equity interest of Sichuan Greenland. Therefore, Ms. Zhang and Mr. Yi Pengfei were not required to perform registration under Circular No. 37. Further, as at the Latest Practicable Date up to Listing, Mr. Yi Pengfei did not hold any shares in the Company while Ms. Zhang was no longer a PRC resident.

### M&A Regulations

On 8 August 2006, six PRC governmental and regulatory agencies, including MOFCOM and CSRC, promulgated the “Regulations on the Acquisition of Domestic Enterprises by Foreign Investors” (關於外國投資者併購境內企業的規定) (“**M&A Regulations**”), which became effective on 8 September 2006 and was amended by MOFCOM in June 2009.

Article 11 of M&A Regulations provides that “where a domestic company, enterprise or natural person in China acquires an affiliated company in China in the name of an overseas company lawfully established or controlled by it, it shall obtain the approval of MOFCOM. The parties to the acquisition shall not evade such requirements through domestic investment by a foreign-invested enterprise or any other means.” Clause 1 of Article 39 of M&A Regulations provides that “a special purpose vehicle refers to an offshore company directly or indirectly controlled by a domestic company or natural person in China for the purpose of overseas listing of the shares of a domestic company beneficially owned by such company or person.” Clause 1 to Article 40 of M&A Regulations provides that “overseas listing of a special purpose vehicle shall be subject to approval from the securities regulatory authority of the State Council.”

## **HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

With respect to the acquisition of the entire equity interest of Sichuan Greenland by Smart Raise HK and the conversion of Sichuan Greenland into a wholly foreign-owned enterprise which took place on 29 December 2014, our PRC Legal Advisers have confirmed that such acquisition was approved by the Chengdu Investment Promotion Commission, a competent PRC government authority, and was in compliance with the applicable PRC law and regulations. As advised by our PRC Legal Advisers, (i) Mr. Ma (the ultimate Controlling Shareholder of our Company, Smart Raise BVI and Smart Raise HK) had no relationship with Sichuan Greenland when the aforementioned acquisition took place and neither Smart Raise HK nor Smart Raise BVI is a special purpose vehicle; and (ii) Smart Raise HK did not use equity as a means of payment for the acquisition of the entire equity interest of Sichuan Greenland. Therefore, the Listing shall not be subject to the approval of CSRC or other regulatory authorities of the PRC.



## **OVERVIEW OF OUR BUSINESS**

Founded in 1996, our Group manufactures and sells office furniture. We sell office furniture products to the domestic PRC market with a large proportion of our sales derived from Sichuan province, Chongqing city, Tibet Autonomous Region and Yunnan province. Our customers are mainly PRC governmental departments, financial institutions (state-owned and private) as well as other state-owned and private entities.

The entire production process of our products is carried out at our production facilities situated in the Wenjiang district of Chengdu city. Our production facilities comprise seven buildings with a gross area of approximately 33,218.98 sq.m. We also have a sales office in the Gaoxin district of Chengdu city and a branch office located in Chongqing city. Key raw materials used to manufacture our products include, *inter alia*, wooden panels (such as medium-density fibreboards), leather and cloth, metal hardware, glass and chemical substances (such as glue and paint), all of which are sourced from domestic PRC suppliers.


For the year ended 31 December 2015, our revenue on a combined basis amounted to approximately RMB86.9 million, representing an increase of approximately RMB10.1 million (or a 13.2% increase) from approximately RMB76.7 million for the year ended 31 December 2014.

For the eight months ended 31 August 2016, revenue amounted to approximately RMB72.2 million, representing an increase of approximately RMB6.0 million (or a 9.1% increase) from approximately RMB66.2 million for the eight months ended 31 August 2015.

## **OUR COMPETITIVE STRENGTHS**

We attribute the success of our business to our competitive strengths as follows:

### **Quality of our products is recognised by the PRC government and international certification organisations**

Most of our products are marketed and sold under our “” brand. Our Group strives to offer and supply high quality office furniture to our customers, and our Directors believe that our Group is a recognised and reputable supplier of office furniture in Sichuan province. According to the Frost & Sullivan Report, Sichuan Greenland ranked 5th (with a market share of 3.8%) among mid to high-end office furniture manufacturers and suppliers in Sichuan province in terms of revenue in 2015. The quality of our products is evident from the numerous awards which we have received over the years. In particular:

- (i) in 2015, Sichuan Greenland was certified by the Sichuan Provincial Economic and Information Commission (四川省經濟和信息化委員會) and the Chengdu Local Quality Products Taskforce\* (成都市扶持名優產品領導小組) as a recommended company offering quality products in Sichuan province and Chengdu city, respectively. In addition, Sichuan Greenland was recognised by the Sichuan Government Procurement Guidelines Editorial Board\* (四川省政府採購指南編委會) Sichuan Bidding Network\* (四川招投標網) as a Sichuan Government’s Reliable Supplier\* (四川政府採購誠信供應商); and

## BUSINESS

- (ii) in 2014, Sichuan Greenland was awarded User's Most Trusted Office Furniture Brand\* (最受用戶信賴辦公家具品牌) by the Chengdu Furniture Trade Association\* (成都市家具行業商會) and Grade AAA Enterprise in terms of Quality, Brand and Services\* (質量、品牌、服務AAA級企業) by the Furniture Industry Chamber of Commerce\* (家具行業商會). We have also obtained ISO9001:2008 certification.

For further details relating to awards our Group has obtained, please refer to the paragraph headed "Awards and recognitions" in this section for further details.

Our Directors attribute the above recognitions to our strong emphasis on product quality by implementing various quality control measures. We have a quality control team of five staff as at the Latest Practicable Date to monitor the production process from the procurement of raw materials to the inspection of finished products and the quality of our products. For further information regarding our quality control measures, please refer to the paragraph headed "Quality Control" in this section of this prospectus.

### **We offer custom-made office furniture and after-sales customer services**

We have the ability to produce office furniture which is tailored to suit the needs and requirements of our customers. For the same type of office furniture, different customers may have different requirements in terms of designs and features. We are capable of producing office furniture based on the specific designs and/or requirements of our customers.

To enhance the experience of our customers with our products, we have an after-sales services team of 14 staff under our sales department as at the Latest Practicable Date which is responsible for following up on customers' enquiries and the provision of maintenance and repair services to our customers. In respect of such after-sales services, it is our policy that: (i) products with serious quality issues must be recorded and reported to management; (ii) our after-sales services team should respond to maintenance requests within one working day; and (iii) maintenance and repair services would be made available to customers for a fee in respect of products which were damaged through the customers' own use but not due to product defect.

For more information regarding our after-sales services, please refer to the paragraph headed "Business operations — After-sales services, product returns and complaints handling" in this section of this prospectus.

### **We have experience and knowledge in dealing with PRC governmental departments and major financial institutions**

Our customers include PRC governmental departments and major financial institutions. Please refer to the paragraph headed "Customers" in this section of this prospectus for further details. Our Directors believe that our experience in dealing with these PRC governmental departments and major financial institutions in the PRC strengthens our brand image, which in turn assists our marketing and sales efforts. In particular, such credentials increase our competitiveness when participating in tenders or bids or in procuring and/or securing sales orders.

## BUSINESS

### **We have an experienced management team**

We have an experienced management team comprising members with years of experience in the furniture industry. Our team is led by Mr. Yi, our executive Director and one of the founders of Sichuan Greenland, who has over 19 years of experience in the business of manufacturing and sale of office furniture. He is responsible for overseeing the operation and strategic planning of our Group. Mr. Liang, another executive Director, has over 19 years of experience in the furniture industry and is responsible for leading and supervising the production of our products. Our Directors believe that the knowledge and experience of our senior management team in the office furniture manufacturing industry has played a significant role in the development of our Group over the years and to the success of our business to date. Our Directors believe that the financial results of our Group over the Track Record Period are attributable to the competence and experience of our Directors and senior management team. Please refer to the section headed “Directors and senior management” in this prospectus for further details of our Directors and senior management.

### **OUR BUSINESS STRATEGIES**

Prior to 2014, Sichuan Greenland did not have any particular business strategy. The main criterion for Sichuan Greenland in determining whether to participate in tenders of office furniture was primarily the possibility of successfully winning the tenders, rather than the profit margin or revenue which could be generated from these tenders. In around end of 2013, the management of Sichuan Greenland reviewed the business of Sichuan Greenland and was not satisfied with its performance including but not limited to its gross profit margin of approximately 14.5% in 2013. Due to the low gross profit margin in 2013, Sichuan Greenland changed its business strategy to focus on participating tenders relating to the supply of mid to high end furniture to enhance its growth and profitability by requiring staff to mainly participate in tenders with prospects of more than 20% gross profit margin from early 2014. This change in business strategy took place before, and was not a result of, the change in control in December 2014 when Mr. Ma, through Smart Raise HK, acquired Sichuan Greenland. Mr. Ma affirmed such new strategy after the change in control. After the change in strategy, office furniture remained as our major product. While our new and existing customers placed orders for office furniture of different specifications and thus the gross profit margin from different orders were different, we tended to accept orders from new and existing customers with a higher gross profit margin. Similarly, we participated in tenders offered by existing and new customers with a higher gross profit margin. Hence, there was a general increase in the average selling price of our key products over the Track Record Period. Sichuan Greenland Group also recorded an increase in gross profit margin from approximately 14.5% in 2013 to 25.0% in 2014 and further to approximately 28.0% in 2015 and the eight months ended 31 August 2016.

At present, our goal is to provide our customers with quality products and premium after-sales services through the implementation of stringent quality control policies and through the exercise of management control over the production process.

To achieve our goal with a view to safeguard our reputation and brand, we adopt the following business strategies:

#### **Observing market trends and adjusting our strategies to adapt accordingly**

One of our business strategies is to respond and adapt to market trends in the office furniture industry. Our Directors believe that it is essential for our Group to be able to adjust to changing market conditions. Our Directors believe that the market demand for different types of office furniture is affected by factors such as the PRC’s economic growth and customers’ shifting

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preferences (such as desire for integrating technology with office furniture). In response to such market trends, our Group has, for example, recently manufactured sofas with in-built electric sockets for charging electronic devices. Our Directors will strive to make a conscientious effort to stay up to date with market trends and to adjust the business strategy of our Group to meet market needs whenever necessary.

### **Renovation and refurbishment of our exhibition hall**

We have an exhibition hall in our Chengdu production facilities. In order to stay competitive in the market, we intend to renovate and refurbish our exhibition hall with a view to providing visitors and potential customers with an improved visual experience which may assist to better manage their expectations and increase their overall satisfaction. In particular, we intend to increase dedicated spaces at our exhibition hall which will serve as model office rooms for showcasing different interior designs and furniture arrangements. Our Directors believe this can improve the appeal of our products and result in a more favourable impression of the brand.

### **Expanding market presence in the PRC**

As at the Latest Practicable Date, our sales offices are based in Chengdu city and Chongqing city with a total of 70 staff. We aim to expand our market presence in the PRC and are seeking suitable locations to expand. Target locations that we are examining include Jiangsu province, Guangdong province, Beijing city and also other locations in the northwestern regions of the PRC, such as Gansu province, Xinjiang province, Qinghai province and the Ningxia Hui Autonomous Region. To expand our geographical reach and penetrate into these markets, we intend to enter into distributorship and agency arrangements for the distribution and sales of our products to expand our geographical coverage as well as reach out to new customers in these regions. To this end, we intend to recruit a new member to our sales department who will be dedicated to managing such distributorship and agency arrangements.

### **Acquiring new machinery and equipment**

According to the Frost & Sullivan Report:

- (i) our Group faces competition from other mid to high end office furniture manufacturers in the fragmented office furniture market in Sichuan province and such competition would likely lead to consolidation of the market in coming years as the industry approaches maturity in the industry life cycle; and
- (ii) growth in the office furniture market is currently primarily driven by urbanisation in the PRC as well as consumption upgrade (i.e. customers who are willing to acquire office furniture which are more technologically innovative and/or which are of better quality in terms of raw materials used, functional performance, design and durability) resulting from increase in disposal income levels of customers in the PRC.

As such, to remain competitive in the mid to high end office furniture industry (especially when bidding in competitive tenders), our Directors believe that it is important for us to ensure that we have the capability to produce high quality furniture which satisfies the requirements and

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demands of our customers to keep abreast and capitalise on the industry trend. To this end, we intend to acquire new machinery and equipment for our production base which will:

- (i) have broader functionality in terms of production processes and techniques involved, capable of producing a larger variety of products using more advanced production techniques that are able to meet the increasingly demanding requirements of designers and end-customers.

In particular, these machines and equipment would enable us to produce “sleek” and modern furniture with a more stylish and contemporary look and higher quality finish than those produced by existing machines and equipment. This is important for us to be able to catch up with the market trends.

- (ii) be more flexible, efficient and capable in meeting the technically demanding manufacturing process of mid to high end office furniture. For example, some of these machines and equipment are able to:
  - (a) complete several production processes which are previously carried out in separate machines, which will streamline the production process;
  - (b) reduce the amount of paint wasted over the painting process and improve the working environment through robotic automation;
  - (c) process different types and sizes of wooden panels at same time to increase efficiency; or
  - (d) carry out production processes with more precision, which will improve the quality of our products in terms of such aspects as uniformity of wooden surfaces, clarity of wood patterns and accuracy of hole drillings, connecting points and parts.
- (iii) be able to reduce the maintenance costs relating to our aged machinery and equipment. Despite the fact that these have been kept in good working condition through proper maintenance and are expected to have longer life span than the estimated useful life under our accounting policy, the costs of maintenance of these machinery and equipment are expected to inevitably increase over time.

Our Directors believe that the acquisition of new machinery and equipment would assist us to keep up with technological advances and stay competitive in the mid to high end office furniture manufacturing industry (in particular when participating in competitive tenders which is an important source of our revenues) as they would assist us in satisfying the higher expectations of our customers in terms of quality and product experience. This is also important to our plan to expand our market presence in the PRC and broaden our customer base.

While we have already identified target machinery and equipment we would like to purchase, we intend to commit to such acquisitions only upon the completion of (i) detailed market research relating to our existing markets and potential target markets (in terms of matters such as market

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trends as well as customer preferences and needs); and (ii) reorganisation of the layout at our production facilities; and (iii) carrying out of necessary rearrangements and training of staff to accommodate the introduction of the new machinery and equipment.

It is expected that the relevant acquisitions will be made from 2017 onwards. The acquisition cost of the new machinery and equipment is estimated to be approximately RMB13.5 million. The depreciation charge and maintenance cost per year of those new machinery and equipment are estimated to be approximately RMB1.3 million and RMB31,000 respectively.

### BUSINESS MODEL

We manufacture and sell office furniture to the domestic PRC market with a large proportion of our sales derived from Sichuan province, Chongqing city, Tibet Autonomous Region and Yunnan province. Based on the major raw materials used, our products can be classified broadly into two categories, namely:

- (i) wooden and hard furniture (including desks, filing cabinets and coffee tables); and
- (ii) upholstered furniture (including sofas and chairs).

Set out below is the breakdown of our revenue on a combined basis based on product categories over the Track Record Period:

	For the year ended 31 December				For the eight months ended 31 August			
	2014		2015		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)							
Wooden and hard furniture	51,653	67.3	56,205	64.7	42,089	63.6	47,286	65.5
Upholstered furniture	24,423	31.8	29,822	34.3	23,362	35.3	24,810	34.3
Others ( <i>Note</i> )	661	0.9	835	1.0	755	1.1	124	0.2
Total	<u>76,737</u>	<u>100.0</u>	<u>86,862</u>	<u>100.0</u>	<u>66,206</u>	<u>100.0</u>	<u>72,220</u>	<u>100.0</u>

*Note:* Others include assembly service fee and after-sales services fee charged by our Group relating to maintenance and/or repair of our products. Please refer to the paragraph headed “Business operations — After-sales services, product returns and complaints handling” in this section for further information.

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During the Track Record Period, our customers were mainly PRC governmental departments, financial institutions (state-owned and private) as well as other state-owned and private entities. Such customers are sourced and secured (through tendering and other sales efforts) by our sales team, which as at the Latest Practicable Date consists of 38 staff, working at our sales offices located at the Gaoxin district of Chengdu city and Chongqing city respectively. Set out below is the breakdown of our revenue on a combined basis generated through our sales offices over the Track Record Period:

	For the year ended 31 December				For the eight months ended 31 August			
	2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)							
Chengdu sales office	67,160	87.5	78,155	90.0	61,999	93.6	66,693	92.3
Chongqing sales office	<u>9,577</u>	<u>12.5</u>	<u>8,707</u>	<u>10.0</u>	<u>4,207</u>	<u>6.4</u>	<u>5,527</u>	<u>7.7</u>
Total	<u>76,737</u>	<u>100.0</u>	<u>86,862</u>	<u>100.0</u>	<u>66,206</u>	<u>100.0</u>	<u>72,220</u>	<u>100.0</u>

Set out below is the breakdown of our revenue on a combined basis by geographic region of our customers over the Track Record Period:

	For the year ended 31 December				For the eight months ended 31 August			
	2014		2015		2015		2016	
	% of total		% of total		% of total		% of total	
	Revenue	revenue	Revenue	revenue	Revenue	revenue	Revenue	revenue
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)							
Sichuan province	42,850	55.8	51,927	59.8	40,607	61.3	28,344	39.3
Chongqing city	15,898	20.7	15,125	17.4	10,118	15.3	9,435	13.1
Yunnan province	7,253	9.5	4,991	5.7	4,703	7.1	6,099	8.4
Guizhou province	1,134	1.5	6,049	7.0	5,354	8.1	1,911	2.7
Tibet Autonomous Region	6,859	8.9	3,990	4.6	3,705	5.6	9,129	12.6
Guangdong province	—	—	1,081	1.2	382	0.6	8,682	12.0
Others (Note)	<u>2,743</u>	<u>3.6</u>	<u>3,699</u>	<u>4.3</u>	<u>1,337</u>	<u>2.0</u>	<u>8,620</u>	<u>11.9</u>
Total	<u>76,737</u>	<u>100.0</u>	<u>86,862</u>	<u>100.0</u>	<u>66,206</u>	<u>100.0</u>	<u>72,220</u>	<u>100.0</u>

*Note:* These represent customers located in other provinces and cities in the PRC.

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Our customers are mainly sourced through either participation in the tendering process of customers or direct sales. The table below is the breakdown of our revenue (excluding revenue derived from assembly service fee and after-sales service fee) on a combined basis generated through these sources over the Track Record Period:

Source of customers	For the year ended 31 December				For the eight months ended 31 August			
	2014		2015		2015		2016	
	% of total		% of total		% of total		% of total	
	Revenue	revenue	Revenue	revenue	Revenue	revenue	Revenue	revenue
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)							
Tendering								
— Closed	31,518	41.1	32,565	37.5	22,747	34.3	18,536	25.7
— Open	29,706	38.7	39,842	45.9	34,938	52.8	35,241	48.8
Sub-total	61,224	79.8	72,407	83.4	57,685	87.1	53,777	74.5
Direct sales (Note 1)	14,852	19.3	13,620	15.6	7,766	11.8	18,319	25.3
Others (Note 2)	661	0.9	835	1.0	755	1.1	124	0.2
Total	<u>76,737</u>	<u>100.0</u>	<u>86,862</u>	<u>100.0</u>	<u>66,206</u>	<u>100.0</u>	<u>72,220</u>	<u>100.0</u>

Notes:

- Contracts or sales order requests that were secured through tendering are excluded in the calculation of the revenue derived from direct sales.
- Others include assembly service fee and after-sales services fee charged by our Group relating to maintenance and/or repair of our products. Please refer to the section headed “Business — Business operations — After-sales services, product returns and complaints handling” in this prospectus for further information.

### (i) Tendering

Some of our customers, including PRC governmental departments, financial institutions and PRC state-owned entities, may procure and acquire office furniture through tendering or bidding processes. We generally participate in two types of tenders, namely open tenders (whereby the tenders are open to any potential supplier) (“**open tenders**”) and tenders by invitation (whereby only selected suppliers are invited to participate in a tender) (“**closed tenders**”).

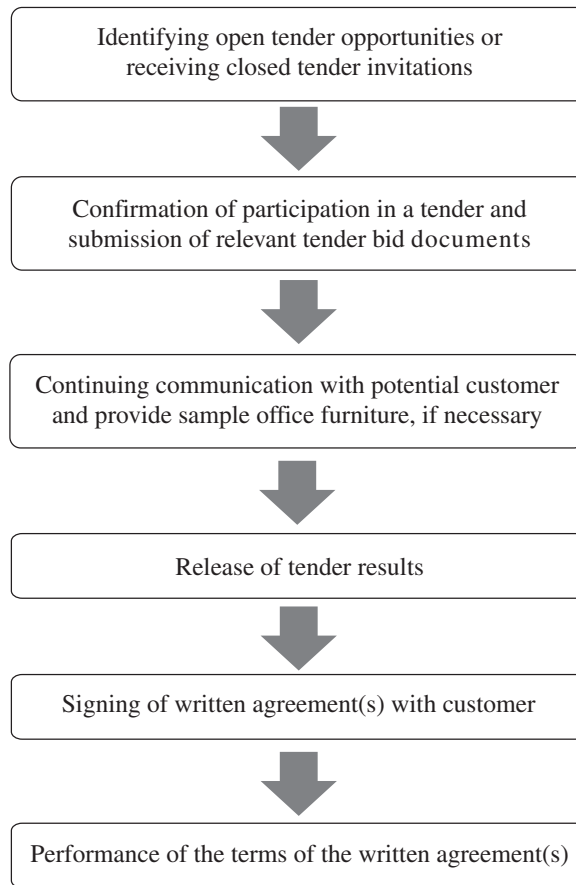
Our sales department is responsible for preparing and submitting bids for tenders (including open tenders and closed tenders) and carrying out further actions in accordance with such tender procedures as may be specified by the relevant customers. The tender documents prepared in support of a tender bid would typically set out corporate information relating to our Group, price quotation and product specifications, details of our production facilities and equipment, our quality commitment and assurance and such other information as may be requested by the relevant customer.

Upon winning a tender, the terms of supply to a customer will generally be formalised into written agreement(s) with the relevant customer (with reference to terms as set out in the tender documents) and we will then commence the production of products in accordance with the terms of the written agreement(s).



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The following illustrates the general process of a tender:



- *Identifying open tender opportunities or accepting closed tender invitations:* We may participate in open or closed tenders. Our sales department is responsible for identifying new open tender opportunities which may be published in various websites of PRC governmental departments and other media sources such as newspapers. Where customers adopt the practice of sending tender invitation letters to a limited number of suppliers, we may also be invited to participate in these closed tenders from time to time.
- *Confirmation of participation and submission of tender bid documents:* We will evaluate each open or closed tender opportunity made available to us and determine whether to participate in the tender. Once a decision has been made to bid for a tender, our sales department will prepare all necessary documentation in respect of the tender in accordance with the procedure and requirements as may be specified by the prospective customer.

Over the tendering process, our sales department will ensure that there are effective means by which the prospective customers may communicate their requirements and/or gain access to us, so that further information or samples that may be necessary for the prospective customer to evaluate our tender bid can be provided to them on a timely basis.

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- *Release of tender results and signing of agreements:* When we successfully win a tender, our terms of supply will be formalised in a written agreement. Following execution of such written agreement (and the payment of initial deposit, if applicable), product specifications will be forwarded to our production department for commencement of production and then delivery of products in accordance with the terms of the tender and written agreement.

For certain major financial institutions with many branch offices, their procurement office may enter into a framework agreement with us setting out the principal terms of supply. Individual branch offices may separately enter into written agreement(s) with us for the purchase of furniture products as per their individual needs.

As the tender requirements and specifications of each tender may differ, we do not use a standard form of supply agreement but rather the terms of each agreement (including such terms as price quotation, warranty period, payment method and schedule and consequence of default) may depend on the terms of the tender or negotiation with the customer. Some agreements may specify that the customer may withhold payment of a portion of the contract sum, as quality assurance deposit (which is typically 5% of the contract sum except in very limited circumstances where it may be 10% of the contract sum), until after the expiry of the quality assurance period.

### (ii) Direct sales

Some of our customers directly place purchase orders with our sales department. These customers may not require tendering as part of their procurement process, especially when they are not making a bulk order and/or where the size of the relevant order is not particularly large. Our sales department generally accept orders of any size.

Our practice is to enter into written agreements with our customers in respect of their purchase of furniture, setting out major terms including products, unit price, payment schedule, delivery arrangement and quality assurance. The terms of the agreements vary on a case-by-case basis. Typical terms are described below:

- *Payment schedule:* The payment schedule for each customer is negotiated and agreed with each customer on a case-by-case basis; in some instances, customers may be required to pay a portion of the contract sum as deposit upon signing of the agreement while the remainder amount would become payable in instalments and upon completion of delivery and assembly of our products to the satisfaction of the customer; further, as with tendering, some agreements may specify that the customer may withhold payment of a portion of the contract sum as quality assurance deposit (typically 5% of the contract sum except in very limited circumstances where it may be 10% of the contract sum), which shall be paid after the expiry of the quality assurance period (which is on average for a period of approximately 1.6 years).
- *Delivery and assembly:* We deliver our products to our customers and provide assembly services as may be requested by our customers.
- *Product warranty:* The product warranty period is the period following delivery of our products during which we are responsible for rectification of all defects in respect of the relevant products at our own expense. It would be different among chairs and other products;

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our products had a product warranty period ranging from one to fifteen years for the year ended 31 December 2014, one to ten years for the year ended 31 December 2015 and one to ten years for the eight months ended 31 August 2016.

- *Quality assurance:* Quality assurance period is the period following delivery or acceptance of our products during which our customers are entitled to withhold payment of part of the contract sum payable in respect of those products until expiry of such period. We also provide after-sales services; for further details, please refer to the section headed “After-sales services, product returns and complaints handling” below.

### **Marketing**

We do not rely on active marketing or advertising which targets the retail market or the general public as our customers are predominantly institutional or corporate customers which our Directors believe would base their procurement decisions on the reliability and capability of suppliers of office furniture. Our Directors consider that our relationship with existing customers and our expertise, experience and reputation in the furniture industry are our valuable attributes in securing customer orders. For tendering, our sales department is responsible for identifying new tendering opportunities through various media channels. For more information on tendering, please refer to the paragraph headed “Tendering” in this section.

Our sales department is responsible for maintaining our relationship with existing customers. Our Group strives to provide quality and reliable products to our customers in order to foster long-term relationships — to this end, our sales department is responsible for ensuring that our customers are satisfied with our services and maintaining effective communication channels for our existing customers to provide feedback to us. To incentivise our staff at the sales department to secure orders from prospective customers, sales staff will be rewarded for achieving sales targets (based on value of orders secured) pursuant to an incentive scheme which we have adopted.

### **Seasonality**

Our Directors confirm that there is no material seasonal fluctuations in our overall sales as the demand for office furniture is generally stable.

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### CUSTOMERS

Our customers mainly include PRC governmental departments, financial institutions (state-owned and private) as well as other state-owned and private entities. The following table sets forth the breakdown of our revenue on a combined basis by type of customers during the Track Record Period:

Types of customer	For the year ended 31 December				For the eight months ended 31 August			
	2014		2015		2015		2016	
	% of total		% of total		% of total		% of total	
	Revenue	revenue	Revenue	revenue	Revenue	revenue	Revenue	revenue
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)							
PRC governmental departments	10,253	13.4	9,411	10.8	4,902	7.4	3,792	5.3
Financial institutions								
— State-owned	33,615	43.8	37,232	42.9	31,555	47.7	29,244	40.5
— Private	5,143	6.7	1,684	1.9	1,064	1.6	907	1.2
Other entities								
— State-owned	13,774	17.9	20,485	23.6	17,268	26.1	8,928	12.4
— Private	<u>13,952</u>	<u>18.2</u>	<u>18,050</u>	<u>20.8</u>	<u>11,417</u>	<u>17.2</u>	<u>29,349</u>	<u>40.6</u>
Total	<u>76,737</u>	<u>100.0</u>	<u>86,862</u>	<u>100.0</u>	<u>66,206</u>	<u>100.0</u>	<u>72,220</u>	<u>100.0</u>

Our customers are principally institutions and corporations based in the PRC and our products are sold exclusively within the PRC. We do not export any of our products abroad. Geographically, our products are sold predominantly in the southwestern regions of the PRC, as illustrated in the paragraph headed “Business model” in this section. For the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, on a combined basis our sales to our top five customers represented approximately 46.0%, 48.0% and 57.1% of our total revenue respectively while our sales to the largest customer represented approximately 26.4%, 29.7% and 35.8% respectively.

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We provided primarily office furniture and certain other non-office furniture (as may be requested) to our top five customers. Details regarding our top five customers over the Track Record Period, including their business type and nature, location, length of business relationship with us and their contribution towards our revenue (by percentage) on a combined basis are shown in the tables below:

### For the year ended 31 December 2014

Name of customer	Type and business	Location	Approximate % of our revenue	Number of year(s) of relationship as at the Latest Practicable Date (approximate)
Customer A	A PRC bank listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange which provides integrated financial service in the PRC with a range of corporate and retail banking products and services for a broad range of customers, conducts treasury operations and asset management and engages in investment banking, fund management, financial leasing and life assurance activities	Various locations in the PRC <sup>1</sup>	26.4	7
Customer B	A PRC bank listed on the Shenzhen Stock Exchange which offers financial services to both corporate and individual clients throughout the PRC and engages in corporate banking, retail banking, interbank fund, investment banking and small business financing activities	Various locations in the PRC <sup>2</sup>	8.2	4.2
Customer C	A PRC bank listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange which engages in corporate banking, private banking, capital business, asset management, finance leasing and others activities in the PRC	Various locations in the PRC <sup>3</sup>	5.7	7
Customer D	A PRC bank listed on the Hong Kong Stock Exchange which provides commercial banking services and offers financial services to individuals and enterprises including deposits, loans, settlement, currency trading, financial and government bonds and credit card services	Various locations in the PRC <sup>4</sup>	3.1	5.5
Customer E	A government procuratory branch in the PRC responsible for matters such as handling and prosecution of criminal cases, public security and administrative proceedings	Tibet Autonomous Region	2.4	2.3

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**For the year ended 31 December 2015**

Name of customer	Type and business	Location	Approximate % of our revenue	Number of year(s) of relationship as at the Latest Practicable Date (approximate)
Customer A	See above	Various locations in the PRC <sup>1</sup>	29.7	7
Customer F	A state-owned power company which is engaged in provision of water conservancy and hydropower project construction services, management and supervision of business enterprises, provision of domestic and international engineering and technical advisory services and carrying out general contracting business	Sichuan province	6.4	1.3
Customer B	See above	Various locations in the PRC <sup>2</sup>	4.7	4.2
Customer D	See above	Various locations in the PRC <sup>4</sup>	4.1	5.5
Customer G	An operator of hot springs which also provides hospitality services	Sichuan province	3.2	2.3

**For the eight months ended 31 August 2016**

Name of customer	Type and business	Location	Approximate % of our revenue	Number of year(s) of relationship as at the Latest Practicable Date (approximate)
Customer A	See above	Various locations in PRC <sup>1</sup>	35.8	7
Customer H	A company which engages in interior design, furniture processing and sale of products such as furniture, telecommunications equipment, electronic equipment, stationery, and other metal products <sup>5</sup>	Beijing city	7.0	0.5

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Name of customer	Type and business	Location	Approximate % of our revenue	Number of year(s) of relationship as at the Latest Practicable Date (approximate)
Customer I	A furniture company which engages in the production, sale (and after-sales services), maintenance of furniture and related components, sale of raw materials for furniture production and import and export of goods <sup>5</sup>	Various locations in PRC	6.1	2
Customer J	A state-owned company which engages in city development and construction	Chongqing city	4.5	0.4
Customer K	A company which engages in real estate intermediary services	Guangdong province	3.7	0.3

*Notes:*

1. This customer may order our products through its various branch offices located in the PRC including the Tibet Autonomous Region, Guizhou province, Yunnan province, Sichuan province and Chongqing city.
2. This customer may order our products through its various branch offices located in the PRC including Xi'an city and Chongqing city.
3. This customer may order our products through its various branch offices located in the PRC including Sichuan province, Nanning city and Deyang city.
4. This customer may order our products through its various branch offices located in the PRC including Chengdu city and Chongqing city.
5. This customer may order furniture products from us to satisfy their customer orders.

Notwithstanding that we have maintained a long-term relationship with Customer A in supplying our products to their branch offices, in order to reduce reliance on Customer A and to avoid a significant impact on our performance if Customer A reduces its product orders to us, we strive to extend our business and market presence to reach new customers in regions where we currently do not have significant presence.

Our top five customers for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 were Independent Third Parties. Our Directors confirm that none of our Directors nor any of their respective close associates or any Shareholder (who to the knowledge of the Directors owns more than 5% of the Company's issued share capital as at and up to the Latest Practicable Date) had any interest, directly or indirectly in any of our top five customers during the Track Record Period.

## **Credit terms and payment method**

### *Payment terms*

Our Directors confirm that payment terms relating to customer orders are negotiated on a case-by-case basis with customers. We typically require the contract sum to be paid to us within a specified period, in instalments, or on a particular date following delivery, assembly (if required), inspection and acceptance of our products, subject that we may permit our customers to withhold payment of a portion of the contract sum (typically 5% of the contract sum, except in very limited circumstances where it may be 10% of the contract sum) as quality assurance deposit, which will be paid after expiry of the quality assurance period. The quality assurance period range from approximately one month to eight years (average of approximately 1.6 years) for each of the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016. Our Directors are of the view, and Frost & Sullivan agrees, that our Group's policy regarding quality assurance deposit is in line with industry norm. In some instances, we may require the customer to pay a portion of the contract sum as initial deposit upon signing of the agreement. Payments due to us are usually settled by our customers by way of bank transfer.

### *Credit terms*

The credit terms that may be offered to our customers is based on commercial negotiations and mutual agreement with our customers following our assessment of their background (including known financial position and reputation), credit track record, length of existing business relationship, future business prospects as well as the contract size of the relevant orders. We may strategically extend the credit period to certain of our major customers in order to foster long-term business relationship and to support their needs (such as their intent payment policies and schedule) as may be specified in a tender. The credit terms which may be offered in a tender document or by a sales staff to potential customers must first obtain the prior approval of our finance manager; where longer credit periods are requested by a potential customer, the reasons for such request and the assessment carried out when approving such longer credit periods will be documented.

Our Directors are of the view, and Frost & Sullivan agrees, that our Group's credit policy is in line with the industry norm.

### *Credit period*

While certain amounts of the contract sum may be paid prior to delivery of our products, the credit period which we offer to our customers for outstanding amounts of the contract sum following delivery, assembly (if required) and acceptance of our products ("**acceptance date**") spans from 3 to 365 days for each of the years ended 31 December 2014 and 2015 respectively, and 3 to 180 days for the eight months ended 31 August 2016. In certain instances, the credit terms granted permits the outstanding amount to be paid in tranches following the acceptance date, and the 365 days from the acceptance date reflects the date of payment of the last tranche of the outstanding amount which is payable.

The average length of credit period we offer to our customers is approximately 34.2 days, 34.8 days and 24.4 days for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively. For details of trade receivables turnover days over the Track Record Period, please refer to the paragraph headed "Trade receivables turnover days" in the "Financial information — Key financial ratios" section of this prospectus.



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### *Overdue balance*

We review and monitor our overdue balances and receivable balances on an ongoing basis, and our finance department generates periodic trade and bills receivables ageing report for review by our senior management to alert them of overdue balances. To reduce instances of overdue balances, our sales team will communicate with our customers and remind them of payment amounts in advance of payment dates. Trade receivables balances that are outstanding for 90 days would be brought to the attention of our finance manager as well as the sales department and therefrom, our sales staff will liaise with the relevant customers to seek prompt settlement of the overdue balance.

We evaluate problematic trade receivables on a case-by-case basis and trade receivables that are considered to be irrecoverable following such evaluation will be written off as bad debt. When assessing the recoverability of outstanding trade receivables our management will consider the transaction amount, payment history, creditworthiness of and our relationship with the relevant customers, whether there is an agreed schedule of payment and our prospects of receiving the outstanding amount. It is our policy not to supply our products to customers who has failed to settle payments within the agreed payment schedule in previous occasions, unless they are able to provide sufficient guarantees.

### **PRODUCTS**

We manufacture and sell primarily office furniture which are tailored and based on the specifications and requirements of our customers. Our office furniture products can be broadly categorised into:

- **wooden and hard furniture:** typically manufactured from wooden panels such as melamine surface boards and medium-density fibreboards, our wooden and hard furniture products include conference tables, executive desks, work and computer desks, work stations and panels, reception desks, coffee tables, filing and other cabinets as well as other wooden and hard office furniture which the customer may require based on their office settings (such as speech podiums, closets, pantry furniture and wine shelves). These products may be wood veneered and/or painted; and
- **upholstered furniture:** typically made from sponge, cloth and leather fabric, our upholstered furniture products include sofas as well as executive and work chairs.

Depending on the nature of business carried out by some of our customers (such as education institutions and hotels), we also manufacture and sell certain non-office furniture (such as pantry and bar furniture or bedside tables) as may be requested by these customers, together with their orders of office furniture. Sales to such customers do not contribute significantly to our revenues; over the Track Record Period, aggregate sales (both office and non-office furniture) to educational institutions and hotels accounted for less than 7% of our overall revenue for each of the years ended 31 December 2014 and 2015, and for the eight months ended 31 August 2016.

## BUSINESS

The pictures below are samples of office furniture that are manufactured and sold by us:

### Wooden and hard furniture



Work and computer desk



Conference table



Filing and other cabinet



Coffee table



Pantry furniture



Work stations and panels

Upholstered furniture



Sofas



Work chair



Executive chair

## BUSINESS

### Pricing

As we manufacture and sell our products based on the requirements and needs of our customers, we generally do not have standardised pricing for most of our products and the prices of our products are often negotiated directly with our customers.

We adopt a cost plus policy when determining the pricing of our products whereby we would apply a margin to the estimated cost of sales of the relevant products. In estimating the costs of sales of products, we take into such factors as cost of raw materials and the cost of production (taking into account volume of order, product specifications as well as manpower and cost of utilities expected to be involved).

Our sales department are given the discretion to negotiate agreements or pursue tenders whereby the agreed pricing would lead to lower expected profit margins. In exercising such discretion, our sales department will take into account such factors as the frequency of purchase made by the relevant customers in the past, the size of the relevant orders or tenders, and the prospects of securing future orders and/or establishing a relationship with the relevant customers.

External factors such as inflation, market conditions and pricing of competitors would also be considered when setting the price of our products. The final price in respect of customer orders would require the approval of the head of sales at the sales department.

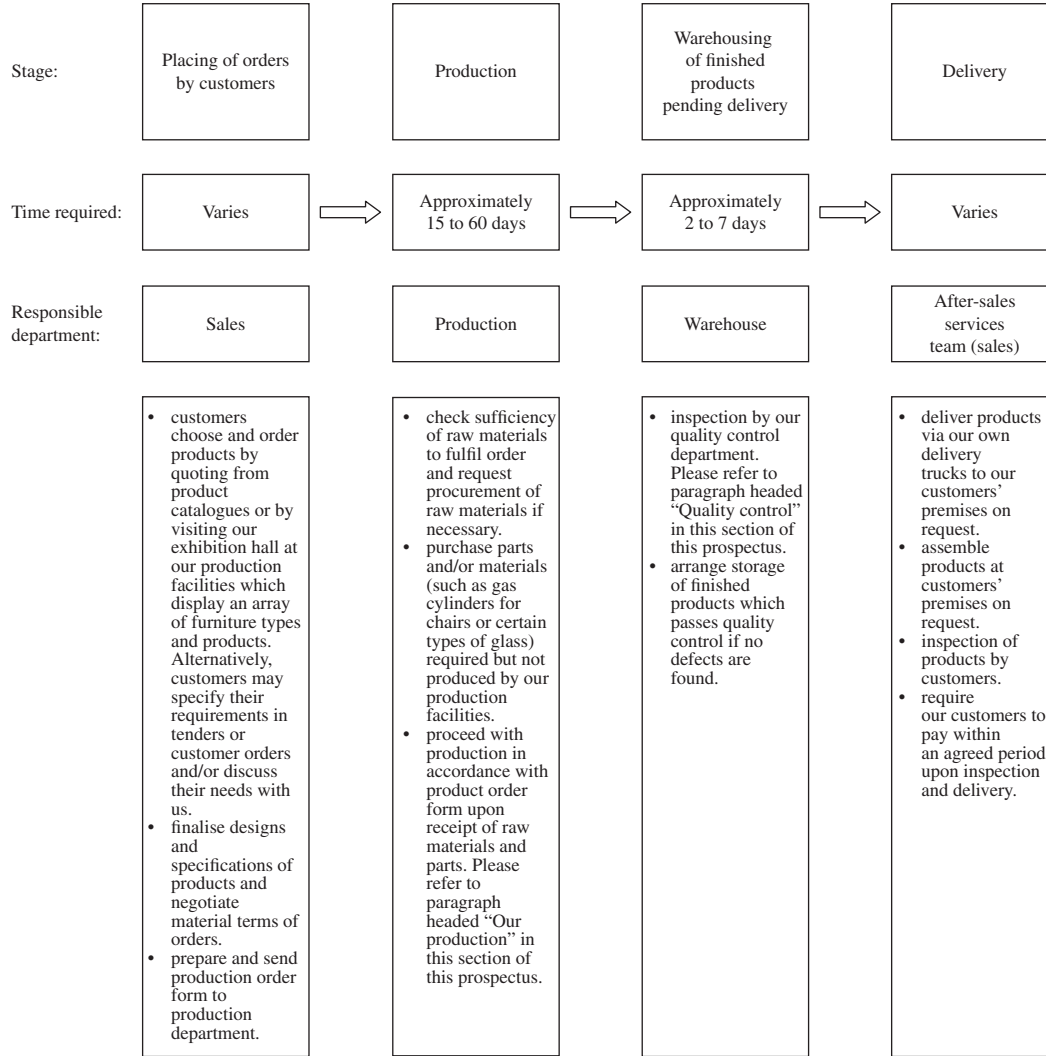
The table below sets forth the price range of our key products:

	<b>Price range</b>					
	<b>For the year ended 2014</b>		<b>For the year ended 2015</b>		<b>For the eight months ended 31 August 2016</b>	
	<b>Highest (RMB)</b>	<b>Lowest (RMB)</b>	<b>Highest (RMB)</b>	<b>Lowest (RMB)</b>	<b>Highest (RMB)</b>	<b>Lowest (RMB)</b>
<b>Wooden and hard furniture</b>						
Desks	23,088.00	400.00	27,140.00	592.80	15,640.85	650.00
Coffee tables	4,500.00	980.00	4,100.00	980.00	4,514.00	600.00
Filing cabinets	32,000.00	489.06	21,900.00	490.00	18,900.00	650.00
<b>Upholstered furniture</b>						
Sofas	32,752.10	950.00	37,500.00	1,000.00	47,840.00	1,300.00
Chairs	14,140.00	280.00	12,850.00	280.00	15,260.00	280.00

# BUSINESS

## BUSINESS OPERATIONS

Our business operations can be categorised into four key stages, namely (i) placing of orders by customers, (ii) production, (iii) storage of finished products and (iv) delivery. The general business model of our Group is illustrated below:



### **After-sales services, product returns and complaints handling**

We generally offer product warranties to our customers. During the product warranty period we are responsible for rectifying all product defects at our own expense. Over the Track Record Period, our products had a product warranty period ranging from one to fifteen years for the year ended 31 December 2014, one to ten years for the year ended 31 December 2015 and one to ten years for the eight months ended 31 August 2016. Our Directors are of the view, and Frost & Sullivan agrees, that our Group's policy regarding product warranty period is in line with industry norm.

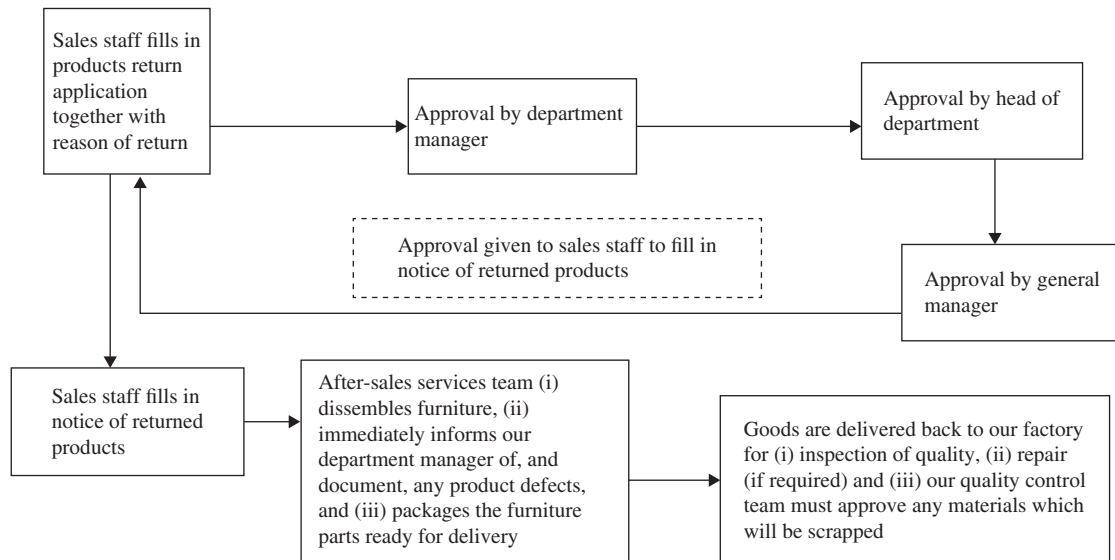
Under our quality control system, our finished products are subject to sample inspection by our quality control staff to ensure compliance with our customers' requirements as specified in their orders. Nevertheless, in instances where our customers are aware of any problem or defect with any of our products, we generally provide free return, exchange or maintenance services for such products. Our after-sales services team under our sales department is also required to observe the following provisions of our customer service policy:

- details of defective products must be recorded and products with serious quality issues must be recorded and reported to our general manager;
- our after-sales services team should respond to maintenance requests within one working day;
- in cases where products are damaged by our customers' own use, we will charge them a fee which is determined based on the services provided and/or materials required;
- customer satisfaction interviews are conducted by our after-sales services team; and
- in respect of any complaints which may be brought by any of our customers, we have adopted a complaints handling policy whereby the following procedures will be adopted in handling a complaint:
  - complaints which are received from our customers either in person through our front-line staff or in writing will be recorded and referred to the relevant person-in-charge in the relevant department (such as the head of production if a product defect relates to an error in production);
  - the relevant person-in-charge of the relevant department will review the nature of the complaint (i.e. whether it arose, for example, from product defects, attitude of staff or operation or administrative issues) and carry out necessary investigations to ascertain the relevant facts related to the complaint; where necessary, he may contact and require relevant staff to provide a written report of the incident;
  - following investigation, the relevant person-in-charge of the relevant department would propose follow-up actions based on the nature and circumstances of the complaint. Follow-up actions that may be taken include offering free return, exchange or maintenance services or other appropriate solutions depending on the nature of the complaint. Where necessary, our senior management may be consulted. Details of follow-up action taken will be recorded in writing, which may be reviewed by our senior management from time to time;

## BUSINESS

- where a claim is material (such as any serious quality issue with large orders, or a complaint from an important customer, or a complaint threatening litigation) or where the cause of the claim is one which resulted from material failures in our operations or system, the relevant person-in-charge of the relevant department may elevate the matter to senior management. Further to dealing with the relevant complaint, senior management may contemplate implementing new measures, if necessary, to avoid similar complaints in the future; and
- where appropriate, the relevant customer may be contacted to follow-up as to whether they are satisfied with the remedial actions taken by us, or whether further actions may need to be taken.

We have in place a policy on product returns, whereby our sales staff must file an application documenting the details of each customer products return including the reason for return, which in turn has to be approved by our general manager. The following flowchart is a summary of the product returns process:



Each department is required to adhere strictly to the above process. We require the relevant departments to determine the cause of the product return. Please refer to the paragraph headed “Quality control” in this section for more information.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, (i) we did not make any large-scale product recall or were required to provide material amounts of product returns as a result of defects in our products; (ii) save for the litigation proceedings disclosed in this prospectus, we have only received customer complaints and feedback in respect of our products from time to time in our ordinary course of business which, in our Directors’ opinion, do not have a material adverse effect on our business and operations; and (iii) we did not receive any material product warranty claims which would have a material and adverse effect on our business and results of operations. Accordingly, we did not make any provisions in our accounts for potential warranty claims during the Track Record Period.

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As at the Latest Practicable Date, the amount of delivered products to our customers which were still under product warranty relate to customer sales orders of approximately RMB366.6 million. As (i) we generally carry out repair works ourselves and therefore do not incur material additional costs or expenses in engaging contractors to carry out repair work; and (ii) the aforesaid sales amount has already taken into account our profit margin, our actual exposure from product warranty claims would be an amount lower than the aforesaid sales amount.

Our Directors believe that the risk of exposure of our Group to product warranty claims from customers is relatively low because:

- (i) under our customer service policy, any defective products will be examined by our after-sales services team and the cause of defect will be thoroughly investigated by the relevant department. In cases where products are damaged by our customers' own use, we will charge them a fee for maintenance based on services provided and/or materials required;
- (ii) we have quality control measures implemented at different stages of our production process (from receipt of raw materials to warehousing and storage of finished products) to minimise the incidence of product defect. All finished products are also subject to sample inspection by our quality control staff to ensure compliance with customers' requirements;
- (iii) our customers are generally provided the opportunity to inspect finished products we deliver to them before their acceptance of the products; and
- (iv) we have not received any material product returns, large-scale product recalls or material warranty claims due to quality defects over the Track Record Period which has led to material product warranty claims.

### **PRODUCTION**

#### **Our production base**

Our production facilities are based in Chengdu city in the PRC, comprising an industrial complex of seven buildings, including our head office, with a total gross floor area of 33,218.98 sq.m.

We have a production team of 100 staff, all of whom are trained by us to carry out specific tasks over the production process. The production process is supervised by the head of our production department to ensure that each stage of the production process is carried out efficiently and to ensure that the products manufactured meet the quality and requirements (in terms of, consistency, appearance, precision and specifications) of our customers in respect of specific orders.



**Our production process**

The following flowcharts set out the typical production processes of (i) wooden and hard furniture; and (ii) upholstered furniture.

**(i) Wooden and hard furniture**



**Procuring raw materials**

We purchase raw materials such as melamine surface boards and medium-density fibreboards or other types of wooden panels from our suppliers.



**Trimming**

The panels are trimmed and cut using a circular saw with tilting blade.



*Melamine surface boards:*



**Processing**

The panels are further cut down to the appropriate size and curvature by processing.



*To achieve a painted surface:*



**Hot pressing**

Adhesive is applied before wooden veneer is pressed onto the core panels using a hot press machine at high temperature and pressure, so that when it is heated the adhesive will harden and bind the veneers.

# BUSINESS



## Edge banding

Adhesive is applied onto the sides of the panels, and an edge banding machine is used to glue the veneer to create smooth edges.



## Drilling

Holes are drilled as connecting points in accordance with the required specifications with a six-row multi-boring machine.



## Sanding

The raw wooden surfaces are sanded to create a uniformly smooth surface.



*No sanding is required for melamine surface boards.*



**Preparing the base and polishing**

A primer is applied to the surface of the panel to fill in any holed or pitted surfaces of the wooden surface. The surface is further polished and repaired to eliminate any holes and indentations (if necessary).



**Applying paint and airing**

Once the surface is polished, the panels will be brought to the paint chamber where they are sprayed with paint and then left to dry.



**Cleaning**

Excess glue on the surface of the product is washed off.





**Inspecting and packing**

Furniture components are inspected by our staff in respect of, amongst other things, their structures and colour tones. We will then pack the furniture component into boxes.

**(ii) Upholstered furniture**



**Procuring**

We purchase raw materials such as sponge, leather and cloth from our suppliers.



**Cutting the sponge**

The upholstery of the sofa or chair is made from sponge which is cut into appropriate sizes.



**Cutting and sewing the fabric**

The surface of the sofa or chair is made of various fabric materials including leather and cloth which are cut into the appropriate sizes.



**Building the sofa frame**

The frames of sofas are constructed from hardwood, and we attach springs and webbing to the bottom.

## BUSINESS



### Creating the padding

The sponge is inserted into the fabric to produce the padding of the sofa (left) and chair (right). The fabric is then sewed together.



### Assembling and cleaning

Various components of the sofa (left) and chair (right) are assembled and cleaned. For example, the legs and wheels of the office chairs are inserted and assembled to their main bodies at this stage.



### Packaging

Furniture components are inspected by our staff in respect of their specifications and we will pack them for delivery.

## BUSINESS

### Machinery and equipment

As at the Latest Practicable Date, our production facilities are equipped with a variety of machinery and equipment for different stages of the production process. Our major machinery and equipment, all of which are fully owned by us, are used for the purposes of trimming wood down to the appropriate size, applying paint, edge banding and drilling. The table below lists our major machines (with a purchase price of RMB50,000 and above) and related details as at the Latest Practicable Date:

Equipment	Number of units	Age (years)	Remaining useful life (approximately) <i>Note</i> (years)
<b><i>Size trimming</i></b>			
Electronic saw (電子開料鋸)	1	7	3
Beam saw controller (推台鋸)	4	7	3
Computer panel saw (精密裁板鋸)	1	6	4
Wood shaving machine (刨花機)	1	6	4
Automatic multi-saw (原木多片鋸)	1	2	8
<b><i>Edge banding</i></b>			
Edge banding machine (封邊機)	1	7	3
Hot press machine (熱壓機)	1	4	6
Automatic edge banding machine (自動封邊機)	1	6	4
<b><i>Drilling</i></b>			
Six row multi-boring machine (六排多軸鑽)	1	6	4
<b><i>Painting</i></b>			
Bake painting equipment (噴漆烤漆設備)	1	5	5
Paint chamber equipment (面漆房設備)	1	3	7
<b><i>Others</i></b>			
Assembling machine (拼板機)	1	2	8
Sanding machine (雙砂架砂光機)	1	2	8

*Note:* The useful life of our machinery and equipment is expected to be up to 10 years which is consistent and reflected in our accounting policy in relation to depreciation.

Our Directors are of the view that our aged machinery and equipment would not materially affect our production efficiency and costs as it has been properly and constantly maintained in good working condition. Further, our machinery and equipment has not been operated at maximum capacity since first use. As such, our Directors expect our machinery and equipment to have a longer actual life span as compared to the estimated useful life of up to 10 years under our accounting policy relating to depreciation. In addition, our production department is required to conduct routine checking and cleaning of our machinery before, during and after operation under our maintenance policy. We maintain records of any maintenance and repair work carried out on our machines. Our Directors confirm that we currently have no replacement schedule for our major machinery or equipment and we may not replace

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an equipment or machinery merely because it is fully depreciated under our accounting policy (being an accounting concept relating to the allocation of the cost of an asset). We may continue using depreciated machinery and equipment for as long as it is in satisfactory working order.

### Our production capacity

As our office furniture products are customised and tailor-made based on our customers' specifications (i.e. we do not mass produce standardised products), our production volume and rate (which cannot be measured by objective or standardised means) is not dependent on the rate of utilisation of our key machinery or production facilities but rather on the efficiency and amount of time spent by our workers in producing products. As such, (i) it is not possible to provide indicative or meaningful analyses of the utilisation rate of our major machinery and production facilities; and (ii) it would be more accurate to measure our production capacity over the Track Record Period based on time spent by our skilled workers in manufacturing production and assembly of furniture for our customers.

The following table sets out the utilisation rate of our production capacity which is calculated based on comparing (i) the actual production volume produced by our workers in key areas of process for our production over the Track Record Period; and (ii) the estimated maximum production capacity based on the maximum number of workers who could have been deployed in the relevant areas of potential congestion in the manufacturing process over the Track Record Period:

	Year ended 31 December 2014			Year ended 31 December 2015			Eight months ended 31 August 2016		
	Actual production volume (Note 1) ( <sup>'000</sup> pieces)	Utilisation rate (Note 2) (%)	Estimated maximum production capacity (Note 3) ( <sup>'000</sup> pieces)	Actual production volume (Note 1) ( <sup>'000</sup> pieces)	Utilisation rate (Note 2) (%)	Estimated maximum production capacity (Note 3) ( <sup>'000</sup> pieces)	Actual production volume (Note 1) ( <sup>'000</sup> pieces)	Utilisation rate (Note 2) (%)	Estimated maximum production capacity (Note 3) ( <sup>'000</sup> pieces)
Wooden and hard furniture	59.94	40%	149.85	50.03	50%	100.06	37.28	48.5%	76.87
Upholstered furniture	44.89	50%	89.78	37.63	50%	75.26	23.72	48.2%	49.21

#### Notes:

- The actual annual production volume refers to the approximate number of products actually produced in the relevant period.
- In general, hole drilling (in respect of the manufacturing of wooden and hard furniture) and components assembly (in respect of upholstered furniture) are areas of potential congestion in the manufacturing process and are essential labour intensive processes in the production of our products. The utilisation rate is derived by dividing the average number of hours spent per worker on these representative processes by the maximum number of hours which could have been spent by each worker on these representative processes in the relevant year. The average number of workers designated to work on the respective processes was four and two for wooden and hard furniture and upholstered furniture, respectively for the year ended 31 December 2014 and five and two, respectively for the year ended 31 December 2015 and the eight months ended 31 August 2016. The maximum number of hours spent per worker represents the number of hours which could have been spent by each worker on the relevant processes at the same time over one shift (being 8 hours) multiplied by two shifts a day (being the maximum number of shifts which our Directors believe that our machinery should be operated to preserve the machinery in good working condition).
- The estimated maximum production capacity is determined based on the actual production volume divided by the utilisation rate for the relevant period and therefore varied during the Track Record Period.



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As illustrated by the table above, the estimated utilisation rate of our major machinery was 40%, 50% and 48.5% respectively for wooden and hard furniture and 50%, 50% and 48.2% respectively for upholstered furniture for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016. The utilisation rate of our major machinery has remained low mainly due to the fact that (i) our staff are only required to work one shift per day (although they may be required to work overtime up to two shifts if necessary); and (ii) we aim to minimise wear and tear of our major machinery.

Further, as illustrated from the table above, the actual production volume decreased in the financial year ended 31 December 2015 compared to the financial year ended 31 December 2014. This was mainly due to the following reasons:

- (a) our production efficiency was reduced due to the complexity in manufacturing products that meet the more specific needs and requirements of our customers. In particular, two of our top 10 customers in the financial year ended 31 December 2015 were new customers with complicated orders. The manufacturing processes involved are therefore more time-consuming as more manual labour were involved and/or technical adjustments in the machineries were required although the volume of products produced may be reduced; and
- (b) certain of our machines were under maintenance over a period of time in the financial year ended 31 December 2015 which had interrupted our production.

## QUALITY CONTROL

As we strive to be a reliable and reputable supplier of mid to high end office furniture in the PRC, we recognise the importance of the quality of products we produce and deliver to our customers. To reduce the risk of delivering substandard or defective products or products which do not meet the requirements specified by our customers, we have implemented certain quality control measures.

Our quality control department, which comprises a team of five staff as at the Latest Practicable Date, is responsible for the quality control of our products. To ensure the quality of our products, the following procedures which are set out in our quality control policy are carried out at different stages of our production process:

- *Receipt of raw material:* physical inspection is carried out on incoming raw materials and written records and notes are kept in respect of such inspection. Our general operations (production) department will be notified of any defects identified in respect of incoming raw materials for follow-up with the supplier;
- *Over the production process:* we carry out physical inspection on the first assembled furniture item of every batch of furniture produced as well as perform random spot checks approximately once or twice per work shift over the production process. A further physical inspection would be carried out on finished goods once they are produced. The head of our quality control department will also perform random sample inspections and evaluate the quality of processed products or furniture components from time to time; and

## BUSINESS

- *Warehousing and storage:* before moving finished products for storage at our warehouse, a further sample inspection will be carried out to ensure that the finished products match the specifications (including colour, structure and size) based on our customers' requirements as stated in the production form.

Any substandard or defective products or products which do not meet our customers' requirements identified throughout the quality control process will not be stored or delivered to customers, but would be set aside and recorded by the quality control department. In such instances, the quality control department will consider and make decisions on how the relevant substandard or defective products can be handled and/or disposed of, and typically this may involve decision-making on whether the relevant materials or products can be used in other ways, repaired or scrapped. The quality control department will also examine the cause of such defects and will take follow-up actions accordingly. Where necessary, the quality control team will inform the production team of the defect, specifying the defect or discrepancy from customer requirements, and require the production team to produce the replacement products for the relevant customers.

### **Quality certifications**

#### *ISO certification*

We have been awarded ISO9001:2008 accreditation for our quality management system and ISO14001:2004 for our environmental management system.

#### *OHSAS certification*

Sichuan Greenland has been awarded the OHSAS 18001:2007 certification by China Quality Certification Centre and The International Certification Network concerning occupational health and safety management system related to our design, production of plank office furniture and related management activities.

#### *China eco-labelling products certification (中國環保產品認證證書)*

Our wooden office furniture has met the requirements of CQC51-381001-2009 "Environmentally-friendly furniture" certification. The certification was based on tests on the product type, and inspections initially in the production facilities and after the issuance of the certification.

#### *China environmental labelling certification (中國環境標誌產品認證證書)*

Our office desks, conference tables, coffee tables, and sofas (with cloth surfaces) have also met the requirements of HJ/T 303-2006 as set out by the Ministry of Environmental Protection of the PRC.

**PROCUREMENT, RAW MATERIALS AND SUPPLIERS**

We source raw materials from our suppliers in the PRC as necessary to meet our production needs and/or as may be required to meet the requirements of our customers. The procurement of raw material is carried out by our general operations (production) department which, as at the Latest Practicable Date, comprises six staff.

The cost of raw materials for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, on a combined basis, amounted to approximately RMB44.6 million, RMB43.1 million and RMB42.9 million respectively, accounting for approximately 77.5%, 69.0% and 81.9% of our cost of sales respectively.

**Major raw materials**

The major raw materials used by our Group for the production of our products include wooden panels (such as medium-density fibreboards), leather, cloth, metal hardware, glass, and chemical substances (such as glue and paint). The key raw materials we procure is wooden panels and we source wooden panels mainly in the Sichuan province.

Wooden panels are the principal raw material used by our Group and the cost of purchasing wooden panels was the largest item in our cost of sales, on a combined basis, amounting to approximately 51.8%, 45.0% and 55.4% of our total cost of sales for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively. For a breakdown of our costs of sales in terms of raw materials, please refer to the paragraph headed “Cost of sales” under the section headed “Financial information — Description and analysis of principal components in the combined/ consolidated statements of profit or loss and other comprehensive income” in this prospectus.

Our general operations (production) department is responsible for procuring raw materials, monitoring price trends of raw materials and comparing prices among different suppliers.

Our Directors confirm that additional cost of sales which we may incur as a result of an increase in the cost of raw materials will, to the extent possible under terms of sale agreed with our customers, be passed onto our customers by raising the price of our products.

For an analysis of how the cost of raw materials affects our profit before taxation, please refer to the section headed “Financial information — Key factors affecting the results of our Group’s operations” in this prospectus.

## **Suppliers**

All of our suppliers of raw materials are based in the PRC.

We maintain a list of selected suppliers through whom we purchase our raw materials. Before a supplier is approved to be admitted to the list, we review its corporate background (including accreditations, qualifications and licences they have obtained), pricing of products as well as terms and conditions of supply. In particular, to ensure that wood-based raw materials purchased by the Group are sourced legally, we obtain copies of, and inspect, the Production License of Industrial Products 《全國工業產品生產許可證》 and/or Timber and Bamboo Operation and Processing Licence 《木竹材經營加工許可證》 as well as other credentials of each supplier. Where there is any question as to validity of licences or concerns that wood-based raw materials are not sourced legally, we may carry out further due diligence or refrain from accepting the relevant supplier into our list. Further, our quality control and production departments carry out an evaluation on the quality of each supplier's products based on samples which were provided. The formal approval of the head of our general operations (production) department is required before a supplier is added to the list.

The list of selected suppliers is reviewed annually at the end of the year. Such review involves an assessment as to whether they continue to satisfy our requirements and standards in terms of pricing, quality of products, efficiency, reliability, ability to deliver products on time and technical capabilities. Any supplier who fails to meet our requirements or standards will be removed from the list. Further, potential new suppliers are assessed from time to time to ensure our cost efficiency and to facilitate new product development.

We enter into legally binding written agreements with our suppliers which set forth the quantity, price and quality specifications for each type of raw materials. Please refer to the paragraph headed "our supply contracts" below for further details. Given that (i) as advised by the PRC Legal Advisers, suppliers of wooden products in the PRC are required to obtain the Production License of Industrial Products 《全國工業產品生產許可證》 and/or Timber and Bamboo Operation and Processing Licence 《木竹材經營加工許可證》 according to the relevant PRC laws and regulations and they confirmed that our major suppliers of wooden products have obtained the relevant licenses; (ii) as advised by the Internal Control Adviser, there is no material deficiency in the system design of our internal control system in terms of our policies and procedures over vendor management; and (iii) we have strictly implemented the vendor management policies and procedures adopted and have made purchases from the eligible suppliers only, our Directors are of the view, and the Sole Sponsor concurs, that there is no material deficiency in all material aspects in our policies in ensuring that the wood-based raw materials purchased by us are produced legally.

For the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, on a combined basis, our purchases of raw materials and goods from our top five suppliers amounted to approximately RMB44.9 million, RMB27.3 million and RMB20.7 million respectively, which accounted for approximately 57.0%, 61.0% and 65.9% of our total purchases of raw materials and goods, and our purchases from our largest supplier amounted to approximately RMB20.8 million, RMB16.3 million and RMB16.2 million respectively, which accounted for approximately 26.4%, 36.3% and 51.4% of our total purchases of raw materials and goods during the same period. During the Track Record Period, we purchased mainly from suppliers which were manufacturers.

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We set out below the information relating to our top five suppliers for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively:

### For the year ended 31 December 2014

Name of supplier	Business	Location	Main products procured by our Group	Approximate % of our total purchase	Number of years of relationship at the Latest Practicable Date (approximate)
Supplier A	A subsidiary of a group listed on the Shenzhen Stock Exchange which engages in the manufacturing, processing and wholesaling of wooden materials, including particleboard, medium-density fibreboard and melamine surface boards	Sichuan province	Fibreboards	26.4%	6
Supplier B	A company which engages in the manufacturing and selling of wooden furniture and furniture parts	Sichuan province	Solid wood furniture <i>(Note 1)</i>	12.0%	6.5
Supplier C	A company listed on the Shanghai Stock Exchange which engages in the manufacturing of wooden panels including melamine surface boards and fibreboards and tree plantation	Sichuan province	Fibreboards	11.4%	6.5
Supplier D	A private company which engages in the production and sale of medium-density fibreboard	Sichuan province	Fibreboards	5.6%	3.7
Supplier E	A private company which engages in processing and selling of leather goods	Sichuan province	Sofa leather	1.6%	3

*Note 1:* This includes, amongst others, sofa frames and chair parts and accessories.

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### For the year ended 31 December 2015

Name of supplier	Type	Location	Main products procured by our Group	Approximate % of our total purchase	Number of years of relationship at the Latest Practicable Date (approximate)
Supplier C	See above	Sichuan province	Fibreboards	36.3%	6.5
Supplier A	See above	Sichuan province	Fibreboards	18.5%	6
Supplier F	A subsidiary of group listed on the Shenzhen Stock Exchange which engages in the manufacturing and selling of artificial leather products, PVC products and renovation materials	Sichuan province	Artificial leather	2.2%	7.3
Supplier G	A private company which engages in the selling and processing of fibreboards and tree plantation	Sichuan province	Fibreboards	2.2%	1.7
Supplier H <sup>(Note 2)</sup>	A private company which engages in selling of wooden products, building materials and paint	Sichuan province	Painted products	1.8%	3.6

### For the eight months ended 31 August 2016

Name of supplier	Business	Location	Main products procured by our Group	Approximate % of our total purchase	Number of year(s) of relationship as at the Latest Practicable Date (approximate)
Supplier C	See above	Sichuan province	Fibreboards	51.4	6.5
Supplier A	See above	Sichuan province	Fibreboards	6.2	6
Supplier I	A private company which engages in manufacturing and selling of melamine surface products	Sichuan province	Melamine surface boards	3.6	5.7
Supplier E	See above	Sichuan province	Sofa leather	2.4	3
Supplier J <sup>(Note 2)</sup>	A private company which engages in the wholesaling of steel and other metal materials	Sichuan province	Welded pipe	2.3	4.5

*Note 2:* This supplier is a trader for the products supplied to us.

### **Our supply contracts**

As at the Latest Practicable Date, we have not entered into any long term supply contracts with any of our suppliers. Rather, we enter into: (i) annual procurement contracts in respect of major raw materials which we require in large quantities; the renewal of such contracts are subject to review by our general operations (production) department; and (ii) stand-alone procurement contracts in respect of raw materials which we may require from time to time. Our Directors are of the view that the entering into of these forms of contracts (rather than long term supply contracts) enables us to be more reactive to changes in market conditions as well as preserve our flexibility to change suppliers when necessary. Further, our Directors consider that, given we maintain a list of selected suppliers and given the large number of suppliers of raw materials in the PRC, the concentration risk in relation to suppliers of raw materials to us is low.

Our Directors confirm that up to the Latest Practicable Date, we have not experienced any material problems in terms of sourcing raw materials from our suppliers.

The credit terms that may be granted by our suppliers are based on commercial negotiations and mutual agreement with our suppliers. On such basis, most of our purchases from our suppliers have a credit term if specified of up to four months and we settle our purchases from suppliers by way of bank transfer.

Our top five suppliers for each of the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 were Independent Third Parties. Our Directors confirm that none of our Directors, their respective close associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of the Company's share capital as at the Latest Practicable Date) has any interest, directly or indirectly in any of our top five suppliers during the Track Record Period.

### **INVENTORIES**

Our inventories include raw materials, work-in-progress and finished products. We have adopted an inventory policy which sets out certain procedures we carry out to manage our inventory levels, as summarised below:

- a minimum inventory level for various major raw materials is set so that when the quantity of certain raw materials reaches the minimum inventory level, our warehouse department will inform our general operations (production) department which will then make further purchases;

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- The minimum inventory level which is set varies for different types and specifications of the same raw material. For example, medium-density fibreboard with specification “9 x 1220 x 2440” and of “E1 supreme quality” grade has a minimum inventory level of 360 pieces, whereas that with specification “4.8 x 1220 x 2440” and of “E1 supreme quality” grade is 600 pieces. The following is the ranges of minimum inventory levels of some of our main raw materials:

<b>Raw material</b>	<b>Quantity</b>
Medium-density fibreboard	141–1,050 pieces
Melamine surface boards	75–300 pieces
Transparent base paint	240 kilograms
Straight nails	60–144 boxes
Sponge	30–900 pieces

- all purchases of raw materials must be inspected by our quality control department before being stored as inventory, and both details relating to the inspection and the amount of raw materials stored will be recorded in writing;
- our production department is required to fill in forms to request raw materials from our warehouse and our warehouse department records details of outgoing raw materials; such request forms must be approved by the head of our general operations (production) department;
- under the supervision of our finance department, our warehouse department will perform monthly sample checks and annual stock take to ensure that inventory levels are consistent with relevant records. We follow-up on any discrepancies and notify our finance department to ensure that correct inventory levels are recorded in our accounts; and
- our warehouse department will arrange for storage of finished products after inspection by our quality control department. We record details of the finished products (including customers’ names and product specifications) in writing.

## COMPETITION

According to the Frost & Sullivan Report, there were approximately 4,000 to 4,300 furniture manufacturers in Sichuan province in 2015 and the market was highly fragmented. Of these furniture manufacturers, over 1,000 were engaged in the manufacturing of office furniture, and a large portion of these manufacturers targeted the mass market.

Sichuan Greenland, our wholly-owned subsidiary, is positioned as a mid to high end office furniture manufacturer. In 2015, the total revenue of mid to high end office furniture manufacturers in Sichuan province reached RMB2.3 billion, with the top five players taking up a combined share of 25% of such revenue. Sichuan Greenland ranked fifth among the top five players, with a 3.8% share of the total revenue generated by all mid to high end office furniture manufacturers. Our Directors consider that we face competition from domestic office furniture manufacturers generally in terms of pricing, quality, reliability and timeliness in the delivery of products.



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There are certain major barriers of entry to the mid to high end office furniture manufacturing industry including:

- a high level of initial and operating investment, as relevant investment is necessary for the establishment of a system that delivers products that meet the expected standard of target customers;
- capital support required for land, equipment, staff hiring, quality and system control and continuous expenditure on quality raw materials;
- reputation and track record (which can affect customers' choice); and
- quality and environmental-friendliness of products (as customers are becoming increasingly environmentally conscious).

Please refer to the section headed "Industry overview — Competitive landscape" in this prospectus for further information.

### AWARDS AND RECOGNITIONS

Our Group has received a number of awards and recognitions from various PRC organisations and government bodies. The table below sets out a summary of selected awards or recognitions we have received in recent years:

Year of award	Award/recognition	Issuing organisation/ government body
2015	"Sichuan Greenland's office furniture" was listed in Sichuan's local quality products catalogue* (四川省地方名優產品推薦目錄)	Sichuan Provincial Economic and Information Commission (四川省經濟和信息化委員會)
2015	"Sichuan Greenland's office, school and hotel furniture" was listed in Chengdu's local quality products catalogue* (成都市地方名優產品推薦目錄)	Chengdu Local Quality Products Taskforce* (成都市扶持名優產品領導小組)
2015	Sichuan Government's Reliable Supplier for Public Procurement* (四川政府採購誠信供應商)	Sichuan Government Procurement Guidelines Editorial Board* (四川省政府採購指南編委會) Sichuan Bidding Network* (四川招投標網)
2014	User's Most Trusted Office Furniture Brand* (最受用戶信賴辦公家具品牌)	Chengdu Furniture Trade Associations* (成都市家具行業商會)
2014	Grade AAA Enterprise in terms of Quality, Brand and Services* (質量、品牌、服務AAA級企業)	Furniture Industry Chamber of Commerce* (家具行業商會)
2013 & 2014	Most Influential Office Furniture Brand* (最具影響力辦公家具品牌)	Furniture Industry Chamber of Commerce* (家具行業商會)

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Year of award	Award/recognition	Issuing organisation/ government body
2013	Top Ten Office Furniture Brand in Sichuan* (四川辦公家具十強品牌)	Sichuan Furniture Commercial Chamber (四川省家具行業商會)
2013	“Sichuan Greenland’s office, school and hotel furniture” was listed in Chengdu’s local quality products catalogue* (成都市地方名優產品推薦目錄)	Sichuan Provincial Economic and Information Commission (四川省經濟和信息化委員會)
2013	Sichuan Renowned Trademark Certificate* (四川省著名商標證書)	Sichuan Provincial Administration for Industry and Commerce (四川省工商行政管理局)
2012	Sichuan Provincial Government Selected Supplier for Office Furniture* (四川省省級辦公家具政府採購定點協議供應商)	Sichuan Government Procurement Department* (四川省政府採購中心)
2012	Most Competitive Enterprise for Government Procurement of Office Furniture* (政府採購辦公家具最具競爭力企業)	Chengdu Furniture Trade Associations* (成都市家具行業商會)
2012	Chengdu City Office Furniture Model Enterprise with Quality Products and Credibility* (成都市辦公家具行業質量誠信公約示範企業)	Chengdu Furniture Trade Associations* (成都市家具行業商會)
2012	Chengdu City Renowned Trademark Certificate* (成都市著名商標證書)	Chengdu Administration for Industry and Commerce (成都市工商行政管理局)
2011	Chengdu City Government Selected Furniture Supplier* (成都市政府採購家具定點)	Chengdu Government Procurement Services Centre* (成都市政府採購服務中心)
2011	Top Five Office Furniture Manufacturer* (辦公家具製造五強)	Brand of the Year 2011 for Sichuan Furniture Industry — Contest Organisation Committee* (四川省家具行業2011年度品牌 — 評選活動組委會)
2011	Highly Recommended Enterprise for Government Procurement of Office Furniture* (政府採購辦公家具重點推薦企業)	Chengdu Furniture Trade Associations* (成都市家具行業商會)

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Year of award	Award/recognition	Issuing organisation/ government body
2011	Model Enterprise with Excellent Brand* (創優創 品牌模範企業獎)	Brand of the Year 2011 for Sichuan Furniture Industry — Contest Organisation Committee* (四川省家具行業2011年度品牌 — 評選活動組委會)

### INSURANCE

Our Group maintains property insurance which principally covers our production facilities, office facilities and furniture, inventory and machinery and equipment and delivery trucks. Our Directors believe that our insurance coverage is adequate to insure against material risks relating to our operations taking into account the size and type of our business and that the scope of our insurance coverage is generally in line with the industry norm. Our Directors confirm that payments under all existing insurance policies have been duly and promptly paid and that no insurance claim has been brought pursuant to the insurance policies maintained by our Group over the Track Record Period and up to the Latest Practicable Date.

We do not maintain insurance to insure our business against claims relating to defects in our products. To reduce the risk of product liability claims, our Group has adopted quality control measures throughout various stages of our production process in order to ensure our finished products are of a satisfactory quality. Please refer to the paragraph headed “Quality control” in this section of this prospectus. Our Directors believe that it is not the industry norm to maintain product liability insurance because there is no such requirement under current PRC laws. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, no material complaint or claim has been made against us from any third parties in relation to the products manufactured or sold by us.

### STAFF

As at the Latest Practicable Date, our Group had 243 staff of which 211 were stationed in Chengdu city while 32 were stationed in Chongqing city. Our Directors are of the view that our employees are one of our most valuable assets and that they have contributed significantly to the success of our Group. We set out below a breakdown of our employees as at the Latest Practicable Date by function:

Functions	Number of employees
Management	5
Administration	26
Human resources	3
Finance (Chengdu and Chongqing)	
— Head of finance department	1
— Chongqing finance team	4
— Finance and statistics team	4

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<b>Functions</b>	<b>Number of employees</b>
Sales (Chengdu and Chongqing)	
— Head of sales department	1
— Sales team	38
— Inventory team	6
— Product specifications specialists	8
— After-sales services team	14
— Chengdu office support	3
Production	
— Head of production department	1
— Wooden and hard furniture production line	71
— Upholstered furniture production line	22
— Production process planning team	3
— Inventory level control team	3
General operations (production)	6
Quality control	5
Warehouse	19
<b>Total:</b>	<b>243</b>

For the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, on a combined basis, we incurred staff costs (including directors' remuneration) of approximately RMB8.6 million, RMB10.2 million and RMB7.2 million respectively.

Under our human resources policy, each job applicant must submit a written application, attend an interview with our human resources staff as well as undergo ability assessments prior to being engaged. Our human resources manager will review the job application of each applicant, and take into consideration such factors as work experience and education background, before making a hiring decision. All successful applicants engaged must then pass a probation period which will be stipulated in their contracts, during which time their performance will be assessed by the relevant supervisory staff.

Save for the matters as disclosed in the "paragraph headed "Litigation" in this section below, our Directors confirm that we have complied with all applicable labour laws and regulations in the PRC.

### **Our Group's relationship with our staff**

Our Directors believe that our Group maintains a good working relationship with our employees. As at the Latest Practicable Date, we had a labour union in Chengdu city, the primary purpose of which is to protect interests of our staff. It also aims to assist Sichuan Greenland, our wholly-owned operating subsidiary, in arranging the use of welfare and incentive funds for our staff in accordance with applicable PRC rules and regulations. Over the Track Record Period, our Group has not experienced any significant labour disputes with our staff.

## **Employee benefits**

### *Social security fund*

Under the Social Insurance Law of the PRC (中華人民共和國社會保險法) we are required to make contributions to the social security fund for our staff in the PRC. During the Track Record Period, our contributions to the social security fund amounted to approximately RMB4.9 million.

As advised by our PRC Legal Advisers, according to confirmations from our Group and payment records provided by our Group, our Group has made full payment for social security fund in accordance with local laws and regulations over the Track Record Period and there are no outstanding payments as at the Latest Practicable Date.

### *Housing provident fund*

We are also required under the Regulation on Administration of Housing Provident Funds (住房公積金管理條例) to contribute to the housing provident fund for our employees. However, Sichuan Greenland did not register with the relevant housing provident fund authority within a prescribed time nor make adequate housing provident fund contributions for all of its employees in accordance with the applicable PRC laws and regulations until December 2015. We have received waiver letters from our employees who were entitled to housing provident fund contributions to the effect that they have agreed to voluntarily waive and renounce their rights to the housing provident fund which should have been contributed by our Group. Those eligible employees also agreed to give up their rights to any potential claims against our Group in respect of the housing provident fund in the future.

Our PRC Legal Advisers confirm that from December 2015 onwards and up to the Latest Practicable Date, Sichuan Greenland has been contributing to the housing provident fund for its employees in the PRC in compliance with the relevant PRC laws and regulations.

## **ENVIRONMENTAL PROTECTION, HEALTH AND OCCUPATIONAL SAFETY**

### **Environmental protection**

All our production operations are carried out in Chengdu city and are subject to environmental obligations set out in PRC environmental protection laws and regulations. The laws and regulations applicable to us include the Environmental Protection Law of the PRC 《中華人民共和國環境保護法》, the Law of the PRC on the Prevention and Control of Water Pollution 《中華人民共和國水污染防治法》, the Law of the PRC on the Prevention and Control of Atmospheric Pollution 《中華人民共和國大氣污染防治法》, the Law of the PRC on the Prevention and Control of Pollution From Environmental Noises 《中華人民共和國環境噪聲污染防治法》, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes 《中華人民共和國固體廢物污染環境防治法》, the Regulations on the Administration of Environmental Protection of Construction Projects 《建設項目環境保護管理條例》, and Administrative Regulations on Levy and Utilisation of Sewage Charge 《排污費徵收使用管理條例》. Please refer to the paragraph headed “Environmental protection” under the section headed “PRC regulatory overview” for further details.

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Major pollutants produced in our production process include paint and organic waste, in respect of which we engage waste collectors for their collection and disposal. During the Track Record Period, on a combined basis, we incurred costs of approximately RMB40,000, RMB5,100 and RMB10,000 for each of the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively for processing and/or disposal of such waste in compliance with the applicable PRC environmental laws, rules and regulations.

We have also installed a centralised vacuum and purifying system to handle dust which may also be generated in the production process.

Our Directors confirm that we have not received any complaints from PRC governmental authorities and agencies, local residents and non-governmental organisations alleging environmental issues, and our operations have not been disrupted due to environmental matters over the Track Record Period and up to the Latest Practicable Date. As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we have obtained all necessary licences and permits in accordance with the applicable PRC environmental laws and regulations and have not been involved in any environmental related complaints, accidents or fatality.

### **Health and occupational safety**

Our Group is subject to various PRC laws and regulations with respect to health and occupational safety including the Production Safety Law of the PRC 《中華人民共和國安全生產法》. For further details, please refer to the section headed “PRC regulatory overview” in this prospectus.

We attach great importance to our employees’ health and safety at work and have established internal workplace safety guidelines for our employees to address potential occupational health and safety risks associated with our working environment. To prevent work-related accidents and to standardise production safety, accident and emergency response measures, we have adopted a production safety and accident contingency plan, which provides countermeasures to deal with various accidents which may possibly occur during our production process, such as injuries caused by machinery, electric shocks, chemical poisoning and fire. Further, we provide annual training for our workers on occupational safety, which our employees are required to attend on a mandatory basis. In addition, during our production process, we provide protective clothing, gloves and face-masks to our workers. Reminders on production safety and workplace accidents are also displayed in prominent areas around our production facilities.

### **No material accidents**

Our Directors confirm that no serious or material work-related injuries or fatalities has occurred at our production facilities over the Track Record Period. Our Directors confirm that as at the Latest Practicable Date no prosecution has been brought against us by any relevant authorities in respect of violations of applicable safety and health laws or regulations. As advised by our PRC Legal Advisers, we have complied with all relevant PRC health and safety laws, rules and regulations in all material respects over the Track Record Period and up to the Latest Practicable Date.

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## PROPERTIES

### Owned properties

As confirmed by our PRC Legal Advisers, we held the following land use rights and building ownership rights in the PRC as at the Latest Practicable Date:

No.	Location	Ownership	Description and tenure	Usage	Encumbrance
1	No. 808 Xinhua Avenue Tianfu Town Wenjiang District Chengdu City Sichuan Province The PRC	As at the Latest Practicable Date, we owned the land use right of the land for a term expiring in 2061 and building ownership rights of 7 buildings erected thereon.	The property comprises a parcel of land with a site area of approximately 49,881.39 sq.m. and 7 buildings erected thereon which obtained building ownership certification on 20 November 2015. The buildings have a total gross floor area of approximately 33,218.98 sq.m.	Production facilities, office, canteen and staff quarters and ancillary use	The land use rights and portions of the building ownership rights of the property are subject to a mortgage in favour of China Citic Bank Co., Ltd., Chengdu Sub-branch.

### Leased properties

As confirmed by our PRC Legal Advisers, we leased the following properties in the PRC from Independent Third Parties as at the Latest Practicable Date:



No.	Location	Tenant	Description and tenure	Usage	Term
<b>Chengdu city</b>					
1.	Unit No. 103 Level 3 No. 222 Tianren Road Tiandu Town Hi-tech District Chengdu City Sichuan Province The PRC	Sichuan Greenland	The property comprises an office unit of a 6-storey office building completed around 2005. The property has a total lettable area of approximately 1,456.64 sq.m. This property is leased pursuant to two tenancy agreements.	Office	10 August 2012– 31 August 2020  10 August 2015– 31 June 2020
<b>Chongqing city</b>					
1.	Levels 1 and 2 Huaxin Building No. 2 Daxigou Road Yuzhong District Chongqing City The PRC	Sichuan Greenland (Chongqing branch)	The property comprises various office units completed in 2000. The property has a total lettable area of approximately 1,599.95 sq.m. This property is leased pursuant to one tenancy agreement.	Office	1 April 2014– 31 March 2018
2.	No. 26 Gangan First Road Cuntan Harbour Jiangbei District Chongqing City The PRC	Sichuan Greenland (Chongqing branch)	The property comprises a single storey warehouse completed in 2008. The property has a lettable area of approximately 1,200 sq.m.	Storage	15 September 2016– 14 September 2017

**Property valuation**

As at the Latest Practicable Date, our Group owns a property in Chengdu city as our production base and rents properties in both Chengdu city and Chongqing city as our sales offices and warehouse. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our properties. For further information relating to our properties and the full property valuation report, please refer to “Appendix III — Valuation report” in this prospectus.

**INTELLECTUAL PROPERTY**

Intellectual property which is material to our Group’s business operations as at the Latest Practicable Date are set out in the paragraph headed “Intellectual property rights of our Group” in Appendix V of this prospectus. In summary, our Group:

- (i) is the owner of the “” trademark (under classes 6, 20 and 37) registered with the Intellectual Property Department of Hong Kong;
- (ii) is the owner of the “” trademark under classes 6, 20 and 37 (“**Our Owned PRC Qingtian Trademarks**”) registered with the China Trademark Office (“**CTMO**”);
- (iii) has three patented designs (in respect of a type of filing cabinet, conference table and desk respectively) registered with the State Intellectual Property Office of the PRC (SIPO); and
- (iv) has registered a domain name: qtbjgj.com.

**Further information regarding our registered trademarks in the PRC**


Under the PRC trademark laws, the owner of a trademark registered in a particular class with the CTMO shall have the exclusive right to use that trademark for the purposes specified under that registered class. Currently, there are 45 classes available for application for registration. Our Owned PRC Qingtian Trademarks are registered with CTMO under classes 6, 20 and 37 with the following permitted uses:

<b>Class</b>	<b>Permitted uses</b>
6	金屬柱；金屬支架；傢俱金屬小腳輪；金屬合頁；金屬門把手；傢俱用金屬附件；金屬傢俱部件；保險櫃；鍍銀建築或傢俱構件；金屬鉸鏈 (literally translated as metal pole; metal stent; metal furniture casters; metal hinge; doorknobs; metal hardware for furniture; metal parts for furniture; safes; nickel silver building or furniture components; metal gemel)
20	傢俱；金屬傢俱；辦公傢俱；床墊；沙發；軟木工藝品；傢俱門；桌面；傢俱非金屬部件；非金屬窗戶附件 (literally translated as furniture; metal furniture; office furniture; mattresses; sofa; corkwood crafts; furniture doors; table top; non-metallic furniture parts; non-metallic window fittings)



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<b>Class</b>	<b>Permitted uses</b>
37	家具製造 (修理); 家具修復; 家具保養 (literally translated as manufacturing of furniture (repair); furniture restoration; furniture maintenance)  建築施工監督; 室內裝潢; 廚房設備的安裝和修理; 皮革保養、清洗和修補 (literally translated as building construction supervision; upholstery; kitchen equipment installation and repair; leather care, cleaning and repair)

Our Owned PRC Qingtian Trademarks were previously registered by Chengdu Qingtian Furniture Shiye Company Limited (成都青田家具實業有限公司\*), a PRC incorporated company controlled by the previous shareholders of Sichuan Greenland (“**Chengdu Qingtian**”), but we have acquired these trademarks from Chengdu Qingtian in 2010 and 2013 respectively, for the purpose of our business and operations of our Group. As at the Latest Practicable Date, the right to use the “” trademark registered under the following classes, the permitted uses of which are different in nature from Our Owned PRC Qingtian Trademarks, are however retained by the following persons:

- by Chengdu Qingtian

<b>Class</b>	<b>Permitted uses</b>
39	運輸; 拖運; 拖車; 空中運輸; 租車; 倉庫出租; 信件投遞; 觀光旅遊; 管道運輸 (literally translated as transport; hauling; towing; air transport; car rental; rental of warehouses; message delivery; sightseeing; transport by pipeline)
40	磨光; 鍍銀; 織物漂白; 木器製作; 吹制玻璃器皿; 燒制陶器; 服裝製作; 分色; 藝術品裝框 (literally translated as burnishing by abrasion; silver-plating; fabric bleaching; woodworking; glass-blowing; pottery firing; dressmaking; colour separation services; framing of works of art)
42	版權管理; 材料測試; 建築學; 服裝設計; 計算機軟件設計; 藝術品鑒定; 書畫刻印藝術設計 (literally translated as copyright management; material testing; architecture; dress designing; computer software design; authenticating works of art; graphic arts design)

- by Chengdu Qingtian Furniture Company Limited, a PRC incorporated company controlled by previous shareholders of Sichuan Greenland (“**Chengdu Company**”)

<b>Class</b>	<b>Permitted uses</b>
19	木材; 半成品木材; 膠合板; 貼面板; 地板(木); 鋪地木材; 樹脂複合板; 鑲花地板; 木屑板; 制模用木材 (literally translated as building timber; wood, semi-worked; plywood; wood veneers; wooden floor boards; wood paving; resin composite plate; parquet floor boards; xylolith; mouldable wood)

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Class	Permitted uses
24	裝飾織品；紡織織物；挂毯和刺繡用帆布；裝飾用布；紡織品壁掛；絲織美術品；床罩；被罩；家具遮蓋物；桌布（非紙制）(literally translated as upholstery fabrics; textile material; canvas for tapestry or embroidery; decorative fabrics; wall hangings of textile; silk artistic products; bedspreads; duvet covers; loose covers for furniture; tablecloths, not of paper)
35	廣告代理；戶外廣告；商業評估；商業組織諮詢；市場分析；組織商業或廣告展覽；商業詢價；進出口代理；替他人採購（替其他企業購買商品或服務）；替他人推銷 (literally translated as advertising agencies; outdoor advertising; business appraisals; business organization consultancy; marketing studies; organization of exhibitions for commercial or advertising purposes; price comparison services; import-export agencies; procurement services for others (purchasing goods and services for other businesses); sales promotion for others)

Chengdu Qingtian and Chengdu Company are engaged in the manufacturing and sale of non-office general furniture, sofas, wooden products, furnishings, office supplies and lamps and they (i) currently do not principally and have no intention or plan to engage in the manufacturing and sale of office furniture and; (ii) target customers who buy furniture for their own domestic use rather than for office use, which is different to the target customers of our Group. Our Directors believe that the business of our Group do not materially overlap with the respective businesses of Chengdu Qingtian and Chengdu Company as our products and target markets are materially different. Each of Chengdu Qingtian and Chengdu Company (i) has undertaken to our Group that neither of them will use the “青田” trademark for the purpose of manufacturing or sale of furniture products; (ii) has confirmed that the current use by our Group of the “青田” trademark does not infringe their intellectual property rights and as such, has undertaken not to bring any claim or proceeding against us in respect of such use; and (iii) has confirmed that neither of them is aware of any actual or potential infringement by the Group of their intellectual property rights in respect of the “青田” trademark and neither of them has any intention to bring any claim or proceedings against us.



Our Directors confirm that: (i) Our Owned PRC Qingtian Trademarks are sufficient for our Group’s business operations; and (ii) we do not require the use of classes 19, 24, 35, 39, 40 and 42 (which are unrelated to our business) for our Group’s business operations.

As advised by our PRC Legal Advisers, the use by our Group of the “青田” trademark for the permitted uses specified under the classes registered under our Group (including the manufacturing and sale of furniture) will not infringe the intellectual property rights of third parties, notwithstanding that the same trademark has been registered by Chengdu Qingtian and Chengdu Company for use in other classes.


We are of the view that the risk of our Group having affected by the negative publicity relating to the products or businesses of Chengdu Qingtian and Chengdu Company as result of their use of the same or similar trademarks is low in light of the following:

- (i) the actual businesses of Chengdu Qingtian and Chengdu Company do not overlap with the principal business of our Group;

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- (ii) the classes and permitted uses of “” trademark retained by Chengdu Qingtian and Chengdu Company registered with the CTMO are different in nature from Our Owned PRC Qingtian Trademarks; and
- (iii) each of Chengdu Qingtian and Chengdu Company has undertaken not to use the “” trademark for the purpose of manufacturing or sale of furniture products.

Our Directors have confirmed that, when we become aware of any negative publicity regarding Chengdu Qingtian and Chengdu Company in the future and there are reasons to suggest that investors in our Company and consumers in the market may be confused as to whether the relevant information relate to our Group, then (i) appropriate announcements, press releases and/or advertisements will be made to inform the market as to whether or not the relevant incidents are relevant to our Group; and (ii) our Board and senior management will discuss, depending on the circumstances of the negative publicity, what further actions may be taken by our Group to protect our brand image and reputation.

On the basis of the above, our Directors are of the view that our Group holds the necessary intellectual property rights for our Group’s business operations, and that such business operations will not be restricted or affected by the fact that “” trademark may be used by third parties for use in other classes.

### LICENCES AND PERMITS

As advised by our PRC legal advisers, we have obtained all necessary licences, permits, approvals and certificates required to carry out our operations in the PRC and such licences, permits, approvals and certificates are valid and subsisting. Details of our licences and permits as at the Latest Practicable Date are as follows:

Relevant licences/permits	Date of grant	Expiry date	Whether renewal is required	Status of renewal (if applicable)
Business licence (Sichuan Greenland) 《營業執照》	14 April 2016	Not applicable	No	Not applicable
Certification of approval for establishment of enterprises with investment of Taiwan, Hong Kong, Macao and overseas Chinese in the PRC 《中華人民共和國台港澳僑投資企業批准證書》	8 December 2014	Not applicable	No	Not applicable
Pollutant discharge licence 《排污許可證》	1 September 2014	1 September 2019	Yes	Not applicable

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Relevant licences/permits	Date of grant	Expiry date	Whether renewal is required	Status of renewal (if applicable)
Timber and bamboo operation and processing licence 《木竹材經營加工許可證》	25 March 2015	31 December 2017	Yes	Not applicable
Test report of non-road vehicles 《場(廠)內專用機動車輛監督檢驗報告》	29 February 2016	17 February 2017	Yes	Not applicable
Business licence (Chongqing branch office) 《營業執照》	26 January 2016	Not applicable	No	Not applicable
Business licence (Chengdu Yishishunda) 《營業執照》	5 May 2016	Not applicable	No	Not applicable

For further information, please refer to the section headed “PRC regulatory overview” of this prospectus.

### LITIGATION

We may from time to time be involved in legal, arbitration or administrative proceedings arising from the ordinary course of our business. Set out below is a summary of litigation proceedings we were involved in over the Track Record Period and up to the Latest Practicable Date:

- our Group was a defendant in a lawsuit in relation to a contract dispute (“**Claim No. 1**”). On 22 October 2013, the plaintiff, which was our customer, filed a lawsuit with the People’s Court of Lizhou District, Guangyuan City, Sichuan Province (廣元市利州區人民法院) (“**Lizhou District Court**”) on the ground that our Group had failed to deliver products based on contract. The plaintiff requested our Group to make certain payments under a sale agreement entered into between the plaintiff and our Group and claimed losses in a total amount of RMB258,416. Our Group filed a counterclaim with Lizhou District Court. The Lizhou District Court entered a judgment and ordered us to pay the plaintiff the sum of RMB258,416 (the “**Judgment**”) on 25 November 2013. Our Group subsequently filed a notice of appeal to the Intermediate People’s Court of Guangyuan City, Sichuan Province (四川省廣元市中級人民法院) (“**Guangyuan Intermediate Court**”) on 10 December 2013 against such judgment. Guangyuan Intermediate Court entered a judgment on 14 August 2014 and the Judgment was sustained. On 24 September 2014, Guangyuan City People’s Court issued an execution judgment (執行裁定書), pursuant to which the amount of RMB267,368 was frozen and deducted from our bank account (the “**Execution Amount**”). Our Group applied for retrial and on 16 December 2014, the Higher People’s Court of Sichuan Province

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(四川省高級人民法院) (“**Sichuan Higher Court**”) decided to retry the case. On 30 November 2015, Sichuan Higher Court entered a judgment for the retrial and ordered us to pay a sum of RMB172,228 to the plaintiff and litigation costs of RMB13,604 (the “**Retrial Amount**”). On 31 March 2016, the difference between the Execution Amount and the Retrial Amount (less litigation and enforcement fees) had been returned to our Group’s bank account. Since then, Claim No. 1 had been closed.

- our Group was a defendant in a lawsuit in relation to a contract dispute regarding a sale agreement entered into between the plaintiff, which was our customer, and the Group (the “**Agreement**”) (“**Claim No. 2**”). On 20 May 2014, the plaintiff filed a lawsuit with the People’s Court of Qingyang District, Chengdu City, Sichuan Province (成都市青羊區人民法院) (“**Qingyang District Court**”) on the ground that our Group had provided substandard products and delayed the delivery and assembling of the product and that resulted in a breach of the Agreement. The plaintiff requested our Group to (i) continue to perform the Agreement, replace products not matching the specifications in the Agreement and deliver undelivered products under the Agreement; (ii) pay an amount of RMB800,000 to compensate the plaintiff in respect of economic loss suffered; (iii) pay damages in the amount of RMB5,000 per day for breach of contract; and (iv) pay damages in the amount of RMB203,696 for intentionally delivering sub-standard products. Our Group filed a counterclaim with Qingyang District Court. On 6 August 2015, Qingyang District Court ruled in favour of the plaintiff and ordered the Group to deliver and replace products to the plaintiff in consideration of payment by the plaintiff in the amount of RMB140,000. Our Group disagreed with the Judgment and subsequently filed a notice of appeal on 21 January 2016 to the Intermediate People’s Court of Chengdu City, Sichuan Province (成都市中級人民法院) (“**Chengdu Intermediate Court**”) against the judgment (the “**Appeal**”). As at the Latest Practicable Date, the case has not concluded and the hearing of the Appeal has not taken place.

As (1) the judgment sum of Claim No. 1 accounts for less than 2.6% of our net profits (excluding the non-recurring Listing expenses) for the year ended 31 December 2015 and for Claim No. 2, basing on the adjudgement issued by Qingyang District Court, our Group was only ordered to deliver and replace products; and (2) the Controlling Shareholders have provided us with an indemnity against any losses/claims arising from lawsuits, if any, our Directors are of the view that such litigation would not, individually or in aggregate, have any material adverse impact on our business operations, financial position or reputation.

As at the Latest Practicable Date, save as disclosed above, the Directors confirm that our Group is not involved in any litigation, arbitration or claim of material importance that would have a material adverse effect on our business operations, financial position or reputation.

### **Non-compliance**

Our Directors have confirmed that during the Track Record Period and up to the Latest Practicable Date, there were no non-compliance incidents involving any member of the Group which was material to the Group and its business as a whole.

## **CORPORATE GOVERNANCE AND COMPLIANCE**

Our Controlling Shareholders have entered into a Deed of Indemnity to indemnify our Group on a joint and several basis, in respect of, amongst others, all damages, losses, claims, fines and penalties that may be imposed, charges, fees, costs, interests and expenses (including all legal costs and expenses) together with all reasonable costs and other liabilities which our Company and/or any of our Subsidiaries may sustain, suffer, incur or be imposed by any regulatory authorities or courts in Hong Kong, the PRC or any applicable jurisdiction as a result of any violation or non-compliance or alleged non-compliance by any members of our Group with any applicable laws, rules or regulations of any jurisdiction.

### **Measure implemented to prevent potential non-compliance**

In order to continuously improve our corporate governance and to prevent incidence of non-compliance in the future, we intend to adopt or have adopted the following measures:

- (1) our Directors attended a training session in relation to laws and regulations in Hong Kong, (including the GEM Listing Rules) applicable to a listed issuer, provided by our legal adviser as to Hong Kong laws on 26 April 2016;
- (2) our Directors and senior management will be provided with appropriate and adequate training (with the assistance from external advisers and consultants where necessary) regarding the legal and regulatory requirements applicable to the business operations of our Group and any updates on the development of relevant laws and regulations from time to time;
- (3) our Group will retain a PRC legal counsel to regularly advise our Group in relation to PRC legal and regulatory compliance matters concerning our Group as a whole;
- (4) our senior management and employees will be provided with our updated policies, as well as adequate training (with assistance from external advisers and consultants where necessary) and/or updates regarding the legal and regulatory requirements applicable to the business operations of our Group from time to time;
- (5) we will establish an internal reporting system for our employees to report potential issues to our management and our compliance officer will ensure our Group's compliance with all the relevant laws and regulations;
- (6) we have appointed Ms. Leung Yuk Yi as our company secretary. Please refer to the section headed "Directors and senior management" in this prospectus for detailed biographical information of Ms. Leung. Our Directors believe that our Company will be able to draw on her expertise and experience in respect of our compliance with applicable legal and financial reporting requirements;
- (7) we will appoint Convoy Capital Hong Kong Limited as our compliance adviser with effect from the date of Listing to advise us on ongoing compliance with the GEM Listing Rules and applicable securities laws and regulations relating to listed issues in Hong Kong;

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- (8) we will establish an Audit Committee comprising three independent non-executive Directors as part of our measures to improve corporate governance. The primary duties of the Audit Committee are to provide our Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by our Directors. Our Audit Committee may, if deemed necessary (i) appoint an independent internal control consultant to assist in its review of our internal control systems over financial reporting; and/or (ii) engage qualified risk management professionals to advise on risk management issues; and
- (9) if and when necessary, we may consider appointing external Hong Kong legal advisers to advise us on matters relating to compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations.

### **Review by Internal Control Consultant**

Our Board is responsible for establishing our internal control system and reviewing its effectiveness on a periodic basis. We have established procedures for developing and maintaining our internal control system, covering areas such as corporate governance, operations, management and finance. Our Directors believe that our internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness.

In preparation for the Listing, we have engaged an independent business consulting and internal audit firm (the “**Internal Control Consultant**”) to conduct an evaluation of our internal control systems and to review, amongst others, our management of business operations, finance, human resource and IT risks and review and follow up the effectiveness of our enhanced internal control measures. The work performed by the Internal Control Consultant was conducted in December 2015.

Based on the Internal Control Consultant’s review and recommendations, our Group has adopted measures and policies to improve its internal control systems, to prevent incidence of non-compliance, and to ensure its compliance with the GEM Listing Rules and relevant PRC and Hong Kong law. After the Internal Control Consultants performed their follow-up review in March 2016, they have not identified any material deficiencies in our internal control system. As confirmed by our Directors, all the remedial measures to rectify previous non-compliance of our Group and any deficiency in our internal control system have been or will be fully implemented by us before the Listing.

Based on the above, our Directors are of the view that our Group has taken reasonable steps to establish an internal control system and procedures to enhance its control on both working and management levels and that the above.

## **TREASURY AND RISK MANAGEMENT**

### **Risk management**

We recognise the need for risk management in our strategic and operational planning, day-to-day management and decision making process and are committed to managing and minimising risks by identifying, analysing, evaluating and mitigating risk exposure that may impact the continued efficiency and effectiveness of our operations or prevent it from achieving its business objectives.

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We have established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations. The risks which are identified by our Company are broadly categorised into business risks, compliance risks, operation risks, credit and other risks. All such risks may arise from time to time in connection with the operations of our Group.

The major features of our risk management policies include the following:

- (i) we have adopted quality control and supervision measures and procedures to ensure quality products and services are provided to our customers. For further details, please refer to section headed “Business — Quality control”;
- (ii) we have established internal workplace safety guidelines and regular training for our employees to address potential occupational health and safety risks associated with our working environment. Please refer to the paragraph headed “Health and occupational safety” under the section headed “Business — Environmental protection, health and occupational safety” for details;
- (iii) our human resources department is responsible for monitoring employee compliance with our internal rules and manuals to ensure that we comply with the relevant regulatory requirements and applicable laws, so as to reduce our risks; and
- (iv) our compliance officer is responsible for facilitating and coordinating our risk management process.

### **Credit risk management**

Our Group’s credit risk is primarily attributable to our trade and other receivables, including those arising from negotiated credit terms in our supply contracts and payment terms which may permit the withholding of a quality assurance deposit until expiry of the quality assurance period. In order to manage our credit risks, the following policies and procedures have been adopted by our Group:

- (i) ongoing individual evaluations of customers with credit are performed on a monthly basis. Such evaluation will focus on their past history of making payments when due and current ability to pay, and take into account information specific to our customers (including their known financial position and reputation, credit track record, length of business relationship and contract size of relevant orders);
- (ii) our finance department generated monthly trade and bills receivable reports for review by our senior management to alert them of overdue balances;
- (iii) debtors with balances that are more than three months overdue will be brought to the attention of our finance manager as well as our sales department and therefrom, our sales staff will liaise with the relevant customer to seek prompt settlement of overdue balance;
- (iv) we will not accept new orders from debtors with balances that are overdue for more than 6 months until outstanding overdue balance is settled;
- (v) collateral may be required for orders of customers with a history of non-payment; and



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- (vi) where outstanding due balances are not met on demand, the matter will be brought to the attention of our senior management for further actions (such as potential issuance of statutory demands or proceeds) to be taken.

Given (i) our major customers include PRC governmental departments, state-owned financial institutions and other state-owned entities of which the financial status are considered sound; (ii) we have not encountered material difficulty in collecting overdue trade receivables from our customers or ongoing liquidity problem during the Track Record Period; (iii) as advised by the Internal Control Adviser, there is no material deficiency in the system design of our internal control system in terms of our Group's policies and procedures over treasury management and credit risk management; and (iv) we have strictly implemented the above policies and procedures adopted, the Sole Sponsor concurs with our Directors' view that the policies above are adequate and effective in all material aspects in mitigating our credit risk.

For more details on risks associated with our Company, please refer to the section headed "Risk Factors" in this Prospectus.

Our Directors have confirmed that during the Track Record Period, save as disclosed in this Prospectus, no material operational failure occurred and we believe that our risk management system is sufficient and effective.

### **Treasury management**

We recognise the importance of management of our Group's liquidity and for mitigation our operational and financial risks. We have adopted the following internal control policies and procedures as part of our treasury management:

- (i) to manage our working capital position:
  - (a) preparation of cash flow forecast on a periodical basis to (a) improve efficiency of fund usage and to assist our management to assess our ability to repay debts as they fall due in a timely manner; and (b) predict expected cash receipts and cash expenditure for coming months on a rollover basis;
  - (b) income and receivables as well as expenses (including operational expenses such as raw materials and labour costs) are closely monitored against our annual and monthly budget and analysis is carried out to assess the necessity to revise the budget. The approval of the general manager of Sichuan Greenland is required in respect of any adjustments to the budget (including the inclusion of any extraordinary proposed expenditures);
  - (c) our Group sets a minimum cash liquidity threshold (currently set at cash or cash equivalent of RMB2.0 million), being an amount sufficient to cover our fixed costs in our daily operations. Cash balance in the amount of the minimum cash liquidity threshold must be maintained at all times, and should our cash balance fall below this threshold, our financial department is required to promptly report to the general manager of Sichuan Greenland for further actions (set out in sub-paragraph (d) below) to be taken; and

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- (d) to ensure that we have sufficient working capital at all times, we may where necessary:
- (I) speed up collection of trade receivables (through, *inter alia*, exerting pressure on our sales department to follow up on outstanding payments; taking proactive steps to encourage customers to settle instalments and deposit payments; negotiation with customers and/or speeding up the assembly process for early delivery of goods and settlement of trade receivables etc.);
  - (II) negotiate extensions for the payment of trade payables with suppliers to the extent it does not adversely affect our reputation; and
  - (III) carry out debt financing with financial institutions and money lenders with whom we maintain a good relationship.
- (ii) all funds of our Group must be deposited into the bank account of the Company approved by our chief executive officer;
- (iii) bank reconciliation statements are prepared on a monthly basis and reviewed by our finance manager to ensure accuracy of all banking transactions;
- (iv) all bank borrowing and terms thereof are discussed in management meetings where competitive bids and offers from appropriate banks are discussed prior to the making of relevant applications following the obtaining of approval from the Board; and
- (v) all company seals and stamps are kept by designated personnel responsible for the relevant functions.

As advised by the Internal Control Adviser, there is no material deficiency in the system design of our internal control system in terms of our Group's policies and procedures over treasury management and we have strictly implemented the above policies and procedures adopted. As such, the Sole Sponsor concurs with our Directors' view that the policies above are adequate and effective in all material aspects in mitigating the risk regarding to our treasury management.

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

Our Board currently consists of six Directors comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible for and has the general powers in managing and conducting our Company's business. The following table sets out information regarding the members of our Board:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Principal responsibilities	Relationship with other Director(s) and/or senior management
<b>Executive Directors</b>						
Mr. Yi Cong (易聰)	53	September 1996 (as one of the founders of Sichuan Greenland)	19 May 2016	Executive Director, chief executive officer and compliance officer	Overall business strategies, planning and development of our Group, managing key customer relationship and overseeing sales and marketing	Mr. Yi's wife is the sister of Mr. Liang Xing Jun's wife
Mr. Liang Xing Jun (梁興軍)	53	September 1996	19 May 2016	Executive Director	Overall production management of our Group	Mr. Liang's wife is the elder sister of Mr. Yi's wife
<b>Non-executive Director</b>						
Mr. Ma Gary Ming Fai (馬明輝)	53	June 2014	4 March 2016	Non-Executive Director and chairman of our Board	Overseeing the strategic and overall business development of our Group	None
<b>Independent non-executive Directors</b>						
Mr. Chan Wing Kit (陳永傑)	45	17 December 2016	17 December 2016	Independent non-executive Director, chairman of Audit Committee, Nomination Committee and Remuneration Committee of our Board	Supervising and providing independent judgement to our Board	None
Mr. Kwok Sui Hung (郭瑞雄)	56	17 December 2016	17 December 2016	Independent non-executive Director, member of Audit Committee, Nomination Committee and Remuneration Committee of our Board	Supervising and providing independent judgement to our Board	None
Ms. Cao Shao Mu (曹少慕)	55	17 December 2016	17 December 2016	Independent non-executive Director, member of Audit Committee, Nomination Committee and Remuneration Committee of our Board	Supervising and providing independent judgement to our Board	None

## DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. Yi Cong (易聰)**, aged 53, is an executive Director, one of the founders of Sichuan Greenland, the chief executive officer and the compliance officer of our Company. Mr. Yi was appointed as a Director on 19 May 2016 and re-designated as an executive Director on 19 December 2016. He is primarily responsible for the overall business strategies, planning and development of our Group, managing key customer relationships and overseeing sales and marketing of our Group.

Mr. Yi co-founded Sichuan Greenland, the sole operating subsidiary of our Group, with two Independent Third Parties in 1996. He has over 19 years of experience in the furniture industry. Since the establishment of Sichuan Greenland, Mr. Yi has held various roles in Sichuan Greenland including, among others, vice general manager, director and supervisor. Since June 2009 and up to the Last Practicable Date, Mr. Yi has been the director and general manager of Sichuan Greenland and has been responsible for the overall operation of Sichuan Greenland.

Mr. Yi graduated from Chengdu Institute of Radio Engineering (成都電訊工程學院) (now known as the University of Electronic Science and Technology of China (電子科技大學)) in September 1989 with a college diploma\* (專科) majoring in wireless electronics. Mr. Yi was recognised by the Chengdu Chamber of Commerce for Furniture Industry\* (成都市傢俱行業商會) as the “Person of the Year”\* (年度風雲人物) in 2010 and an “Influential Entrepreneur in China Furniture Industry”\* (影響中國行業傑出企業家) in 2012.

Mr. Yi was the person-in-charge or owner of the following companies established in the PRC of which the business registration licences were revoked or cancelled:

Name of company	Principal business activity before dissolution/license revocation or cancellation	Date of dissolution/license revocation or cancellation	Reasons for dissolution/license revocation or cancellation	Details	Mr. Yi's role before dissolution/license revocation or cancellation	Type of company
成都青田傢俬商場分場	Sale of furniture	14 August 2002	Fail to conduct annual inspection	Revoked (Note 1)	Person-in-charge	Branch
成都高新區永達青田辦公家具銷售部	Sale of furniture	21 October 2009	Cessation of business	Cancelled	Owner	Individually-owned business
成都高新區芳草青田辦公家具銷售部	Sale of furniture	21 October 2009	Underperformance	Cancelled	Owner	Individually-owned business
重慶市渝中區同誠青田辦公家具銷售部	Sale of furniture	18 July 2012	Cessation of business	Cancelled	Owner	Individually-owned business
溫江區和平青田辦公家具銷售部	Sale of furniture	22 December 2009	Cessation of business	Cancelled	Owner	Individually-owned business
成都青田家具實業有限公司重慶分公司	Sale of furniture	5 June 2015	Cessation of business	Cancelled	Person-in-charge	Branch
成都青田家具實業有限公司高新辦公家具銷售分公司	Sale of furniture	7 April 2013	By shareholders' resolution	Cancelled	Person-in-charge	Branch

*Notes:*

- To the best knowledge of our Directors, the business licence of 成都青田傢俬商場分場 was cancelled on 10 May 2016 pursuant to an application made by the said entity.
- As confirmed by Mr. Yi, all the abovementioned companies were solvent at the time of their respective revocation/cancellation.

## DIRECTORS AND SENIOR MANAGEMENT

As advised by our PRC Legal Advisers, under the applicable PRC laws and regulations, the branch of a limited company is not an independent legal entity, therefore the legal representative of the limited company (rather than the person-in-charge of the branch of the limited company) shall be liable externally. Mr. Yi confirmed that he was not the legal representative of the corresponding limited companies to the branches mentioned above.

Mr. Yi has confirmed that there is no wrongful act on his part that led to the revocation or cancellation of the above licences and, as far as he is aware, no claim has been commenced or threatened against him in relation to such revocation or cancellation of the licences. Mr. Yi further confirmed that no misconduct or misfeasance had been involved in relation to the revocation or cancellation of the licences of these companies.

**Mr. Liang Xing Jun (梁興軍)**, aged 53, was appointed as a Director on 19 May 2016 and re-designated as our executive Director on 19 December 2016. He is primarily responsible for the overall production management of the Group. Mr. Liang joined the Group in 1996 and has over 19 years of experience in the furniture industry.

Mr. Liang joined Sichuan Greenland in 1996 as the manager of the raw material supply department and was responsible for the supply management of the company. He was later appointed as the manager of the production centre and was responsible for production management. Since January 2014, Mr. Liang has been the head of our production department in charge of the overall production and quality management of our production.

Mr. Liang graduated from Chengdu Institute of Radio Engineering (成都電訊工程學院) (now known as the University of Electronic Science and Technology of China (電子科技大學)) in July 1984 with a college diploma\* (專科) in vacuum electronic technology\* (真空電子技術).

Mr. Liang was the person-in-charge of Wenjiang Tianfu Greenland Office Furniture Sales Department\* (溫江天府青田辦公傢俱銷售部) (“**Wenjiang Tianfu**”), the business licence of which was cancelled on 4 March 2010 as it ceased to carry on business. Wenjiang Tianfu was principally engaged in the sale of furniture prior to its dissolution.

Mr. Liang has confirmed that there was no wrongful act on his part that led to the cancellation of the licence and, as far as he is aware, no claim has been commenced or threatened against him in relation to such cancellation of the licence. Mr. Liang further confirmed that no misconduct or misfeasance had been involved in relation to the cancellation of the licence of this company.

### **Non-executive Director**

**Mr. Ma Gary Ming Fai (馬明輝)**, aged 53, is the chairman of our Board, a non-executive Director and a Controlling Shareholder. Mr. Ma was appointed as a Director on 4 March 2016 and was re-designated as non-executive Director on 19 December 2016. He is primarily responsible for overseeing the strategic development and the overall business development of our Group.

Mr. Ma graduated from the University of Calgary, Canada in June 1985 with a Bachelor of Commerce degree. He is a member of the Institute of Chartered Accountants of Ontario in Canada. He was awarded the “Young Industrialist Awards of Hong Kong” by the Federation of Hong Kong Industries in 2008.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Ma became the ultimate controlling shareholder of Sichuan Greenland and joined our Group in December 2014, after the acquisition of Sichuan Greenland by Smart Raise HK. He also acts as a director of Smart Raise HK and Smart Raise BVI. Mr. Ma and his associates do not have any management role and are not involved in the daily operations of Sichuan Greenland. With over a decade of experience in the furniture industry (including holding of senior management positions in a Hong Kong listed company engaged in the manufacturing, trading and retailing of home furniture), Mr. Ma provides leadership, vision and guidance on the strategic development of the business of our Group. Going forward, as non-executive Director and chairman of the Board, Mr. Ma will:

- (i) ensure that our Board is operated effectively, that all key and important issues relating to the business of our Group are properly discussed and addressed and that all Directors (including independent non-executive Directors) are properly briefed on issues arising at Board meetings;
- (ii) ensure that our Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable;
- (iii) take appropriate steps to provide effective communication with Shareholders and that their views are communicated to our Board as a whole; and
- (iv) ensure that good corporate governance practices and procedures are established.

Before joining our Group, Mr. Ma served as an independent non-executive director of Royale Furniture Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1198) (“**Royale Furniture**”, together with its subsidiaries, “**Royale Furniture Group**”), from May 2002 to January 2005. In January 2005, Mr. Ma was re-designated as the executive director until August 2012. He served as the chief executive officer of the same company from August 2005 to August 2012 and later as non-executive director from April 2014 to April 2015. Mr. Ma also acted as the executive director of China Information Technology Development Limited (formerly known as Xteam Software International Limited), a company listed on the GEM Board of the Stock Exchange (stock code: 8178), from May 2001 to August 2002, and was later re-designated as non-executive director from August 2002. His role in that company was changed from non-executive director to executive director from August 2004 and he resigned as chairman on the same date. From December 2004, he was appointed as the vice chairman, and in April 2006, he resigned from his position as vice chairman and an executive director of that company.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Ma was the director of the following companies incorporated in Hong Kong which were dissolved or wound-up otherwise than due to members' voluntary winding-up:

Name of company	Date of dissolution	Nature of business prior to dissolution	Means of dissolution	Reasons of dissolution
King Excellent Limited	13 April 2012	None	Dissolved by striking off under section 291 of the Predecessor Companies Ordinance. <sup>Note 1</sup>	Never commenced business or operations
Princeton Venture Partners Limited	30 April 2010	Investment holdings	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance. <sup>Note 2</sup>	Ceased to carry out business
Wallstreet Investments Limited	16 December 2005	Investment holdings	Dissolved by striking off under section 291 of the Predecessor Companies Ordinance. <sup>Note 1</sup>	Ceased to carry out business

Notes:

- (1) Under section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies has reasonable cause to believe that a company is not carrying on any business or in operations, the Registrar may strike the name of the company off the register after the expiration of a specified period.
- (2) Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operations for more than three months immediately before the application for deregistration; and (c) such company has no outstanding liabilities.

Mr. Ma has confirmed that these companies were for his private investment purpose and were solvent at the time they were dissolved, and there is no wrongful act on his part that led to the dissolution of these companies. As far as he is aware, no claim has been commenced or threatened against him in relation to the dissolution of these companies, and no misconduct or misfeasance had been involved in the dissolution of these companies.

### Independent non-executive Directors

**Mr. Chan Wing Kit (陳永傑)**, aged 45, was appointed as our independent non-executive Director on 17 December 2016. His appointment as the chairman of the Audit Committee, Nomination Committee and Remuneration Committee will take effect on the Listing Date. Mr. Chan obtained a Bachelor of Commerce degree from Monash University in February 1996. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a certified practicing accountant of CPA Australia.

Mr. Chan has over 14 years of experience in the furniture industry. He acted as executive director and the chief executive officer of Jia Meng Holdings Limited (家夢控股有限公司) (stock code: 8101), a company listed on GEM which is principally engaged in the design, manufacture and sale of mattresses and soft bed products, from September 2013 to January 2016, and has been responsible for the general management and operational decisions of the company.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan also has experience in financial work. He was employed by Lai & Fan, Sothertons as an auditor from April 1996 to March 2000 and by Ernst & Young from March 2000 to September 2001. Mr. Chan acted as the financial controller and company secretary in Royale Furniture from October 2001 to May 2011 and as the export manager from May 2011 to September 2013. During his tenure, Mr. Chan also acted as a director of two subsidiaries of the Royale Furniture Group.

On 1 March 2016, Mr. Chan rejoined Royale Furniture and has since acted as an executive director of Royale Furniture.

Mr. Chan was the director of the following companies incorporated in Hong Kong, which were dissolved or wound-up (otherwise than due to members' voluntary winding-up):

Name of company	Date of dissolution	Nature of business prior to dissolution	Means of dissolution	Reasons of dissolution
Spidernet Limited	11 November 2005	None	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance. <sup>Note 1</sup>	Never commenced business or operations
Hong Kong Jie Meng Furniture Company Limited	25 January 2013	None	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance. <sup>Note 1</sup>	Never commenced business or operations
Fame Concept Corporation Limited	12 February 2016	Trading of massage chairs	Deregistration pursuant to section 751 of the Companies Ordinance. <sup>Note 2</sup>	Ceased to carry on business

Notes:

- (1) Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operations for more than three months immediately before the application for deregistration; and (c) such company has no outstanding liabilities.
- (2) Under section 751 of the Companies Ordinance, an application for deregistration can only be made if in addition the conditions for section 291AA of the Predecessor Companies Ordinance mentioned above, (a) the company is not a party to any legal proceedings; (b) the company's assets do not consist of any immovable property situate in Hong Kong; and (c) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

Mr. Chan confirmed that these companies were solvent at the time they were dissolved and there is no wrongful act on his part that led to the dissolution of these companies. As far as he is aware, no claim has been commenced or threatened against him in relation to the dissolution of these companies, and no misconduct or misfeasance had been involved in the dissolution of these companies.

Mr. Chan is currently an executive director of Royale Furniture. Mr. Chan is interested in 36,538 shares (approximately 0.0021% of the issued share capital) of Royale Furniture of which 1,579 shares are held by him personally and 34,959 shares are held by World Partner Development Limited, a company wholly-owned by him. He is also deemed to be interested in 1,510,000 shares (approximately 0.0857% of the issued share capital) of Royale Furniture held by his spouse. The principal business activities of the Royale Furniture Group include manufacturing, trading and retailing home furniture in the PRC, which may compete with our Group's business of manufacturing and sale of office furniture in



## DIRECTORS AND SENIOR MANAGEMENT

the PRC. Notwithstanding his role in Royale Furniture, our Directors believe that his appointment to our Board will be in the interest of the Company and its shareholders as a whole, having considered the following:

- (i) Mr. Chan will not assume any executive or management role or participate in the day-to-day operation of our Group. Rather, as an independent non-executive Director, Mr. Chan is expected to (a) make positive contributions towards our Board given his experience and knowledge in the furniture industry in the PRC as well as in corporate affairs and compliance aspects of Hong Kong listed issuers; (b) ensure that good corporate governance practices and procedures of our Company are established and observed; and (c) protect the interests of independent Shareholders of the Company;
- (ii) during the Track Record Period and up to the Latest Practicable Date, our Group has not entered into any transactions, agreements, understanding or any business or other dealings of any kind whatsoever with any member of the Royale Furniture Group;
- (iii) there is limited direct competition between our Group and the Royale Furniture Group because our respective business models are different; where the Royale Furniture Group distributes products to the retail market through its self-operating stores and franchise stores, we manufacture and sell tailor-made products through direct sales and tendering based on our customers' needs and requirements;
- (iv) no member of the Royale Furniture Group holds any interests in any securities, debentures or assets of our Group and it is expected that no such interests will be held by the Royale Furniture Group following Listing;
- (v) Mr. Chan has undertaken that he will abstain from voting at the relevant board meetings in respect of such matters where any actual or potential conflicts of interest may arise between our Group and the Royale Furniture Group;
- (vi) the other proposed independent non-executive Directors of the Company will provide checks and balances over our Board's decision making on transactions involving any actual or potential conflicts of interests; and
- (vii) there is no overlap of directorships or management between our Group and the Royale Furniture Group other than Mr. Chan.

On the basis of the above, our Directors consider that despite Mr. Chan's directorship in the Royale Furniture Group, Mr. Chan would be able to carry out his responsibilities as an independent non-executive Director competently and independently, and that our Board will be capable of operating and managing our business independently of the Royale Furniture Group, and in the interest of our Company and our Shareholders as a whole.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Kwok Sui Hung (郭瑞雄)**, aged 56, was appointed as our independent non-executive Director on 17 December 2016. His appointment as a member of Audit Committee, Nomination Committee and Remuneration Committee will take effect on the Listing Date. Mr. Kwok completed a certificate programme on marketing management from the Hong Kong Management Association in June 1994. Since 1996, Mr. Kwok has been the general manager of Sun Champion Trading Limited, responsible for monitoring the operation of Hong Kong and China divisions of the Company.

**Ms. Cao Shao Mu (曹少慕)**, aged 55, was appointed as our independent non-executive Director on 17 December 2016. Her appointment as a member of Audit Committee, Nomination Committee and Remuneration Committee will take effect on the Listing Date. Ms. Cao completed a selected on-job executive master of business administration course\* (在職經理工商管理碩士 (EMBA) 精選課程研修班) in November 2004 at Yiyuan College, Sun Yat-Sen University. Ms. Cao worked in the sales department of Guangzhou Pepsi-Cola Beverage Co., Ltd from 2001 to 2014 and retired holding the position of senior district development manager.

### Disclosure of relationships as required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed in this prospectus, each of our Directors has confirmed that (i) there is no other matter concerning their respective appointments that needs to be brought to the attention of the Shareholders and the Stock Exchange; (ii) he has no interests in the Shares within the meaning of Part XV of the SFO; (iii) he/she is independent from, and is not related to, any other Directors, members of the senior management, Substantial Shareholders or Controlling Shareholders; (iv) he/she does not hold any other position in our Company or any of its subsidiaries; (v) he/she does not have any interest in any business which competes or may compete, directly or indirectly, with us; and (vi) there is no other matter which is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Save as disclosed above, none of our Directors has held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

### SENIOR MANAGEMENT

The following table sets out certain information regarding the senior management team of our Group (other than Directors):

Name	Age	Year joined the Group	Position
Ms. Zou Hua Rong (鄒華蓉)	37	2008	Vice general manager
Mr. Chen Fei (陳飛)	38	1998	Vice general manager
Ms. He Lu Ming (何鹿鳴)	40	2002	Head of administration department
Ms. Leung Yuk Yi (梁玉宜)	46	2016	Company secretary

## DIRECTORS AND SENIOR MANAGEMENT

**Ms. Zou Hua Rong (鄒華蓉)**, aged 37, is our vice general manager responsible for the sales function of our Group, and is responsible for sales and marketing management and market development.

Ms. Zou joined our Group in 2001 as a sales representative and she served Sichuan Greenland's Chongqing branch office between 2003 and 2005. She left the company in 2005.

In October 2008, Ms. Zou re-joined our Group as a manager and was responsible for the general management of our Chongqing branch office until June 2013. Since 2013, Ms. Zou has been the vice general manager responsible for overseeing the sales department and in charge of sales management and product promotion.

Ms. Zou graduated from the Xihe Secondary Vocational School of Chengdu\* (成都市西河職業中學) now known as Chengdu School of Automobile Technology\* (成都汽車職業技術學校) in marketing in June 1998.

**Mr. Chen Fei (陳飛)**, aged 38, is our vice general manager responsible for the sales function of our Group and the general manager of our Chengdu sales office.

He joined our Group in June 1998 as a sales staff and was eventually promoted in December 2011 as the sales director responsible for, *inter alia*, managing the sales operation of our Chengdu sales office. Since June 2013 and up to the Latest Practicable Date, Mr. Chen has been the vice general manager responsible for overseeing the sales department. From June 2013 to November 2014, he also acted as the general manager of our Chongqing branch office. In December 2014, he was re-designated as the general manager of our Chengdu sales office.

Mr. Chen received his college diploma\* (專科) in international trade from Sichuan Radio and TV University (四川廣播電視大學) in July 1998 and later obtained a bachelor degree in business administration from China Central Radio and TV University (中央廣播電視大學) (now known as The Open University of China (國家開放大學)) in January 2012.

**Ms. He Lu Ming (何鹿鳴)**, aged 40, is the head of our administration department.

Ms. He received her master degree from Communist Party of China of Sichuan Province College\* (中共四川省委黨校) majoring in regional economics in June 2011. She joined our Group in May 2002 and acted as the administration manager responsible for human resources, administrative and back-office matters. Since October 2010, Ms. He has been in charge of our administration department and has been the chairman of our labour union since October 2015 and up to the Latest Practicable Date. She is responsible for matters such as human resources, company policies and supporting operations.

**Ms. Leung Yuk Yi (梁玉宜)**, aged 46, is the company secretary of our Company. She is responsible for overall company secretarial matters of our Group. She obtained her bachelor of business degree majoring in marketing in July 1993 and later a master of practising accounting degree in October 1998 from Monash University in Australia. Ms. Leung was admitted as a member of the Hong Kong Institute of Certified Public Accountants in May 2003. She was a senior manager at the tax department of Ernst & Young from November 1999 to November 2013. Ms. Leung has been the vice president of Merrytime Capital (Hong Kong) Limited since December 2013 and up to the Latest Practicable Date.

## **DIRECTORS AND SENIOR MANAGEMENT**

Save as disclosed in this prospectus, none of the senior management has (i) any directorship in any listed companies in the last three years; (ii) any family relationship with the Directors; and (iii) any relationship with the Controlling Shareholders.

### **COMPANY SECRETARY**

Ms. Leung Yuk Yi (梁玉宜), is the company secretary of our Company. Her qualification and experience are set out in the subsection headed “Senior management” above.

### **COMPLIANCE OFFICER**

Mr. Yi Cong (易聰), is the compliance officer of our Company. His qualification and experience are set out in the subsection headed “Directors” above.

### **REMUNERATION POLICY**

Our Directors and senior management are entitled to receive compensation in the form of directors’ fees, salaries, benefits in kind and/or discretionary bonuses. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group and/or for executing their functions in relation to the operations of our Group.

Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management with reference to, among other things, market level of remuneration and compensation paid by comparable companies, market conditions, the respective responsibilities of our Directors and the performance of the Group.

After the Listing, the Remuneration Committee will review and make recommendations in relation to the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group. Our Directors may also receive options that may be granted under the Share Option Scheme.

## DIRECTORS AND SENIOR MANAGEMENT

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of our executive Directors and non-executive Director over the Track Record Period is set out in the following table. During the Track Record Period, our independent non-executive Directors had not yet been appointed and had not received any directors' remuneration in the capacity of Directors.

	Fees <i>RMB'000</i>	Basic salaries and bonus <i>RMB'000</i>	Retirement benefits scheme contributions <i>RMB'000</i>	Housing and other allowance and benefit in kind <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the period from</b>					
<b>29 December 2014</b>					
(date of change in					
controlling					
shareholder) to					
<b>31 December 2014</b>					
<b>Executive Directors:</b>					
Mr. Yi Cong	—	—	—	—	—
Mr. Liang Xing Jun	—	—	—	—	—
<b>Non-Executive Director:</b>					
Mr. Ma Gary Ming Fai	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>For the year ended</b>					
<b>31 December 2015</b>					
<b>Executive Directors</b>					
Mr. Yi Cong	—	480	55	—	535
Mr. Liang Xing Jun	—	30	11	—	41
<b>Non-executive Director</b>					
Mr. Ma Gary Ming Fai	—	—	—	—	—
	<u>—</u>	<u>510</u>	<u>66</u>	<u>—</u>	<u>576</u>
	<u>—</u>	<u>510</u>	<u>66</u>	<u>—</u>	<u>576</u>

During the Track Record Period, our Group did not pay any emoluments to our Directors as an inducement to join or upon joining our Group or as compensation for loss of office. No Director has waived or agreed to waive any emoluments over the Track Record Period.

## DIRECTORS AND SENIOR MANAGEMENT

Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
<b>Executive Directors</b>	
Mr. Yi Cong	569,185
Mr. Liang Xing Jun	191,149
<b>Non-executive Director</b>	
Mr. Ma Gary Ming Fai	—
<b>Independent non-executive Directors</b>	
Mr. Chan Wing Kit	120,000
Ms. Cao Shao Mu	120,000
Mr. Kwok Sui Hung	120,000

	<b>For the period from 29 December 2014 (date of change in controlling shareholder) to 31 December 2014 <i>RMB'000</i></b>	<b>For the year ended 31 December 2015 <i>RMB'000</i></b>	<b>For the eight months ended 31 August 2016 <i>RMB'000</i></b>
Salaries, allowances and benefits in kind	—	374	182
Retirement benefits scheme contributions	—	131	59
	—	505	241

During the Track Record Period, our Group did not pay any emoluments to the above highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office as a director or management of any members of our Group.

### BOARD COMMITTEES

#### Audit Committee

Our Company established an Audit Committee pursuant to a resolution of our Directors passed on 19 December 2016 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraph C3.3 and C3.7 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are,

## **DIRECTORS AND SENIOR MANAGEMENT**

among other things, to make recommendation to our Board on the appointment, reappointment and removal of external auditor; review the financial information; and oversee the financial reporting system and internal control procedures of our Company.

At present, the Audit Committee of our Company consists of three members, namely Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung. Mr. Chan Wing Kit is the chairman of the Audit Committee.

### **Remuneration Committee**

Our Company established a Remuneration Committee pursuant to a resolution of our Directors passed on 19 December 2016 with written terms of reference in compliance with Rule 5.34 and Rule 5.35 of the GEM Listing Rules. The written terms of reference of the Remuneration Committee was adopted in compliance with paragraph B1.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are, among other things, to make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review and approve the management's remuneration proposals; and ensure none of our Directors determine their own remuneration.

At present, the Remuneration Committee of our Company consists of three members, namely Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung. Mr. Chan Wing Kit is the chairman of the Remuneration Committee.

### **Nomination Committee**

Our Company established a Nomination Committee pursuant to a resolution of our Directors passed on 19 December 2016. Written terms of reference in compliance with paragraph A5.2 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules have been adopted. The primary function of the Nomination Committee is to make recommendations to our Board regarding appointment of Directors and candidates to fill vacancies on our Board.

At present, the Nomination Committee consists of three members, namely Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung. Mr. Chan Wing Kit is the chairman of the Nomination Committee.

## **CORPORATE GOVERNANCE**

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company will comply with the Corporate Governance Code in Appendix 15 to the GEM Listing Rules.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the Listing.

## **DIRECTORS AND SENIOR MANAGEMENT**

### **COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Convoy Capital Hong Kong Limited as our compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company will consult with and seek advice from the compliance adviser on a timely basis in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where our Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in the listing document or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in the listing document; and
- (d) where the Stock Exchange makes an inquiry of the listed issuer under Rule 17.11 of the GEM Listing Rules regarding unusual movements in the price or trading volume of our Shares.

The term of appointment of the compliance adviser of our Company shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the Listing Date, and such appointment shall be subject to extension by mutual agreement.

The compliance adviser of our Company shall provide us with services, including guidance and advice as to compliance with the requirements under the GEM Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange.

### **SHARE OPTION SCHEME**

Our Company has conditionally adopted the Share Option Scheme in which certain eligible participants including, among others, our Directors and employees of our Group may be granted options to subscribe for Shares. Our Directors believe that the Share Option Scheme will assist in our recruitment and retention of quality executives and employees. A summary of the principal terms of the Share Option Scheme is set out in the section headed “Appendix V — Statutory and general information — D. Share option scheme” to this prospectus.



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Placing (assuming the Offer Size Adjustment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), each of Mr. Ma and Sun Universal will directly or indirectly control 36.62% of the issued share capital of our Company and are hence our Controlling Shareholders for the purpose of the GEM Listing Rules. Please refer to the section headed “History, reorganisation and corporate structure — Reorganisation” in this prospectus for details of the shareholding structure among the Controlling Shareholders.

### POTENTIAL COMPETING INTEREST

Mr. Ma is the sole shareholder of Myshowhome International Limited (“**Myshowhome International**”), together with its subsidiaries, the “**Myshowhome Group**”). Myshowhome International holds 100% interest in Myshowhome (Hong Kong) Limited (“**Myshowhome HK**”), which in turn holds 100% interest in Dongguan Shangpin Furniture Co., Ltd. (東莞市尚品家具有限公司) (“**Shangpin**”). Shangpin is a wholly foreign-owned enterprise established under the laws of the PRC on 10 July 2012 with a registered capital of HK\$8 million and is principally engaged in the manufacturing of sofas and sofa-beds for export to places outside the PRC. Mr. Ma confirms that Myshowhome International and Myshowhome HK are both investment holding companies.

As our Group manufactures and sells office furniture and although our Group’s focus is on office furniture while Myshowhome Group’s focus is on sofas and sofa-beds, Myshowhome Group may potentially compete with us. However, we consider that such potential competition is not and is unlikely to be significant in light of the following:

- (a) as a non-executive Director, Mr. Ma will not take part in the day-to-day management or operations of our Group but rather, he will oversee the strategic and overall development of our Group;
- (b) the business focus of our Group and Myshowhome Group are fundamentally different. In particular, Myshowhome Group’s business focuses on the manufacturing of sofas and sofa-beds for export and sale outside the PRC, whereas our Group’s business focuses on the manufacturing of office furniture (including sofas and sofa-beds) for sale in the PRC market;
- (c) during the Track Record Period and up to the Latest Practicable Date, all of our products were sold domestically in the PRC while substantially all<sup>Note</sup> of Myshowhome Group’s products were exported abroad to overseas customers;
- (d) Mr. Ma confirmed that during the Track Record Period, none of our customers was a customer of the Myshowhome Group;

*Note:* Some of the products of Shangpin manufactured were not exported because they did not meet the standard for export or the requirements of Shangpin’s customers (“Relevant Products”). The Relevant Products were sold or disposed of domestically in the PRC. During each of the two years from 1 January 2014 to 31 December 2015, the total revenue generated and received by Shangpin from the domestic sale or disposal of the Relevant Products was less than RMB500,000, representing less than 2% of its total revenue in the relevant year.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (e) Mr. Ma has entered into the Deed of Non-competition in favour of our Company (details of which are set out in the paragraph headed “Non-competition Undertakings” below) undertaking to ensure that the total revenue of Myshowhome Group generated from PRC sales shall not exceed 5% of its revenue, and that he and his close associates will abstain from voting on matters relating to our Group or Myshowhome Group where actual or potential conflicts of interest may arise; and
- (f) during the Track Record Period and up to the Latest Practicable Date, our Group had not entered into any transactions, business or other dealings with the Myshowhome Group.

Save as disclosed above, our Substantial Shareholders, Controlling Shareholders, our Directors and their respective close associates confirm that each of them does not have any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

### NON-COMPETITION UNDERTAKINGS

For the purpose of Listing, each of our Controlling Shareholders, Mr. Ma and Sun Universal (collectively, the “**Covenantors**”) has given certain non-competition undertakings in favour of our Company (for itself and each of our subsidiaries) under the Deed of Non-competition, pursuant to which each of the Covenantors, jointly and severally, warrants and undertakes with our Company, on an irrevocably and unconditional basis, on the following terms which shall take effect immediately upon the Placing becoming unconditional (as specified under the section headed “Structure and conditions of the Placing — Conditions of the Placing” of this prospectus) and end on the occurrence of the earlier of: (a) the date when the Covenantors, individually or collectively with their close associates, cease to be directly or indirectly interested in 30% or more of the then issued share capital of the Company, or cease to be deemed as our controlling shareholders (as defined in the GEM Listing Rules) and do not have power to control the Board; and (b) the time when the Shares cease to be listed on the Stock Exchange:

- (i) *undertaking not to engage in competing business*: each of the Covenantors shall not, and shall procure each of his/its close associates (other than our Group) shall not, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, whether as a shareholder, director, employee, partner, agent or otherwise (other than being a director or shareholder of our Group or members of our Group), carry on or be engaged in, directly or indirectly, a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or may in any aspect compete directly or indirectly with the business or which is similar to the business currently and may from time to time be engaged by our Group (including but not limited to the production and sale of office furniture and businesses ancillary to any of the foregoing) (“**Restricted Business**”);

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

(ii) *undertaking not to solicit staff etc.:* each of the Covenantors:

- a. will not, and will procure his/its close associates (excluding the Group) not to, invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by the Group from time to time unless pursuant to the provisions stipulated in the Deed of Non-competition;
- b. will not offer employment to, enter into a contract for the services of, or attempt to solicit or seek to entice away from our Group any individual who is a director, officer, manager or employee of our Group, or procure or facilitate the making of any such offer or attempt by any other person; and
- c. will not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as the controlling shareholder for any purposes other than for the exercise of shareholders' rights.

he/it shall ensure and procure that, unless the prior written approval of each of the independent Directors of the Company has been obtained, the total revenue of Myshowhome Group generated from PRC sales shall not exceed 5% of its total revenue;

(iii) *undertakings in respect of new business opportunity:* if each of the Covenantors and/or any of his/its close associates (other than our Group) is offered or becomes aware of any project or new business opportunity ("**New Business Opportunity**") that relates to the Restricted Business, whether directly or indirectly, he/it shall:

- a. promptly in any event not later than seven days from the date of offer or becoming aware of the New Business Opportunity notify our Company in writing ("**Offer Notice**") of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and
- b. use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates (other than our Group).

The Covenantors shall only be entitled to pursue the New Business Opportunity if our Group gives a written notice declining the New Business Opportunity and confirming that the New Business Opportunity would not constitute competition with the business of our Group, or if our Group has not sent such written notice to the Covenantors within 30 days (or up to 60 days if our Group requires further time to assess the New Business Opportunity) from our Group's receipt of the Offer Notice;

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iv) *general undertakings*: each of the Covenantors shall:
- a. when required by our Company provide our Company and our Directors with all such information as the independent non-executive Directors may request for its annual review of the compliance and/or enforcement of the terms of the Deed of Non-competition;
  - b. provide after the end of each financial year of our Company with a declaration made by each of them which shall state whether or not he/it has during that financial year complied with all the terms and conditions of the Deed of Non-competition, and if not, particulars of any non-compliance; and
  - c. allow our Directors, their respective representatives and the auditors to have sufficient access to their records and records of their close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition.

The abovementioned non-competition undertakings do not apply in relation to:

- (a) any New Business Opportunity in any Restricted Business which has first been offered or made available to the Company and not taken by the Company in accordance with subparagraph (iii) above, provided that the principal terms by which the Covenantors (or their close associates) subsequently participates in such New Business Opportunity in the Restricted Business are not more favourable than those made available to our Company;
- (b) any interests in the shares or equity interest of any member of the Group;
- (c) any interests in the shares of a company whose shares are listed on a recognised stock exchange, provided that:
  - any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
  - the total number of the shares held of the Covenantors and their close associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and the Covenantors and their close associates are not entitled to appoint a majority of the directors of that company; or
- (d) the interest or directorship in Myshowhome Group provided that the total revenue generated from PRC sales shall not exceed 5% of the total revenue of Myshowhome Group, unless with the prior written approval from each of the independent Directors.

Each of the Covenantors has undertaken to the Company that he/it will abstain from voting on the board level or the shareholder level of the Company and will not be counted in the quorum if there is any actual or potential conflict of interest in relation to the Restricted Business, the New Business Opportunity and Myshowhome Group.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

To ensure that the terms of the Deed of Non-competition are observed, our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with and the enforcement of the Deed of Non-competition; and (ii) all the decision made by our Group in relation to whether to take up any New Business Opportunity.

### NON-DISPOSAL UNDERTAKING

Each of our Controlling Shareholders has, jointly and severally, undertaken to and covenanted with our Company and the Stock Exchange that:

- (a) at any time during the period commencing on the date by reference to which disclosure of its/his shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares first commence on the Stock Exchange (“**First Six-month Period**”), it/he will not 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 owned by it/him in respect of which it/he is shown by this prospectus to be the beneficial owner or is otherwise interested in (“**Relevant Shares**”), other than pursuant to Rule 13.18 of the GEM Listing Rules;
- (b) at any time during the period of 18 months commencing on the date on which the First Six-month Period expires (“**Subsequent Period**”, together with the First Six-month Period, the “**Restricted Period**”), it/he will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, the Relevant Shares, to the extent it/he will cease to be a controlling shareholder (as defined in the GEM Listing Rules) of the Company, other than any pledge or charge made in favour of an authorised institutional (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong);
- (c) it/he will take any such actions necessary to ensure that it/he will not cease to be a controlling shareholder (as defined in the GEM Listing Rules) of the Company, for whatever reasons, during the Restricted Period;
- (d) if it/he pledges or charges any Relevant Shares in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) during the Restricted Period, it/he shall immediately inform the Company in writing of such pledge or charge together with the number of Relevant Shares so pledged or charged in accordance with Rule 13.19(1) of the GEM Listing Rules (as extended to apply to the entire Restricted Period); and
- (e) at any time following any pledge or charge of Relevant Shares under sub-paragraph (d) above, if it/he receives indications, either verbal or written, from any pledgee or chargee of any Relevant Shares that any of the pledged or charged Relevant Shares will be disposed of, it/he will immediately inform the Company in writing of such indications.

The above non-disposal undertakings by our Controlling Shareholders are beyond the requirements relating to non-disposals of the Shares under Rule 13.16A of the GEM Listing Rules.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### INDEPENDENCE OF OUR GROUP FROM OUR CONTROLLING SHAREHOLDERS

Having taken into account of the following factors, our Directors are satisfied that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective associates (other than our Group) after the Listing.

#### **Financial independence**

Shareholder's loan due from our Group to Mr. Ma amounted to approximately HK\$6 million and HK\$48 million as at 31 December 2014 and 2015 respectively. The outstanding amount of the shareholder's loan due to Mr. Ma will be capitalised as part of the Reorganisation or will be repaid by our Group before the Listing. Please refer to the subsection headed "Reorganisation" under the section headed "History, reorganisation and corporate structure" in this prospectus.

Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders. In particular, our Group has been able to secure bank borrowings within the Track Record Period through the pledge of its own assets without any financial assistance (by way of guarantee, pledge of assets or otherwise) from the Controlling Shareholders. Furthermore, our Group has its own finance department and has established its own financial accounting system independent of our Controlling Shareholders. Our Group has its own bank account, makes its own tax registrations and has employed a sufficient number of financial accounting staff. Accordingly, our Directors consider that our Group is capable of operating independently from its Controlling Shareholders from a financial perspective upon Listing.

#### **Operational independence**

Having considered that (a) we have established our own operational structure comprising individual departments, each with specific areas of responsibilities including sales and marketing, administrative and human resources, finance, and production; (b) we have established a set of internal control procedures to facilitate the effective operation of our business; (c) we have our own production line and have independent access to suppliers of raw materials and customers who are not related to our Controlling Shareholders; and (d) all the registered trademarks, designs and other intellectual property necessary or desirable for our business are registered in the name of our Group, our Directors consider that our Group's business operation does not rely on our Controlling Shareholders and our Group can operate independently from an operational perspective upon Listing.

#### **Management independence**

Our Group's management and operational decisions are made by our Board and our senior management team. Our Board consists of six members, comprising of two executive directors, one non-executive director and three independent non-executive directors. One of our Controlling Shareholders, Mr. Ma, is a non-executive Director. Notwithstanding this, the Directors consider that our Board and team of management will be able to function independently because:

- (a) each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and the Shareholders as a whole and does not allow any conflict between his or her duties as a Director and his or her personal interest;

## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant meeting of our Board in respect of such transaction and shall not be counted in the quorum;
- (c) the independent non-executive Directors will bring independent judgement to the decision making process of our Board; and
- (d) the senior management are independent and possesses in-depth experience and understanding of the industry in which our Group is engaged.

Our Directors are therefore of the view that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

### **CORPORATE GOVERNANCE MEASURES**

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and to safeguard the interests of our Shareholders:

- (a) compliance with the GEM Listing Rules, in particular strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules where applicable;
- (b) appointment of Convoy Capital Hong Kong Limited as our Compliance Adviser to advise us on the compliance matters in respect of the GEM Listing Rules and applicable laws and regulations;
- (c) appointment of three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. Our independent non-executive Directors will review on the compliance by Covenantors with terms of the Deed of Non-competition and the enforcement thereby by our Company on an annual basis. We believe our independent non-executive Directors possess the qualification and integrity and are free of any business or other relationship which may materially interfere with their exercise of independent judgment and will be able to protect the interests of our public Shareholders in a fair and impartial manner. Further details of our independent non-executive Directors are set out in the section headed "Directors and senior management";
- (d) our Controlling Shareholders have undertaken and agreed to provide all information as may be requested by our Group for the annual review by the independent non-executive Directors of compliance and the enforcement of terms of the Deed of Non-competition; and
- (e) our Company will disclose decisions on matters reviewed by our independent non-executive Directors in relation to the compliance with and the enforcement of the Deed of Non-competition either through our Company's annual report or by way of announcement to the public.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Placing (but assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the issued shares of any class of share carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Capacity/nature of interest	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Placing	Approximate percentage of shareholdings immediately following completion of the Capitalisation Issue and the Placing
Sun Universal	Beneficial owner <i>(Note 1)</i>	245,300,400 (long position)	36.62%
Mr. Ma	Interest in controlled corporation <i>(Note 1)</i>	245,300,400 (long position)	36.62%
Ms. Hung Fung King Margaret	Interest of spouse <i>(Note 2)</i>	245,300,400 (long position)	36.62%
Brilliant Talent	Beneficial owner <i>(Note 3)</i>	116,580,000 (long position)	17.40%
Ms. Zhang	Interest in controlled corporation <i>(Note 3)</i>	116,580,000 (long position)	17.40%
Mr. Yi	Interest of spouse <i>(Note 4)</i>	116,580,000 (long position)	17.40%

*Notes:*

1. The entire issued share capital of Sun Universal is legally and beneficially owned by Mr. Ma, who is deemed to be interested in the Shares held by Sun Universal under Part XV of the SFO.
2. Ms. Hung Fung King Margaret is the spouse of Mr. Ma. Accordingly, Ms. Hung Fung King Margaret is deemed to be interested in the Shares held by Mr. Ma under Part XV of the SFO.
3. The entire issued share capital of Brilliant Talent is legally and beneficially owned by Ms. Zhang, who is deemed to be interested in the Shares held by Brilliant Talent under Part XV of the SFO.



## SUBSTANTIAL SHAREHOLDERS

4. Mr. Yi is the spouse of Ms. Zhang. Accordingly, Mr. Yi is deemed to be interested in the Shares held by Ms. Zhang under Part XV of the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Placing (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued shares of any class of share carrying rights to vote in all circumstances at general meetings of any other member of our Group.

### NON-DISPOSAL UNDERTAKING

Each of our two largest Substantial Shareholders, namely Sun Universal (which is wholly-owned by Mr. Ma) and Brilliant Talent (which is wholly-owned by Ms. Zhang) has provided non-disposal undertakings to our Company and the Stock Exchange. For details relating to the non-disposal undertaking of Sun Universal and Mr. Ma, our Controlling Shareholders, please refer to the section headed “Relationship with Controlling Shareholders — Non-disposal undertaking” in this prospectus.

Each of Brilliant Talent and Ms. Zhang (“**Relevant Substantial Shareholders**”) has, jointly and severally, undertaken to and covenanted with our Company and the Stock Exchange that during the period commencing on the date by reference to which disclosure of its/her shareholding is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares first commence on the Stock Exchange (“**12 Months Restricted Period**”):

- (a) it/she will not 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 owned by it/her in respect of which it/she is shown by this prospectus to be the beneficial owner or otherwise interested in (“**Relevant Substantial Shareholder Shares**”), other than any pledge or charge made in favour of an authorised institutional (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong);
- (b) if it/she pledges or charges any Relevant Substantial Shareholder Shares in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) during the 12 Months Restricted Period, it/she shall immediately inform the Company in writing of such pledge or charge together with the number of Relevant Substantial Shareholder Shares so pledged or charged; and
- (c) at any time following any pledge or charge of Relevant Substantial Shareholder Shares under sub-paragraph (b) above, if it/she receives indications, either verbal or written, from any pledgee or chargee of any Relevant Substantial Shareholder Shares that any of the pledged or charged Relevant Substantial Shareholder Shares will be disposed of, it/she will immediately inform the Company in writing of such indications.

The above non-disposal undertakings of the Relevant Substantial Shareholders are not required under the GEM Listing Rules.

## SHARE CAPITAL

### SHARE CAPITAL OF OUR COMPANY

The following is a description of the authorised and issued share capital of our Company immediately before and following the completion of the Capitalisation Issue and the Placing (without taking into account the exercise of the Offer Size Adjustment Option or the Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme):

<i>Authorised share capital</i>	<b>Nominal value</b> <i>(HK\$)</i>
1,500,000,000 Shares of par value HK\$0.01 each	15,000,000
<i>Shares issued and fully paid or credited as fully paid</i>	
10,000 Shares in issue as at the date of this prospectus	100
401,990,000 Shares to be issued pursuant to the Capitalisation Issue	4,019,900
<u>268,000,000</u> Shares to be issued under the Placing	<u>2,680,000</u>
<b>670,000,000 Total issued Shares on completion of the Capitalisation Issue and the Placing</b>	<b><u>6,700,000</u></b>

### ASSUMPTIONS

The above table assumes that the Placing and the Capitalisation Issue will become unconditional and does not take into account the Shares to be allotted and issued upon the exercise of the Offer Size Adjustment Option, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates granted to our Directors to allot and issue or repurchase Shares as described below.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

### RANKING

The Placing Shares are ordinary shares and will carry the same rights in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus (and for the avoidance of doubt other than the entitlements under the Capitalisation Issue).

## SHARE CAPITAL

### CAPITALISATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on 19 December 2016, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of allotment and issue of the New Shares pursuant to the Placing, our Directors were authorised to allot and issue a total of 401,990,000 Shares credited as fully paid at par to the holder of Shares on the register of members or principal share register of our Company at the close of business on 19 December 2016 in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$4,019,900 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to these resolutions shall carry the same rights in all respects with the existing issued Shares.

### GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and conditions of the Placing — Conditions of the Placing” of this prospectus, our Directors have been granted a general mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Share to be allotted and issued or dealt with subject to the requirement that the total number of Shares so allotted and issued or agreed conditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangement, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the total number of Shares in issue immediately following the completion of the Placing and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which have been or may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased by our Company, if any, under the general mandate to repurchase Shares referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This general mandate to issue Shares does not cover Shares to be allotted, issued or dealt with under a rights issue or pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme or any other share option scheme of the Company or in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles.

This general mandate to issue Shares will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company is required by the Companies Law or the Articles or other applicable laws to hold its next annual general meeting; or
- (c) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

## SHARE CAPITAL

For further details of this general mandate to issue Shares, please refer to the paragraph headed “A. Further information about our Company — 3. Written resolutions of all Shareholders passed on 19 December 2016” in Appendix V to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and conditions of the Placing — Conditions of the Placing” of this prospectus, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with an amount of not more than 10% of the total number of Shares in issue following completion of the Placing and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme).

This general mandate to repurchase Shares only relates to repurchases made on the Stock Exchange, or any other exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), which are made in accordance with all applicable laws and requirements of the GEM Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the paragraph headed “A. Further information about our Company — 6. Repurchase of Shares by our Company” in Appendix V to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which our Company is required by the Companies Law or the Articles or other applicable laws to hold its next annual general meeting; and
- (c) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of this general mandate to repurchase Shares, please refer to the paragraph headed “A. Further information about our Company — 6. Repurchase of Shares by our Company” in Appendix V to this prospectus.

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V to this prospectus.

## SHARE CAPITAL

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

The method and procedures for holding of general meeting or class meeting of a Cayman Islands exempted company and the circumstances under which such meetings are required are prescribed under and set out in the articles of association of such company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in “Summary of the constitution of our Company and Cayman Islands Company Law” set out in Appendix IV to this prospectus.

## FINANCIAL INFORMATION

*As a result of the change in our majority shareholding on 29 December 2014, we have included in this prospectus (i) the Accountant's Report of our Group for the period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014, the year ended 31 December 2015 and the eight months ended 31 August 2016 as set forth in Appendix IA of this prospectus; and (ii) a separate Accountant's Report of Sichuan Greenland Group for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 as set forth in Appendix IB of this prospectus. The Accountant's Report of our Group and of Sichuan Greenland Group have been prepared in accordance with HKFRS.*

*This discussion and analysis contains certain forward-looking statements that involve risks, uncertainties and assumptions. We caution you that our business and financial performance are subject to substantial risks and uncertainties some of which are beyond our control. Our actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information provided under the section headed "Risk factors" in this prospectus.*

**Investors should not make any investment decision solely on the basis of the financial information of Sichuan Greenland Group, our principal subsidiary, since it does not reflect the results of operations, financial position and cash flows of our Group.**

### OVERVIEW

Founded in 1996, our Group manufactures and sells office furniture. We sell office furniture products to the domestic PRC market with a large proportion of our sales derived from Sichuan province, Chongqing city, Tibet Autonomous Region and Yunnan province. Our customers are mainly PRC governmental departments, financial institutions (state-owned and private) as well as other state-owned and private entities.

The entire production process of our products is carried out at our production facilities situated in the Wenjiang district of Chengdu city. Our production facilities comprise seven buildings with a gross area of approximately 33,218.98 sq.m. We also have a sales office in the Gaoxin district of Chengdu city and a branch office located in Chongqing city. Key raw materials used to manufacture our products include, *inter alia*, wooden panels (such as medium-density fibreboards), leather and cloth, metal hardware, glass and chemical substances (such as glue and paint), all of which are sourced from domestic PRC suppliers.

According to the PRC management accounts of Sichuan Greenland for the years ended 31 December 2012 and 2013, Sichuan Greenland recorded a loss of approximately RMB1.2 million in 2012. In 2013, Sichuan Greenland made a net profit of approximately RMB0.8 million principally due to its termination of the lease of certain storage facilities in Chengdu of approximately RMB 1.4 million and reduction in other operating costs. Despite the profit making position in 2013, Sichuan Greenland recorded accumulated losses of approximately RMB2.8 million as at 31 December 2013.

## FINANCIAL INFORMATION

According to the Accountant's Report of Sichuan Greenland Group as set out in Appendix 1B to this prospectus, Sichuan Greenland recorded accumulated losses of approximately RMB8.7 million as at 1 January 2014. As advised by our Company, such increase in accumulated losses by approximately RMB5.9 million compared to the management accounts was mainly attributable to adjustments for additional depreciation on the building and leasehold land used by Sichuan Greenland from 2008 to 2013.

Sichuan Greenland had a better financial performance in 2014 than in 2013 mainly attributable to its change of business strategy to focus on tenders relating to the supply of mid to high end furniture rather than mass market furniture. As a result, the gross profit margin of Sichuan Greenland increased from approximately 14.5% in 2013 to 25.0% in 2014, which was in line with the range of gross profit margin among 50 mid to high end office furniture manufacturers in Sichuan province according to the Frost & Sullivan Report, as disclosed in the section headed "Industry overview" in this prospectus.

For the year ended 31 December 2015, our revenue on a combined basis amounted to approximately RMB86.9 million, representing an increase of approximately RMB10.1 million (or a 13.2% increase) from approximately RMB76.7 million for the year ended 31 December 2014. For the eight months ended 31 August 2016, our revenue amounted to approximately RMB72.2 million, representing an increase of approximately RMB6.0 million (or a 9.1% increase) from approximately RMB66.2 million for the eight months ended 31 August 2015.

### **BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

The presentation of our financial information in this prospectus is impacted by the acquisition that occurred during the Track Record Period. For a summary of such acquisition, please refer to the section headed "History, reorganisation and corporate structure" in this prospectus.

#### **Presentation of Accountant's Reports**

This prospectus includes two Accountant's Reports, set forth in Appendix IA and IB respectively:

- (i) Appendix IA sets forth the Accountant's Reports of our Group for the period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014, the year ended 31 December 2015 and the eight months ended 31 August 2016 and as of 31 December 2014, 31 December 2015 and 31 August 2016; and
- (ii) Appendix IB sets forth the Accountant's Reports of Sichuan Greenland Group for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 and as of 31 December 2014, 31 December 2015 and 31 August 2016.

Our Company was incorporated in the Cayman Islands on 4 March 2016 as an exempted company with limited liability under the Companies Law.

Pursuant to our Reorganisation as detailed in the section headed "History, reorganisation and corporate structure", our Company became the holding company of the subsidiaries now comprising our Group.

## FINANCIAL INFORMATION

Our Group manufactures and sells office furniture in the PRC. Our Company has not carried on any business since the date of incorporation, saved for our Reorganisation.

Immediately prior to and after the Reorganisation, our business was principally carried out by Sichuan Greenland, our principal operating subsidiary which has been controlled by Mr. Ma since 29 December 2014. Pursuant to the Reorganisation, Sichuan Greenland Group was transferred to and became held by our Company through Smart Raise BVI. Our Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. Our Reorganisation is therefore merely a reorganisation of our business and does not constitute a business combination.

Our Group is regarded as a continuing entity resulting from the Reorganisation which involved the insertion of a new holding company above Smart Raise BVI but which has not resulted in any change in economic substance. Accordingly, the financial information has been prepared using the merger basis of accounting as if the Reorganisation had occurred as of the beginning of the Track Record Period and the current Group structure had always been in existence.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of our Group for the period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014, the year ended 31 December 2015 and the eight months ended 31 August 2016 have included the financial performance, changes in equity and cash flows of the companies now comprising our Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current Group structure had been in existence throughout the Track Record Period. The combined statements of financial position of our Group as of 31 December 2014 and 2015 and 31 August 2016 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current Group structure had been in existence at those dates. No adjustment is made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Our Group acquired the entire equity interest in Sichuan Greenland on 29 December 2014 and the events between 29 December 2014 and 31 December 2014 did not result in material changes in terms of the amount of net assets acquired and results. Hence, the Accountant's Report of our Group, set forth in Appendix IA, only includes the results of Sichuan Greenland Group from 1 January 2015 and does not contain the financial performance of Sichuan Greenland Group, which operated our principal underlying business, for the year ended 31 December 2014. In the consolidated financial statements of Sichuan Greenland Group set forth in Appendix IB, we present its financial results for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 in order to give investors information about the performance of Sichuan Greenland Group's business during these years/period. We consider that, since Sichuan Greenland Group operated our principal underlying business during these years/period and contributed the most significant portion of our Group's operating activity, its financial results, presented on a stand-alone basis, are a meaningful indication of our Group's underlying business. Furthermore, the structure of Sichuan Greenland Group has remained stable after its acquisition by our Group, so we are able to present its results on a stand-alone basis and provide historical year-on-year comparisons of its results. However, prospective investors should be aware that these do not reflect actual results of our Group as a whole and are not intended to indicate any hypothetical results that could have been achieved by us.



## FINANCIAL INFORMATION

### KEY FACTORS AFFECTING THE RESULTS OF OUR GROUP'S OPERATIONS

Our financial condition and results of operation have been and will continue to be affected by a number of factors, including those factors set out in the section headed "Risk factors" in this prospectus. In particular:

#### **A single production base in Chengdu**

Our Group currently carries out our entire production process at a single production base situated at Wenjiang district of Chengdu city in Sichuan province in the PRC which is owned by us and currently pledged as security to secure repayment of our existing bank borrowings.

Any disruptions to our use of and ownership of our production base for whatsoever reasons (including enforcement of relevant security and/or damage caused by floods, fires, earthquakes, typhoons and other natural disasters or matters outside our control) may affect our ability to produce and deliver products to our customers on a timely manner and/or in accordance with the terms of agreements entered with our customers.

Such disruptions will not only materially and adversely affect our business and operations as well as our profitability and financial results (as efforts to restore operations following a disruption may be costly and time-consuming), but may also negatively affect our brand image and reputation if we fail to fulfil customer orders.

#### **Competitive tendering**

Our customers include PRC governmental departments, financial institutions and certain state-owned entities who may be required, as a matter of law or by their internal policy, to select suppliers through competitive tenders. We rely heavily on our successful bidding in these and other competitive tenders to secure orders and/or to enter into supply agreements with our customers. For the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, on a combined basis, our revenues which were generated from orders secured through the winning of competitive tenders accounted for approximately 79.8%, 83.4% and 74.5% of our total revenue respectively.

Where we are successful in winning a tender, we would typically become an approved supplier of the customer in respect of certain products on an exclusive basis or otherwise, and such status may sometimes only be effective for a limited term. Upon expiry of the effective period, we may need to submit new bids and/or go through the tendering process again in order to continue to secure further orders from the customer.

There is no assurance that we would be successful in securing orders through competitive tenders of new or existing customers, and the failure to do so would materially and adversely affect our profitability.

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Further, the profitability of our Group is dependent on our supply terms such as pricing but there is no guarantee that our supply terms in successful tenders will be comparable to those of existing orders. In particular, in order to increase the competitiveness of our tenders or to foster customer relationships, we may lower our price quotation or offer more favourable terms than existing orders.

Accordingly, our historical financial results during the Track Record Period should not be taken as an indication of our future performance, and prospective investors should be aware of the risk that our Group may not be able to secure future competitive tenders, which will materially affect our profitability, when assessing our Group's future prospects.

### **Dependency on our largest customer**

The sales to our largest customer for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, on a combined basis, amounted to approximately RMB20.3 million, RMB25.8 million and RMB25.9 million respectively, which accounted for approximately 26.4%, 29.7% and 35.8% of our total revenue respectively.

Sales to our largest customer over the Track Record Period were mainly generated through contracts entered with it following participation in its tendering processes. There is no assurance that our largest customer will continue to be our recurring customers if: (i) it ceases to hold open tenders for procurement of office furniture in the future; or (ii) we fail to win tenders or secure other orders of comparable value from it in the future. Where our largest customer ceases to our customer, our Group's business and profitability may be adversely affected.

### **Prices and supply of raw materials**

We depend on the supply of wooden panels (such as medium-density fibreboards), leather, cloth, metal hardware, glass and chemical substances (such as glue and paint) for the production of our products. On a combined basis, our costs of raw materials accounted for approximately 77.5%, 69.0% and 81.9% of our costs of sales for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively. These raw materials are purchased from suppliers in the PRC with whom we have not entered into any long-term supply contracts.

There is no guarantee that the price of required raw materials will not fluctuate in the future due to increase in demand or a shortage of supply. If the price of raw materials increases and we are unable to shift the added costs efficiently or adequately to our customers, our business and financial condition may be adversely affected.

Further, there is no guarantee that we would be able to secure supply of raw materials from existing suppliers at acceptable prices on an ongoing basis, and such supply may be affected or disrupted by factors (such as weather conditions and infestations at plantation in respect of wood) beyond our or our suppliers' control. In the event of a shortage or disruption of supply from existing suppliers, we may not be able to procure adequate raw materials from alternative sources at acceptable prices in a timely manner. This will affect our production and supply of products which will materially and adversely affect our Group's business and operations.

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### Labour costs and supply of labour

Our production process is labour intensive. We cannot assure you that we will not experience any shortage of labour for our production needs or that the costs of labour in the PRC will not increase in the future. If we experience a shortage of labour, we may not be able to maintain our production volume. If there is a significant increase in our labour costs and our Group fails to adopt appropriate means to reduce costs or pass on such increase in costs on to our customers, our production costs will increase and our profit margins may be materially and adversely affected. Our business and financial condition and results of operations may be adversely and materially affected as a result of an increase in labour costs or shortage of labour.

### Listing expenses

The expenses in relation to the Listing (including underwriting commission) are expected to be approximately HK\$23.4 million (assuming a Placing Price of HK\$0.31 per Placing Share, being the mid-point of our indicative Placing Price range between HK\$0.29 and HK\$0.33 per Placing Share), of which (i) approximately HK\$10.8 million are directly attributable to the issue of Placing Shares under the Placing and are expected to be accounted for as a reduction from equity; and (ii) the remaining amount of approximately HK\$12.6 million has been charged to and reflected in the combined statements of profit or loss and other comprehensive income, of which approximately HK\$3.2 million and HK\$5.6 million were charged for the year ended 31 December 2015 and the eight months ended 31 August 2016 respectively and the remainder of approximately HK\$1.7 million and HK\$2.1 million is expected to be recognised in the remaining period in 2016 and the year ending 31 December 2017, respectively. These amounts are current estimates for reference only, and the actual amounts are subject to adjustments based on audit and changes in variables and assumptions. Nonetheless, we expect that the non-recurring Listing expenses (which represent approximately 144.7% of our Group's net profit for the year ended 31 December 2015) will materially affect our Group's financial performance and condition and results of operations for the year ending 31 December 2016, and may possibly result in a loss.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial statements have been prepared in accordance with the accounting policies set out below, which conform with the HKFRS (a collective term which includes the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the HKICPA. The financial statements also comply with the applicable disclosure requirements of the GEM Listing Rules.

Our financial information has been prepared under the historical cost convention. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. These estimates and assumptions are subject to change in the future, as necessary. The methods, estimates and judgements that we use in applying our accounting policies may have a significant impact on our results and operations. Some of the accounting policies require us to make difficult and subjective judgements, often as a result of the need to make estimate of matters that are inherently uncertain. When reviewing

## FINANCIAL INFORMATION

our financial information contained herein, you should consider (i) our selection of critical accounting policies; (ii) the judgement and assumptions affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions.

### **Revenue and other income recognition**

Revenue from our sale of office furniture is recognised to the extent when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, net of allowances for returns, trade discounts and value-added tax. The following specific recognition criteria must also be met before revenue is recognised:

- (i) sale of office furniture products is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that our Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon the completion of installation for office furniture products; and
- (ii) interest income from bank deposits is accrued on a time apportionment basis using the effective interest method.

For further details regarding significant accounting policies and estimates adopted in the preparation of the financial statements, please refer to the notes 3 and 5 in Appendix 1A (Accountant's Report of our Group) and notes 2 and 3 in Appendix IB (Accountant's Report of Sichuan Greenland Group) of this Prospectus.

### **SUMMARY RESULTS OF OPERATIONS**

The following table sets out a summary of the results of our Group and Sichuan Greenland Group for the Track Record Period, which are derived from, and should be read in conjunction with the financial information contained in the Accountant's Reports set out in Appendix IA and IB to this prospectus.

Comparisons between our Group's operating results in 2014 and 2015 may not be useful to investors because our Group did not have significant operations in 2014 as Sichuan Greenland, our operating subsidiary which operated our principal underlying business, was only acquired by our Group on 29 December 2014. The changes in operating results of our Group from 2014 to 2015 therefore resulted primarily from such acquisition.

The financial information for the eight months ended 31 August 2015 as set forth in the table below is extracted from our Group's and Sichuan Greenland Group's unaudited combined/consolidated financial statements for the eight months ended 31 August 2015, which have been reviewed by our reporting accountant in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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We have provided the consolidated financial statements of Sichuan Greenland Group, together with the accompanying notes, for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 in Appendix IB in order to give investors information about the performance of Sichuan Greenland Group's business during these years/period. We consider that, since Sichuan Greenland Group operated our principal underlying business during these years/period and contributed the most significant portion of our Group's operating activity, its financial results are a meaningful indication of our Group's underlying business. Furthermore, the structure of Sichuan Greenland Group has remained stable after its acquisition by our Group, so we are able to present its results on a stand-alone basis and provide historical year-on-year comparisons of its results.

Operating results in any historical period may not be indicative of the results that may be expected in any future period.

### Our Group

	<b>For the period from 29 December 2014 (date of change in controlling shareholder(s) to 31 December 2014 RMB'000</b>	<b>For the year ended 31 December 2015 RMB'000</b>	<b>For the eight months ended 31 August 2015 RMB'000 (unaudited)</b>	<b>For the eight months ended 31 August 2016 RMB'000</b>
<b>Revenue</b>	—	86,862	66,206	72,220
Cost of sales	—	(62,505)	(47,729)	(52,351)
<b>Gross profit</b>	—	24,357	18,477	19,869
Other income	—	61	28	23
Gain on a bargain purchase	14,785	—	—	—
Selling and distribution expenses	—	(4,687)	(2,889)	(2,626)
Administrative expenses	—	(11,232)	(5,872)	(10,802)
Finance costs	—	(1,880)	(1,287)	(1,245)
<b>Profit before income tax</b>	14,785	6,619	8,457	5,219
Income tax expense	—	(2,352)	(2,139)	(2,452)
<b>Profit for the period/year</b>	14,785	4,267	6,318	2,767
Other comprehensive income for the period/year:				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	—	(112)	—	(154)
<b>Total comprehensive income for the period/year attributable to the owners of our Company</b>	<u>14,785</u>	<u>4,155</u>	<u>6,318</u>	<u>2,613</u>

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### Sichuan Greenland Group

	For the year ended		For the eight months ended	
	31 December		31 August	
	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)	
<b>Revenue</b>	76,737	86,862	66,206	72,220
Cost of sales	<u>(57,584)</u>	<u>(62,505)</u>	<u>(47,729)</u>	<u>(52,351)</u>
<b>Gross profit</b>	19,153	24,357	18,477	19,869
Other income	1,166	60	28	23
Selling and distribution expenses	(4,646)	(4,687)	(2,889)	(2,626)
Administrative expenses	(8,067)	(7,669)	(5,236)	(5,714)
Finance costs	<u>(2,136)</u>	<u>(1,880)</u>	<u>(1,287)</u>	<u>(1,245)</u>
<b>Profit before income tax</b>	5,470	10,181	9,093	10,307
Income tax expense	<u>(1,219)</u>	<u>(2,592)</u>	<u>(2,298)</u>	<u>(2,612)</u>
Profit and total comprehensive income for the year/ period attributable to the owner of Sichuan Greenland	<u>4,251</u>	<u>7,589</u>	<u>6,795</u>	<u>7,695</u>

In order to give investors a meaningful way to analyse the results of our performance during the years ended 31 December 2014 and 2015, we provide revenue, cost of sales and gross profit on a combined basis of our Group and Sichuan Greenland Group (collectively, the “**combined results**”). We obtained the combined results for the year ended 31 December 2014 by adding the combined revenue, cost of sales and gross profit of our Group for the period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014 and revenue, cost of sales and gross profit of Sichuan Greenland Group for the year ended 31 December 2014 respectively. For comparison purpose, the tables below set forth the combined results alongside the combined revenue, cost of sales and gross profit of our Group only for the eight months ended 31 August 2015 and 2016:

	For the year ended		For the eight months ended	
	31 December		31 August	
	2014 <sup>(Note 1)</sup>	2015 <sup>(Note 2)</sup>	2015 <sup>(Note 2)</sup>	2016 <sup>(Note 2)</sup>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)	
<b>Revenue</b>	76,737	86,862	66,206	72,220
Cost of sales	<u>(57,584)</u>	<u>(62,505)</u>	<u>(47,729)</u>	<u>(52,351)</u>
<b>Gross profit</b>	<u>19,153</u>	<u>24,357</u>	<u>18,477</u>	<u>19,869</u>

Notes:

1. This represents combined results of our Group and Sichuan Greenland Group.
2. This represents combined results of our Group.

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### **Non-HKFRS financial measures**

The measures of financial performance described on a combined basis are non-HKFRS measures and accordingly are not audited, not included in the financial statements and not presented in accordance with HKFRS. Although these measures of financial performance are reconcilable to line items on the financial statements, they may not be equivalent to similarly named measures used by other companies and should not be considered as measures comparable to items in the financial statements. They have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, an analysis of our financial results presented under HKFRS.

### **DESCRIPTION AND ANALYSIS OF PRINCIPAL COMPONENTS IN THE COMBINED/ CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

#### **Period to period comparisons of results of operations**

*The Group — Eight months ended 31 August 2016 compared with the eight months ended 31 August 2015*

#### *Revenue, cost of sales and gross profit*

Please refer to the paragraph headed “Combined results — Year ended 31 December 2015 compared with the year ended 31 December 2014; and eight months ended 31 August 2016 compared with the eight months ended 31 August 2015” in this section for details.

#### *Other income*

For the eight months ended 31 August 2015 and 2016, our Group’s other income amounted approximately RMB28,000 and RMB23,000 respectively, which consisted exclusively of bank interest income.

#### *Selling and distribution expenses*

Our Group’s selling and distribution expenses mainly comprised staff costs of our sales department, transportation and travelling expenses. For the eight months ended 31 August 2016, our Group’s selling and distribution expenses amounted to approximately RMB2.6 million, representing a decrease of approximately RMB0.3 million or 9.1% from approximately RMB2.9 million for the eight months ended 31 August 2015. Sichuan Greenland Group incurred additional advertising fees of approximately RMB0.3 million for the eight months ended 31 August 2015, compared to the corresponding period in 2016.

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### *Administrative expenses*

For the eight months ended 31 August 2016, our Group's administrative expenses amounted to approximately RMB10.8 million, representing an increase of approximately RMB4.9 million or 84.0% from approximately RMB5.9 million for the eight months ended 31 August 2015. Such increase was mainly due to the recognition of Listing expenses of approximately RMB4.7 million (equivalent to approximately HK\$5.6 million) which was charged on and recognised by our Group.

### *Finance costs*

Our Group's finance costs mainly comprise interest expenses on bank borrowings. For the eight months ended 31 August 2015, our Group's finance costs amounted to approximately RMB1.3 million. Such finance costs remained steady for the eight months ended 31 August 2016.

### *Income tax expenses*

For the eight months ended 31 August 2016, our Group's income tax expense amounted to approximately RMB2.5 million, representing an increase of approximately RMB0.3 million or 14.6% from approximately RMB2.1 million for the eight months ended 31 August 2015. Such increase was mainly due to the increase in profits generated from Sichuan Greenland Group in the corresponding periods.

### *Profit for the period*

For the eight months ended 31 August 2016, our Group's profit amounted to approximately RMB2.8 million, representing a decrease of approximately RMB3.6 million or 56.2% from approximately RMB6.3 million for the eight months ended 31 August 2015. Such decrease was mainly attributable to the Listing expenses of approximately RMB4.7 million recognised for the eight months ended 31 August 2016.



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### Combined results — Year ended 31 December 2015 compared with the year ended 31 December 2014; and eight months ended 31 August 2016 compared with the eight months ended 31 August 2015

#### Revenue

Our Group generates revenue primarily from the manufacturing and sale of office furniture in the PRC. Our products can be classified broadly into two categories including wooden and hard furniture and upholstered furniture based on the major raw materials used. Our customers mainly included PRC governmental departments, financial institutions (state-owned and private) as well as other state-owned and private entities. We do not sell or export our products outside the PRC and currently our customers are situated mostly in the southwestern regions of the PRC. Our customers are mainly sourced through either participation in tendering process or direct sales. The tables below set forth breakdown of our revenue on a combined basis by types of product, types of customer, geographic region and source of customers respectively during the Track Record Period:

Types of product	For the year ended 31 December				For the eight months ended 31 August			
	2014		2015		2015		2016	
	% of total		% of total		% of total		% of total	
	Revenue	revenue	Revenue	revenue	Revenue	revenue	Revenue	revenue
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)							
Wooden and hard furniture	51,653	67.3	56,205	64.7	42,089	63.6	47,286	65.5
Upholstered furniture	24,423	31.8	29,822	34.3	23,362	35.3	24,810	34.3
Others ( <i>Note</i> )	<u>661</u>	<u>0.9</u>	<u>835</u>	<u>1.0</u>	<u>755</u>	<u>1.1</u>	<u>124</u>	<u>0.2</u>
Total	<u><u>76,737</u></u>	<u><u>100.0</u></u>	<u><u>86,862</u></u>	<u><u>100.0</u></u>	<u><u>66,206</u></u>	<u><u>100.0</u></u>	<u><u>72,220</u></u>	<u><u>100.0</u></u>

*Note:* Others include assembly service fee and after-sales services fee charged by our Group relating to maintenance and/or repair of our products. Please refer to the section headed “Business — Business operations — After-sales services, product returns and complaints handling” in this prospectus for further information.



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Source of customers	For the year ended 31 December				For the eight months ended 31 August			
	2014		2015		2015		2016	
	% of total		% of total		% of total		% of total	
	Revenue	revenue	Revenue	revenue	Revenue	revenue	Revenue	revenue
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)							
Tendering								
— Closed	31,518	41.1	32,565	37.5	22,747	34.3	18,536	25.7
— Open	<u>29,706</u>	<u>38.7</u>	<u>39,842</u>	<u>45.9</u>	<u>34,938</u>	<u>52.8</u>	<u>35,241</u>	<u>48.8</u>
Sub-total	61,224	79.8	72,407	83.4	57,685	87.1	53,777	74.5
Direct sales (Note 1)	14,852	19.3	13,620	15.6	7,766	11.8	18,319	25.3
Others (Note 2)	<u>661</u>	<u>0.9</u>	<u>835</u>	<u>1.0</u>	<u>755</u>	<u>1.1</u>	<u>124</u>	<u>0.2</u>
Total	<u><u>76,737</u></u>	<u><u>100.0</u></u>	<u><u>86,862</u></u>	<u><u>100.0</u></u>	<u><u>66,206</u></u>	<u><u>100.0</u></u>	<u><u>72,220</u></u>	<u><u>100.0</u></u>

*Notes:*

1. Contracts or sales order requests that were secured through tendering are excluded in the calculation of the revenue derived from direct sales.
2. Others include assembly service fee and after-sales services fee charged by our Group relating to maintenance and/or repair of our products. Please refer to the section headed “Business — Business operations — After-sales services, product returns and complaints handling” in this prospectus for further information.

For the year ended 31 December 2015, revenue amounted to approximately RMB86.9 million, representing an increase of approximately RMB10.1 million (or a 13.2% increase) from approximately RMB76.7 million for the year ended 31 December 2014. Such increase was mainly due to (i) new orders in the amount of approximately RMB8.0 million in aggregate in 2015 from two new customers, which are a state-owned tendering customer and a private entity customer which placed direct purchase orders to us; and (ii) an increase in orders in the amount of RMB5.5 million from our largest customer during the Track Record Period in 2015 compared to 2014.

For the eight months ended 31 August 2016, revenue amounted to approximately RMB72.2 million, representing an increase of approximately RMB6.0 million (or a 9.1% increase) from approximately RMB66.2 million for the eight months ended 31 August 2015. Such increase was mainly due to orders from new customers through direct sales.

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### *Cost of sales*

Cost of sales mainly comprised (i) raw materials used for production, (ii) cost of goods purchased, (iii) labour costs; and (iv) production overheads such as depreciation. The table below sets forth a breakdown of our cost of sales on a combined basis during the Track Record Period:

	Year ended 31 December				For the eight months ended 31 August			
	2014		2015		2015		2016	
	RMB'000	% of cost of sales	RMB'000	% of cost of sales	RMB'000	% of cost of sales	RMB'000	% of cost of sales
					(unaudited)			
<b>Raw materials</b>								
Wooden panels	29,817	51.8	28,133	45.0	21,883	45.8	28,995	55.4
Metal hardware and glass	7,027	12.2	7,204	11.5	4,865	10.2	6,604	12.6
Leather and cloth	2,974	5.2	3,287	5.3	2,107	4.4	2,778	5.3
Chemical substance	1,530	2.6	1,784	2.8	1,223	2.6	1,707	3.2
Marbles and man-made rock	437	0.8	354	0.6	227	0.5	244	0.5
Others	<u>2,832</u>	<u>4.9</u>	<u>2,375</u>	<u>3.8</u>	<u>1,629</u>	<u>3.4</u>	<u>2,557</u>	<u>4.9</u>
Sub-total	44,617	77.5	43,137	69.0	31,934	66.9	42,885	81.9
<b>Cost of goods purchased</b>	6,752	11.7	11,499	18.4	10,810	22.7	2,571	4.9
<b>Labour costs</b>	2,512	4.4	3,500	5.6	2,073	4.3	2,944	5.6
<b>Production overheads</b>	<u>3,703</u>	<u>6.4</u>	<u>4,369</u>	<u>7.0</u>	<u>2,912</u>	<u>6.1</u>	<u>3,951</u>	<u>7.6</u>
Total	<u>57,584</u>	<u>100.0</u>	<u>62,505</u>	<u>100.0</u>	<u>47,729</u>	<u>100.0</u>	<u>52,351</u>	<u>100.0</u>

For the year ended 31 December 2015, cost of sales amounted to approximately RMB62.5 million, representing an increase of approximately RMB4.9 million or 8.5% from approximately RMB57.6 million for the year ended 31 December 2014. Such increase was mainly due to increase in cost of goods, being furniture parts, purchased from suppliers. While the increase in cost of sales from 2014 to 2015 was generally in line with the overall increase in revenue, the percentage of increase in cost of sales from 2014 to 2015 was lower than the increase in revenue from 2014 to 2015 mainly because of the decrease in average purchase cost of fibreboard (mainly medium-density fibreboard, one of our major wooden panels used) in 2015 compared to 2014.

For the eight months ended 31 August 2016, cost of sales amounted to approximately RMB52.4 million, representing an increase of approximately RMB4.6 million or 9.7% from approximately RMB47.7 million for the eight months ended 31 August 2015. Such increase was mainly due to the combined effect of (i) the increase in our cost of raw materials of approximately RMB11.0 million; and (ii) the decrease in our cost of goods purchased from suppliers of approximately RMB8.2 million. The increase in cost of sales from the eight months ended 31 August 2015 to the eight months ended 31 August 2016 was generally in line with the overall increase in revenue.

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Over 90% of the wooden panels purchased over the Track Record Period were represented in cubic metre units. The average unit cost of such wooden panels purchased by our Group was approximately RMB1,463 per cubic metre and RMB1,385 per cubic metre respectively for the years ended 31 December 2014 and 2015, representing a decrease of approximately 5.4% from 2014 to 2015. It then increased to approximately RMB1,479 per cubic metre for the eight months ended 31 August 2016, representing an increase of approximately 6.8% from 2015.

### *Gross profit*

The table below sets forth the breakdown of gross profit and gross profit margin on a combined basis by types of product during the Track Record Period. Gross profit and gross profit margin increased to approximately RMB24.4 million and 28.0% for the year ended 31 December 2015 from approximately RMB19.2 million and 25.0% for the year ended 31 December 2014. Gross profit and gross profit margin amounted to approximately RMB19.9 million and 27.5% for the eight months ended 31 August 2016, compared to approximately RMB18.5 million and 27.9% for the eight months ended 31 August 2015.

	For the year ended 31 December				For the eight months ended 31 August			
	2014		2015		2015		2016	
	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin	margin	margin	margin	margin
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
					(unaudited)			
Wooden and hard furniture	12,280	23.8	15,398	27.4	11,455	27.2	12,816	27.1
Upholstered furniture	6,671	27.3	8,375	28.1	6,476	27.7	7,220	29.1
Others <i>(Note)</i>	<u>202</u>	30.6	<u>584</u>	69.9	<u>546</u>	72.3	<u>(167)</u>	(134.6)
<b>Total</b>	<u><u>19,153</u></u>	25.0	<u><u>24,357</u></u>	28.0	<u><u>18,477</u></u>	27.9	<u><u>19,869</u></u>	27.5

*Note:* Others include assembly service fee and after-sales services fee charged by our Group relating to maintenance and/or repair of our products. The negative gross profit for the eight months ended 31 August 2016 was mainly due to the fixed staff cost incurred for assembly and after-sales services. Please refer to the section headed “Business — Business operations — After-sales services, product returns and complaints handling” in this prospectus for further information.

For the years ended 31 December 2014 and 2015, gross profit margin attributable to sales of wooden and hard furniture amounted to approximately 23.8% and 27.4% respectively and gross profit margin attributable to sales of upholstered furniture amounted to approximately 27.3% and 28.1% respectively. The increase in gross profit margin attributable to sales of wooden and hard furniture was mainly due to decrease in average purchase cost of fibreboard (mainly medium-density fibreboard) used in the production of the wooden and hard furniture. Gross profit margin attributable to sale of upholstered furniture remained steady at approximately 28% for each of the years ended 31 December 2014 and 2015.

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For the eight months ended 31 August 2015 and 2016, gross profit margin attributable to sales of wooden and hard furniture amounted to approximately 27.2% and 27.1% respectively and gross profit margin attributable to sales of upholstered furniture amounted to approximately 27.7% and 29.1% respectively. Gross profit margin attributable to sales of wooden and hard furniture and upholstered furniture remained steady for such periods. Despite the increase of average unit cost of wooden panels, which were represented in cubic metric units, by approximately 6.8% from 2015 to the eight months ended 31 August 2016, our gross profit margin attributable to sales of wooden and hard furniture remained steady, mainly due to the sales of wooden and hard furniture manufactured before 2016, which accounted for approximately 56.2% of our cost of sales for such furniture.

### Results of operations of our Group

We present the following results of operations of our Group for the period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014 and for the year ended 31 December 2015. However, we have not presented a year-on-year comparison of the results of our Group because such a comparison would not be meaningful to investors. Our Group did not have significant operations prior to the acquisition of Sichuan Greenland on 29 December 2014 and the events between 29 December 2014 and 31 December 2014 did not result in material changes in terms of the amount of net assets acquired and result. Hence, the results of our Group only included the results of Sichuan Greenland Group from 1 January 2015, but excluded the period from 29 December 2014 to 31 December 2014. The results of our Group in 2015 are impacted by the acquisition in late 2014, reducing the comparability of the 2014 and 2015 results.

### Our Group — Year ended 31 December 2015

#### *Revenue, cost of sales, gross profit, selling and distribution expenses, and finance costs*

For the year ended 31 December 2015, our Group's revenue, cost of sales, gross profit, selling and distribution expenses, and finance cost amounted approximately RMB86.9 million, RMB62.5 million, RMB24.4 million, RMB4.7 million and RMB1.9 million respectively, which was derived entirely from the business of Sichuan Greenland Group.

#### *Other income*

For the year ended 31 December 2015, our Group's other income amounted to approximately RMB61,000 which consisted exclusively of bank interest income.

#### *Administrative expenses*

Our Group's administrative expenses for the year ended 31 December 2015 amounted to approximately RMB11.2 million, which was approximately RMB3.6 million more than that of Sichuan Greenland Group. This was mainly due to the recognition of (i) Listing expenses of approximately RMB2.6 million (equivalent to approximately HK\$3.2 million) which was charged on and recognised by our Group; and (ii) depreciation charge of approximately RMB0.8 million which was recognised by our Group due to revaluation of the buildings at our production facilities in Chengdu owned by Sichuan Greenland Group. Please refer to paragraph headed "Sichuan Greenland Group — Year ended 31 December 2015 compared with the year ended 31 December 2014 — Administrative expenses" for the details of the remaining components of our Group's administrative expenses.

## FINANCIAL INFORMATION

### *Income tax expense*

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly the Cayman Islands currently levy no taxes on corporations, including the Company, based upon income. Our Group was also not subject to Hong Kong profit tax as our Group had no estimated assessable profit which were derived from and earned in Hong Kong during the Track Record Period.

For the year ended 31 December 2015, our Group's income tax expense amounted to approximately RMB2.4 million, which derive mainly from the business of Sichuan Greenland Group. Please refer to paragraph headed "Sichuan Greenland Group — Year ended 31 December 2015 compared with the year ended 31 December 2014 — Income tax expense" in this section for details.

### *Profit for the year*

For the year ended 31 December 2015, our Group's profit amounted to approximately RMB4.3 million, representing a profit margin of approximately 4.9%. Such profit was mainly derived from the business of Sichuan Greenland Group, which was then partially net off with the recognition of the Listing expense of approximately RMB2.6 million (equivalent to approximately HK\$3.2 million) by our Group.

### **Our Group — Period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014**

#### *Gain on a bargain purchase*

Our Group recorded gain on a bargain purchase of approximately RMB14.8 million as a result of the acquisition of the entire equity interest of Sichuan Greenland by Smart Raise HK in December 2014 pursuant to an agreement entered on 28 July 2014 at a consideration (RMB61.0 million) below the fair value of all identifiable assets and liabilities of Sichuan Greenland (approximately RMB75.8 million). The fair value for the identifiable assets acquired was determined by the Directors with reference to the valuation as at 29 December 2014 performed by an independent professional qualified valuer. This amount was not reflected in the Accountant's Report of Sichuan Greenland Group (presented on a stand-alone basis) contained in Appendix IB of this prospectus.

#### *Profit for the period*

Our Group's profit for the period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014 was approximately RMB14.8 million due to the recognition of the gain on a bargain purchase by our Group described in the immediately preceding paragraph.

### **Results of operations of Sichuan Greenland Group**

We present year-on-year comparisons of the results of operations of Sichuan Greenland Group for the years ended 31 December 2014 and 2015. We consider that, since Sichuan Greenland Group operated our principal underlying business during these years and contributed a significant portion of our Group's operating activity, its financial results is a meaningful indication of our Group's underlying business. However, prospective investors should be aware that these do not reflect actual results, and these are not intended to indicate any hypothetical results that could have been achieved by us. Please refer to the paragraph headed "Basis of presentation of financial information" in this section.

## FINANCIAL INFORMATION

### **Sichuan Greenland Group — Year ended 31 December 2015 compared with the year ended 31 December 2014**

#### *Revenue, cost of sales and gross profit*

Please refer to the paragraph headed “Combined results — Year ended 31 December 2015 compared with the year ended 31 December 2014; and eight months ended 31 August 2016 compared with the eight months ended 31 August 2015” in this section for details.

#### *Other income*

Sichuan Greenland Group’s other income mainly comprised government subsidy and interest income. It decreased by approximately RMB1.1 million to approximately RMB60,000 for the year ended 31 December 2015 from approximately RMB1.2 million for the year ended 31 December 2014. Such decrease was mainly due to the fact that no government subsidy was received by Sichuan Greenland Group in 2015 compared to an amount of RMB1.1 million in government subsidy granted by the Chengdu local authorities in 2014. Such government subsidy was granted to Sichuan Greenland Group as its investment in non-current assets met the requirements set by the relevant government authority.

#### *Selling and distribution expenses*

Sichuan Greenland Group’s selling and distribution expenses mainly comprised staff costs of our sales department, transportation and travelling expenses. For each of the years ended 31 December 2014 and 2015, Sichuan Greenland Group’s selling and distribution expenses remained steady at approximately RMB4.7 million.

#### *Administrative expenses*

Sichuan Greenland Group’s administrative expenses mainly comprised (i) legal and professional fee (such as audit and consultancy fee) incurred in relation to the acquisition of Sichuan Greenland by Smart Raise HK in December 2014, and other taxation and consultancy fees that were incurred; (ii) rent; (iii) administration staff cost; and (iv) other cost (such as cost of low value consumables used in our showrooms, utility expenses and transportation unrelated to sales and distribution). For the years ended 31 December 2014 and 2015, Sichuan Greenland Group’s administrative expenses amounted to approximately RMB8.1 million and RMB7.7 million respectively. The decrease in administrative expense for the year ended 31 December 2015 by approximately RMB0.4 million was mainly due to (i) the decrease in legal and professional fee incurred as the aforesaid acquisition was completed in 2014; (ii) the decrease in rent due to the termination of the tenancy agreement of the third floor of the Chongqing branch office and other administrative expenses of approximately RMB1.3 million in aggregate, which offset the increase in staff cost by approximately RMB0.9 million as a result of increase in number of administration staff.



## FINANCIAL INFORMATION

### *Finance costs*

Sichuan Greenland Group's finance costs comprised interest expenses on bank borrowings. For the year ended 31 December 2015, Sichuan Greenland Group's finance costs amounted to approximately RMB1.9 million, representing a decrease of approximately RMB0.3 million or 12.0% from approximately RMB2.1 million for the year ended 31 December 2014. Such decrease was mainly due to the decrease in interest rate of bank borrowing in 2015 compared to 2014 due to the drop in the relevant bank's basic lending rate.

### *Income tax expense*

Provision for the enterprise income tax in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC. Sichuan Greenland Group's effective income tax rate increased from approximately 22.3% for the year ended 31 December 2014 to 25.5% for the year ended 31 December 2015.

### *Profit for the year*

For the years ended 31 December 2014 and 2015, Sichuan Greenland Group's profit for the year was approximately RMB4.3 million and RMB7.6 million respectively, resulting in a net profit margin of approximately 5.5% and 8.7% respectively. The increase in Sichuan Greenland Group's net profit and net profit margin was mainly due to the increase in our revenue, which was partly offset by (i) the decrease in other income; and (ii) the increase in income tax expense in 2015 compared to 2014 as discussed above.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our primary uses of cash are to satisfy our working capital and capital expenditure needs. During the Track Record Period, our Group's uses of cash have mainly been financed through a combination of cash received from the sales of office furniture products, bank borrowing and financial support from our Group's related parties. As at 31 August 2016, our Group had cash and cash equivalents of approximately RMB9.2 million and bank borrowing of RMB30.0 million.

Going forward, we believe our liquidity requirements will be satisfied using a combination of cash generated from operating activities and proceeds from the Placing. We will use part of the proceeds from the Placing to repay the bank borrowing. Our Directors believe that in the long term, our Group's operation will be funded by internally generated cash flows and, if necessary, additional equity and/or debt financing.

## FINANCIAL INFORMATION

### OUR GROUP

#### Cash flows

In order to give investors a meaningful way to analyse our net cash flows during the years ended 31 December 2014 and 2015, we provide operating cash flow before changes in working capital, net cash from/(used in) operating activities, investing activities and financing activities, and cash and cash equivalents at beginning of year on a combined basis of our Group and Sichuan Greenland Group (collectively, the “**combined cash flows**”). We calculated the combined cash flows for the year ended 31 December 2014 by adding the operating cash flow before changes in working capital, combined net cash from/(used in) operating activities, investing activities and financing activities, and cash and cash equivalents at the beginning of the period of our Group for the period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014 (but excluding the effect on our Group of the acquisition of Sichuan Greenland) and operating cash flow before changes in working capital, net cash from/(used in) operating activities, investing activities and financing activities, and cash and cash equivalents at beginning of year of Sichuan Greenland Group for the year ended 31 December 2014 respectively. For comparison purpose, the following table sets forth the condensed summary of our Group’s net combined cash flows for the Track Record Period:

	<b>For the year ended</b>		<b>For the eight months</b>	
	<b>31 December</b>		<b>ended 31 August</b>	
	<b>2014<sup>(Note)</sup></b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)			
Operating cash flow before changes in working capital	10,145	11,890	12,060	8,554
Net cash from/(used in) operating activities	27,736	(2,813)	(16,925)	(16,547)
Net cash used in investing activities	(324)	(67,118)	(67,102)	(128)
Net cash (used in)/from financing activities	(2,855)	55,900	55,058	6,048
Net increase/(decrease) in cash and cash equivalents	24,557	(14,031)	(28,969)	(10,627)
Cash and cash equivalents at beginning of year/period	9,567	34,124	34,124	19,981
Cash and cash equivalents at end of year/period	34,124	19,981	5,155	9,200

*Note:* This represents combined cash flows of our Group and Sichuan Greenland Group.

#### Warning Statement (Non-HKFRS financial information)

Our net cash flows on a combined basis, which are not prepared in accordance with HKFRS, are for illustrative purposes only and do not reflect the audited financial information of our Group for the period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014. Investors should refer to the Accountant’s Reports as set out in Appendix IA and Appendix 1B to this prospectus for our Group’s combined statements of cash flows and Sichuan Greenland Group’s consolidated statements of cash flows for the period/year ended 31 December 2014.

## FINANCIAL INFORMATION

### Operating activities

Our operating cash inflows are principally derived from the sale of office furniture. Our operating cash outflows are principally for the purchase of raw materials for production, labour costs and other operating costs such as rental expenses.

For the year ended 31 December 2014, our Group's combined net cash from operating activities was RMB27.7 million, which was mainly attributable to the combined effect of (i) our profit before taxation and after adjustments of non-cash items, interest income and interest expenses of approximately RMB10.1 million; (ii) the decrease in our trade and other receivables of approximately RMB122.0 million mainly due to our receipt of repayment from companies owned by previous shareholders of Sichuan Greenland and the decrease in our prepayments to suppliers; (iii) the increase in our inventories of approximately RMB27.7 million mainly due to the request from our largest customer to postpone our delivery of finished goods to them from 2014 to 2015; and (iv) the decrease in our trade and other payables of approximately RMB73.6 million mainly due to the decrease in our trade payables and repayment to companies owned by previous shareholders of Sichuan Greenland.

For the eight months ended 31 August 2015, our Group's net cash used in operating activities amounted to approximately RMB16.9 million, which was mainly attributable to the combined effect of (i) the increase in our Group's trade and other receivables of approximately RMB28.3 million mainly due to the increase in our Group's trade receivables of approximately RMB17.4 million and our Group's prepayment and deposits of approximately RMB14.3 million; (ii) the decrease in our Group's trade and other payables of approximately RMB10.3 million; (iii) the decrease in our Group's inventories of approximately RMB14.9 million; and (iv) our Group's profit before taxation and after adjustments of non-cash items, interest income and interest expenses of approximately RMB12.1 million in the corresponding period.

For the year ended 31 December 2015, our Group's net cash used in operating activities amounted to approximately RMB2.8 million, which was mainly attributable to the combined effect of (i) the decrease in our Group's trade and other payables of approximately RMB28.5 million mainly due to our repayment to Mr. Luo of approximately RMB23.7 million; (ii) our Group's profit before taxation and after adjustments of non-cash items, interest income and interest expenses of approximately RMB11.9 million; and (iii) the decrease in our Group's inventories of approximately RMB12.2 million.

For the eight months ended 31 August 2016, our Group's net cash used in operating activities amounted to approximately RMB16.5 million, which was mainly attributable to the combined effect of (i) the increase in our Group's trade and other receivables of approximately RMB23.2 million mainly due to the increase in our Group's trade receivables of approximately RMB17.8 million; (ii) the decrease in our Group's trade and other payables of approximately RMB13.8 million mainly due to the decrease in our Group's receipts in advance of approximately RMB21.0 million for recognition as revenue afterwards, which was partially offset by the increase in our Group's other payables and accruals of approximately RMB5.9 million; and (iii) the decrease in our Group's inventories of approximately RMB14.7 million in the corresponding period.

## FINANCIAL INFORMATION

### **Investing activities**

Our Group recorded combined net cash used in investing activities of approximately RMB0.3 million for the year ended 31 December 2014.

For the eight months ended 31 August 2015, our Group recorded net cash used in investing activities of approximately RMB67.1 million. Our net cash used in investing activities remained steady for the year ended 31 December 2015 as our Group incurred mainly (i) settlement of consideration for the acquisition of the entire equity interest of Sichuan Greenland by Smart Raise HK of RMB61.0 million; and (ii) additions on property, plant and equipment of approximately RMB6.1 million for both the first eight months and full year in 2015 respectively, which was mainly attributable to the additions of buildings and the capitalisation of a mandatory fee as requested by the local government of our production facility for covering the cost of civil infrastructure in the corresponding period/year.

For the eight months ended 31 August 2016, our Group recorded net cash used in investing activities of approximately RMB128,000, which was attributable to the purchases of furniture and equipment.

### **Financing activities**

Our Group's bank borrowing, which was repayable within one year and used for our working capital and other general corporate purposes, remained at the same level for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016. For details of bank borrowing, please refer to paragraph headed "Bank borrowing" in this section. For the eight months ended 31 August 2016, our Group incurred a borrowing from a third party which was used for our working capital and repaid during such period.

For the year ended 31 December 2014, our Group recorded combined net cash used in financing activities of approximately RMB2.9 million, which was mainly attributable to the combined effect of (i) the repayment to a director of approximately RMB16.1 million; and (ii) the advances from shareholders of approximately RMB13.2 million.

Our Group recorded net cash from financing activities of approximately RMB55.9 million, RMB55.1 million and RMB6.0 million respectively for the year ended 31 December 2015 and the eight months ended 31 August 2015 and 2016, which was mainly attributable to the advances from shareholders of approximately RMB52.6 million, RMB48.1 million and RMB9.5 million respectively in the corresponding year/periods. For details of amounts due to shareholders, please refer to paragraph headed "Amounts due to shareholders" in this section.

### **NET ASSETS**

As at 31 August 2016, our Group had net assets of approximately RMB21.6 million, comprising mainly non-current assets of approximately RMB69.0 million and net current liabilities of approximately RMB41.4 million.

## FINANCIAL INFORMATION

### CURRENT ASSETS/(LIABILITIES)

The following table shows our Group's current assets and liabilities as at the dates mentioned below:

	As at 31 December		As at 31 August	As at 31 October
	2014	2015	2016	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited) (Note)
<b>Current assets</b>				
Payments for leasehold land held for own use under operating leases	230	230	230	230
Inventories	47,875	35,686	20,958	18,486
Trade and other receivables	47,285	39,741	62,921	61,709
Tax recoverable	—	1,053	33	253
Cash and cash equivalents	34,124	19,981	9,200	5,796
Current assets	129,514	96,691	93,342	86,474
<b>Current liabilities</b>				
Trade and other payables	132,305	42,799	28,964	22,135
Bank borrowing	30,000	30,000	30,000	30,000
Amounts due to directors	600	3,900	443	644
Amounts due to shareholders	13,195	65,795	75,300	75,300
Tax payables	466	—	—	—
Current liabilities	176,566	142,494	134,707	128,079
<b>Net current liabilities</b>	<b>(47,052)</b>	<b>(45,803)</b>	<b>(41,365)</b>	<b>(41,605)</b>

*Note:* The unaudited financial information of our Group, including our Group's assets and liabilities as at 31 October 2016, are derived from our Group's unaudited combined financial statements prepared by our Directors in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA, which were reviewed by our reporting accountant in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Our Group recorded net current liabilities of approximately RMB47.1 million as at 31 December 2014 which was mainly due to other payables in the amount of RMB61.0 million recorded in 2014 that was attributable to the unpaid consideration payable to previous shareholders of Sichuan Greenland for the acquisition by Smart Raise HK (an acquisition vehicle controlled by Mr. Ma) for the entire equity interest in Sichuan Greenland.

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Our Group recorded net current liabilities of approximately RMB45.8 million as at 31 December 2015, which was mainly attributable to shareholders loans in the amount of approximately RMB65.8 million, mainly made by ultimate shareholders of Smart Raise HK for its settlement of the consideration for the acquisition of the entire entity interest of Sichuan Greenland described above.

Our Group recorded net current liabilities of approximately RMB41.4 million as at 31 August 2016, which was mainly attributable to shareholders loans in the amount of approximately RMB75.3 million, mainly made by ultimate shareholders of Smart Raise HK for its settlement of the consideration for the acquisition of the entire entity interest of Sichuan Greenland described above. Among the RMB75.3 million due to shareholders of our Group as at 31 August 2016, RMB66.6 million (equivalent to approximately HK\$77.2 million) has been capitalised during the Reorganisation and the remaining balance of which will be repaid before Listing.

Our Directors confirm that we had no default or delay in settlement of debts or trade payables during the Track Record Period that would have a material impact on our business, financial condition or results of operation. We will keep on monitoring our liquidity requirements on a regular basis to ensure that sufficient working capital is maintained.

### **Working capital**

As mentioned in the section headed “Risk factors — we are subject to risks associated with outstanding customer payments and non-payment of quality assurance deposits”, we face the risk of deteriorating credit quality if we fail to collect trade receivables on a timely basis. The credit period generally offered to our customers ranged from 3 to 365 days with an average length of approximately 34.2 days and 34.8 days for the years ended 31 December 2014 and 2015 respectively, and ranged from 3 days to 180 days with an average of approximately 24.4 days for the eight months ended 31 August 2016 respectively. The quality assurance period offered to our customers range from approximately one month to eight years with an average of approximately 1.6 years for the Track Record Period. Given such credit period and quality assurance period offered to our customers, a portion of cash which could have contributed to our working capital would be withheld by our customers until the credit period or quality assurance period expires prior to which, the relevant amount would be treated as trade receivables. For details of our credit terms, please refer to the paragraph headed “Credit terms and payment method” in the Business section of this prospectus.

Notwithstanding the above, our Directors are of the opinion, and the Sole Sponsor concurs, after due and careful inquiry, that our Group has sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, in the absence of unforeseen circumstances, taking into account the financial resources available to us, including cash flows from our operations and the estimated net proceeds of the Placing.

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### COMBINED STATEMENTS OF FINANCIAL POSITION

The following table sets out our Group's combined statement of financial position extracted from the Accountant's Report set out in Appendix IA to this prospectus:

	<b>At 31 December 2014</b>	<b>2015</b>	<b>At 31 August 2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	52,744	55,751	53,993
Payments for leasehold land held for own use under operating leases	<u>15,570</u>	<u>15,229</u>	<u>15,002</u>
Total non-current assets	<u>68,314</u>	<u>70,980</u>	<u>68,995</u>
<b>Current assets</b>			
Payments for leasehold land held for own use under operating leases	230	230	230
Inventories	47,875	35,686	20,958
Trade and other receivables	47,285	39,741	62,921
Tax recoverable	—	1,053	33
Cash and cash equivalents	<u>34,124</u>	<u>19,981</u>	<u>9,200</u>
Total current assets	<u>129,514</u>	<u>96,691</u>	<u>93,342</u>
<b>Total assets</b>	<u>197,828</u>	<u>167,671</u>	<u>162,337</u>
<b>Current liabilities</b>			
Trade and other payables	132,305	42,799	28,964
Bank borrowing	30,000	30,000	30,000
Amounts due to directors	600	3,900	443
Amounts due to shareholders	13,195	65,795	75,300
Tax payables	<u>466</u>	<u>—</u>	<u>—</u>
Total current liabilities	<u>176,566</u>	<u>142,494</u>	<u>134,707</u>
<b>Net current assets/(liabilities)</b>	<u>(47,052)</u>	<u>(45,803)</u>	<u>(41,365)</u>
Total assets less current liabilities	<u>21,262</u>	<u>25,177</u>	<u>27,630</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	<u>6,415</u>	<u>6,175</u>	<u>6,015</u>
<b>NET ASSETS</b>	<u>14,847</u>	<u>19,002</u>	<u>21,615</u>
<b>EQUITY</b>			
Share capital	62	62	62
Reserves	<u>14,785</u>	<u>18,940</u>	<u>21,553</u>
<b>TOTAL EQUITY</b>	<u>14,847</u>	<u>19,002</u>	<u>21,615</u>

## FINANCIAL INFORMATION

### DISCUSSION ON MAJOR ITEMS OF THE COMBINED STATEMENTS OF FINANCIAL POSITION

#### Property, plant and equipment

Property, plant and equipment of our Group mainly represented building, machine and plants and motor vehicles. As at 31 December 2014 and 2015 and 31 August 2016, the carrying values of our property, plant and equipment amounted to approximately RMB52.7 million, RMB55.8 million and RMB54.0 million respectively. The increase in the year 2015 compared to 2014 was mainly attributable to the capitalisation of a mandatory fee as requested by the local government of our production facility for covering the cost of civil infrastructure which amounted to RMB4.2 million. The decrease in carrying amount as at 31 August 2016 compared to 31 December 2015 was mainly attributable to the depreciation of RMB1.9 million provided during the period.

#### Payments for leasehold land held for own use under operating leases

The amount represented payments for the use of land in Chengdu city on which the production facilities of our Group is located. The land use rights has a carrying amount of RMB15.8 million, RMB15.5 million and RMB15.2 million as at 31 December 2014 and 2015 and 31 August 2016 respectively. The slight decrease of the carrying amount as at 31 December 2015 compared to 31 December 2014 and as at 31 August 2016 compared to 31 December 2015 was due to amortisation of the value of the land use rights in the amount of approximately RMB0.3 million and approximately RMB0.2 million which was recognised in the year ended 31 December 2015 and eight months ended 31 August 2016 respectively.

#### Inventories

Inventories of our Group comprised raw materials, work in progress and finished goods. The following table sets forth the breakdown of our inventories as at the dates mentioned below:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>31 August</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	4,272	4,047	4,625
Work in progress	267	1,935	990
Finished goods	43,336	29,704	15,343
<b>Total</b>	<b>47,875</b>	<b>35,686</b>	<b>20,958</b>

As at 31 December 2014 and 2015 and 31 August 2016, inventories of our Group amounted to approximately RMB47.9 million, RMB35.7 million and RMB21.0 million respectively. The decrease by approximately RMB12.2 million as at 31 December 2015 compared to 31 December 2014 was mainly attributable to the decrease in the value of finished goods stored as inventories by approximately RMB13.6 million as goods were delivered to our customers. The decrease by approximately RMB14.7 million as at 31 August 2016 compared to 31 December 2015 was mainly attributable to the decrease in



## FINANCIAL INFORMATION

the value of work in progress and finished goods stored as inventories by approximately RMB0.9 million and RMB14.4 million respectively as the work in progress were completed and transferred to finished goods then delivered to our customers during the eight months ended 31 August 2016.

Our management reviews the marketability of inventory items at each reporting date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. We estimate the net realizable value for inventories based primarily on the latest invoice prices and current market conditions. We carry out an inventory review on a product-by-product basis at each reporting date and makes provision for obsolete items.

Approximately 38.8% of our inventories as at 31 August 2016 have been subsequently used and/or sold in the period since 31 August 2016 up to 31 October 2016.

### Trade and other receivables

The following table sets forth the breakdown of our Group's trade and other receivables as at the dates mentioned below:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>31 August</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables <sup>(Note)</sup>	14,653	19,232	37,033
Other receivables	6,425	3,987	7,774
Prepayments and deposit	26,207	16,522	18,114
<b>Total</b>	<b>47,285</b>	<b>39,741</b>	<b>62,921</b>
<i>Note:</i>			
State-owned customers	11,794	15,924	25,347
Private sector customers	2,859	3,308	11,686
<b>Total</b>	<b>14,653</b>	<b>19,232</b>	<b>37,033</b>

### Trade receivables

As at 31 December 2014 and 2015 and 31 August 2016, trade receivables of our Group amounted to approximately RMB14.7 million, RMB19.2 million and RMB37.0 million respectively. The increase in trade receivables for the year ended 31 December 2015 compared to year ended 31 December 2014 were in line with the increase in the revenue of our Group mainly due to (i) new orders in the amount of approximately RMB8.0 million in aggregate in 2015 from two new customers and (ii) an increase in orders in the amount of RMB5.5 million from our largest customer during the Track Record Period in 2015 compared to 2014. The increase in trade receivables as at 31 August 2016 compared to 31 December 2015 were mainly attributable to revenue recognised during the eight months ended 31 August 2016 pending settlement. The credit terms that may be offered to our customers are based on commercial negotiations and mutual agreement with our customers following our assessment of their background, credit track record, future business prospects as well as the contract size of the relevant

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orders. The credit period generally offered to our customers ranged from 3 to 365 days for the years ended 31 December 2014 and 2015 respectively, and ranged from 3 days to 180 days for the eight months ended 31 August 2016. Given such credit period, we expect that a portion of our cash which could have contributed to our working capital are withheld by our customers until the credit period expires. For details relating to our credit terms, please refer to the “Credit terms and payment method” in the “Business” section of this prospectus.

A majority of our revenue and thus trade receivables were attributable to stated-owned customers during the Track Record Period. As at 31 December 2014 and 2015 and 31 August 2016, trade receivables of state-owned customers represented approximately 80.5%, 82.8% and 68.5% of the total trade receivables for the relevant period, while that of private sector customers represented approximately 19.5%, 17.2% and 31.5% of the total trade receivables for the relevant period.

The following table sets forth the ageing analysis of our trade receivables based on the invoiced date as at the dates mentioned below:

	<b>As at 31 December</b>				<b>As at 31 August</b>	
	<b>2014</b>		<b>2015</b>		<b>2016</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Within 3 months	5,959	40.7	3,690	19.2	21,123	57.0
More than 3 months	<u>8,694</u>	<u>59.3</u>	<u>15,542</u>	<u>80.8</u>	<u>15,910</u>	<u>43.0</u>
<b>Total</b>	<u><u>14,653</u></u>	<u><u>100.0</u></u>	<u><u>19,232</u></u>	<u><u>100.0</u></u>	<u><u>37,033</u></u>	<u><u>100</u></u>

Trade receivables of our Group aged more than 3 months increased from approximately RMB8.7 million as at 31 December 2014 to approximately RMB15.5 million as at 31 December 2015. Such increase by approximately RMB6.8 million from as at 31 December 2014 to 31 December 2015 were mainly attributable to approximately RMB5.9 million due from our largest customer (being a state owned financial institution with various locations in the PRC), a portion of which represents the quality assurance deposit, being 5% or 10% of contract sum withheld by such customer. Our Directors understand that our largest customer required more time over their internal approval process to process payments due in the year ended 31 December 2015 compared to the year ended 31 December 2014 as the number of orders of products which were delivered to our largest customer (resulting in sales in the amount of approximately RMB5.5 million) increased by over 60 in the year ended 31 December 2015 compared to the year ended 31 December 2014, and thus consider that such amount of trade receivables were recoverable. Trade receivables from our largest customer of approximately RMB12.0 million were recorded as at 31 December 2015 of which (i) approximately RMB3.7 million was subsequently settled as of 31 October 2016 and (ii) approximately RMB7.3 million out of RMB8.3 million pending settlement represents quality assurance deposit. The remaining balance of approximately RMB0.9 million was due from various other customers.

Trade receivables of our Group aged more than 3 months increased from approximately RMB15.5 million as at 31 December 2015 to approximately RMB15.9 million as at 31 August 2016. Approximately 10.9% of our trade receivables aged more than 3 months, amounting to approximately RMB1.7 million, have been subsequently settled in the period after 31 August 2016 up to 31 October 2016.

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### *Quality assurance deposit*

We allow some of our customers to withhold payment of a portion of the contract sum as quality assurance deposit until after the expiry of the quality assurance period. Such amounts form part of the trade receivables as our Group considers that these sums will be recoverable as they fall due. The quality assurance period range from one month to eight years (average of approximately 1.6 years) for each of the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016. Our Directors are of the view, and Frost & Sullivan agrees, that the Group's policy regarding quality assurance deposit is in line with industry norm. As a result of such quality assurance deposit withheld by our customers during the quality assurance period, a portion of our cash which could have attributed to our working capital are withheld by our customers until the quality assurance period expires. As at 31 December 2015, the amount of quality assurance deposit held by our customers was approximately RMB8.9 million, of which approximately RMB1.8 million in average each year will be due for payment by our customers by the end of 2016 and each of the next 4 years as the quality assurance period we offered to the relevant customers will expire gradually. As at 31 December 2014 and 2015 and 31 August 2016, quality assurance deposit of our Group represented approximately 49.0%, 46.2% and 26.1% of trade receivables of our Group respectively.

Approximately 65.1% of our trade receivables, amounting to approximately RMB24.1 million, or 85.3% of our trade receivables (excluding quality assurance deposit) as at 31 August 2016, amounting to approximately RMB23.3 million, have been subsequently settled in the period after 31 August 2016 up to 30 November 2016.

The credit period generally offered to our customers ranged from 3 days to 365 days with an average of approximately 34.2 days and 34.8 days for the years ended 31 December 2014 and 2015 respectively, and ranged from 3 days to 180 days with an average of approximately 24.4 days for the eight months ended 31 August 2016. The quality assurance period offered to our customers ranged from one month to eight years (average of approximately 1.6 years) for each of the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016. Given such credit period and quality assurance period offered to our customers, a portion of our cash which could have contributed to our working capital are withheld by our customers until the credit period or quality assurance period expires. For details of our credit terms, please refer to the paragraph headed "Credit terms and payment method" in the "Business" section of this prospectus.

### *Other receivables*

Other receivables of our Group mainly represents tax prepayments, value added tax receivables and long-term deferred expenses. Other receivables of our Group decreased from approximately RMB6.4 million as at 31 December 2014 to approximately RMB4.0 million as at 31 December 2015, representing a decrease of RMB2.4 million. Such decrease was mainly due to (i) tax prepayments of RMB2.1 million being used during the year ended 31 December 2015; and (ii) value added tax receivables amounted to RMB1.8 million generated from the purchase of inventory being fully used against the sales made during the year ended 31 December 2015. Other receivables of our Group increased from approximately RMB4.0 million as at 31 December 2015 to approximately RMB7.8 million as at 31 August 2016, representing an increase of RMB3.8 million. Such increase was mainly due to increase in (i) tax prepayment of approximately RMB2.6 million, (ii) value added tax receivables of approximately

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RMB0.6 million from purchase of raw materials, (iii) an advancement of approximately RMB0.3 million to a staff in charge of renovations of Chongqing sales office for payments of renovation materials and workers and (iv) refundable deposits paid to customers of approximately RMB0.3 million.

### *Prepayments and deposits*

Prepayments and deposits of our Group mainly represents prepayments of amounts made to suppliers as well as for utilities, insurance and marketing. Our prepayment and deposits decreased from approximately RMB26.2 million as at 31 December 2014 to approximately RMB16.5 million as at 31 December 2015. Such decrease by approximately RMB9.7 million was mainly due to our receipt of raw materials and goods in the amount of approximately RMB13.1 million from our suppliers by the end of 2015, resulting in the decrease in corresponding amount of prepayments. Our prepayment and deposits increased from approximately RMB16.5 million as at 31 December 2015 to approximately RMB18.1 million as at 31 August 2016. Such increase by approximately RMB1.6 million was mainly due to the netting effect of increase in prepayment of Listing expenses of approximately RMB4.7 million and receipt of raw materials and goods in the amount of approximately RMB3.1 million.

### **Tax recoverable**

As at 31 December 2014 and 2015 respectively, our Group recorded recoverable tax in the amount of nil and approximately RMB1.1 million. Our Group recorded a provision of RMB3.0 million income tax and paid a total of RMB4.1 million income tax for 2015 and provisional tax for 2016 as at 31 December 2015. The difference are tax recoverable of RMB1.1 million as at 31 December 2015. As at 31 August 2016, our Group recorded recoverable tax in the amount of approximately RMB33.0 thousand compared to approximately RMB1.1 million as at 31 December 2015. Such decrease was due to the provision of income tax of approximately RMB2.6 million offset by tax prepayment of approximately RMB2.0 million for 2016.

### **Cash and cash equivalents**

As at 31 December 2014 and 2015 and 31 August 2016, our Group recorded cash and cash equivalents of approximately RMB34.1 million, RMB20.0 million and RMB9.2 million respectively. The decrease in 2015 of approximately RMB14.1 million was mainly due to (i) the payment of Listing expenses, (ii) the mandatory fee paid to the local government for civil infrastructure; and (iii) our repayment to Mr. Luo (please refer to paragraph headed “Other payables and accruals” in this section) in cash of approximately RMB3.1 million, RMB3.9 million and RMB3.0 million respectively. As at 31 August 2016, our Group recorded cash and cash equivalents of approximately RMB9.2 million. The decrease of approximately RMB10.8 million from 31 December 2015 to 31 August 2016 was mainly attributable to (i) payment for purchase of inventories of approximately RMB8.6 million, (ii) repayment of amount due to a director of RMB4.0 million; and (iii) payment of tax approximately RMB1.4 million.

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### Trade and other payables

The following table sets forth the breakdown of our Group's trade and other payables as at the dates mentioned below:

	As at 31 December		As at
	2014	2015	31 August
	(RMB'000)	(RMB'000)	2016
			(RMB'000)
Trade payables	7,527	10,568	11,801
Other payables and accruals	86,740	6,474	12,414
Receipts in advance	<u>38,038</u>	<u>25,757</u>	<u>4,749</u>
 Total	 <u><u>132,305</u></u>	 <u><u>42,799</u></u>	 <u><u>28,964</u></u>

#### *Trade payables*

Our Group's trade payables mainly represents amounts payable to our suppliers. As at 31 December 2014 and 2015, the trade payables amounted to approximately RMB7.5 million and RMB10.6 million respectively. Such increase in 2015 by approximately RMB3.1 million was in line with the increase in raw materials and cost of goods purchased in our cost of sales in 2015 compared to 2014. As at 31 August 2016, the trade payables amounted to approximately RMB11.8 million. Such further increase by approximately RMB1.2 million compared to 31 December 2015 was attributable to raw materials purchased for production needs during the eight months ended 31 August 2016.

The following table sets forth the ageing analysis of trade payables of our Group as at the dates mentioned below:

	As at 31 December		As at 31 December		As at 31 August	
	2014	2015	2014	2015	2016	2016
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Within 3 months	4,897	65.1	4,623	43.7	6,317	53.5
More than 3 months	<u>2,630</u>	<u>34.9</u>	<u>5,945</u>	<u>56.3</u>	<u>5,484</u>	<u>46.5</u>
 Total	 <u><u>7,527</u></u>	 <u><u>100.0</u></u>	 <u><u>10,568</u></u>	 <u><u>100.0</u></u>	 <u><u>11,801</u></u>	 <u><u>100.0</u></u>

Approximately 47.0% of our trade payables as at 31 August 2016 were subsequently settled in the period after 31 August 2016 up to 31 October 2016.

#### *Other payables and accruals*

Other payables and accruals mainly represent (i) payables to the previous shareholder of Sichuan Greenland, Mr. Luo, of approximately RMB23.7 million in aggregate, arising from his advance of approximately RMB16.4 million to Sichuan Greenland for working capital purpose before he sold his equity interest in Sichuan Greenland to Smart Raise HK in December 2014, with the balance being

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amount due to Mr. Luo which was an amount received by Sichuan Greenland on behalf of Mr. Luo; (ii) the consideration of RMB61.0 million payable to Mr. Luo in relation to the acquisition of the entire equity interest in Sichuan Greenland by Smart Raise HK which was reflected in the Group's financial statement only; and (iii) payables for salary, rental and other operating items.

As at 31 December 2014 and 2015, our Group's other payables and accruals amounted to approximately RMB86.7 million and RMB6.5 million respectively. The decrease from 2014 to 2015 by approximately RMB80.2 million was mainly due to our repayment to Mr. Luo of approximately RMB23.7 million in 2015, mainly for working capital purposes before Sichuan Greenland was acquired by Smart Raise HK, a wholly-owned subsidiary of our Group, on 29 December 2014. The payables to Mr. Luo were unsecured, interest free and repayable on demand. Such amount was fully settled (i) partly by way of assignment of certain raw materials and goods (in the amount of approximately RMB21.4 million) which we have purchased from certain suppliers but were not yet delivered at that time and (ii) partly by way of cash of approximately RMB3.0 million. Such raw materials and goods were measured at cost plus 2% which amounted to approximately RMB18.3 million. The remaining balance of approximately RMB3.1 million represents the value added tax associated with the raw materials and goods transferred. Our Directors confirmed that the markup of cost plus 2% was determined based on negotiation between Mr. Luo and us, mainly for covering the necessary cost to transfer the raw materials and goods. Following such settlement, our prepayments and other receivables decreased by approximately RMB21.4 million and cash decreased by approximately RMB3.0 million, and the net position in the amount of approximately RMB0.7 million, representing overpayments due to the settlement, were recorded as our Group's other receivables.

Another contributing factor for the decrease of our Group's other payables and accruals by approximately RMB80.2 million from 2014 to 2015 was our settlement of the consideration of RMB61.0 million in relation to our Group's acquisition of the entire equity interest of Sichuan Greenland.

Other payables and accruals of our Group increased by approximately RMB5.9 million from approximately RMB6.5 million as at 31 December 2015 to approximately RMB12.4 million as at 31 August 2016. Such increase was mainly due to (i) Listing expense payable of approximately RMB2.7 million and (ii) housing provident fund, other local tax and value added tax payable totaling of approximately RMB3.3 million.

Our Directors confirmed that our Group did not have any material default in payment of other payables during the Track Record Period.

### *Receipt in advance*

Receipt in advance of our Group mainly represent advances from customers for the purchase, maintenance and installation of office furniture. As at 31 December 2014, an amount of approximately RMB38.0 million was recorded. Some of our customers, in particular, our largest customer during the Track Record Period (being a state owned financial institution with various locations in the PRC), requested us to postpone the delivery of our goods they ordered because their offices or branches were not ready for installation of relevant furniture. In 2015 and the eight months ended 31 August 2016, those orders were gradually delivered, leading to the decrease in receipt in advance by approximately RMB12.2 million to approximately RMB25.8 million as at 31 December 2015 and further decrease by approximately RMB21.1 million to approximately RMB4.7 million as at 31 August 2016.

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### **Bank borrowing**

As at 31 December 2014 and 2015 and 31 August 2016 respectively, our Group recorded bank borrowing amounted to RMB30.0 million. The bank borrowing is repayable within one year. As at 31 December 2014 and 2015, the bank borrowing was guaranteed by Mr. Luo and Ms. Li Yan Ling, being the previous shareholders of Sichuan Greenland, and a company owned by them. The bank borrowing was secured by (i) the land use rights of our production facilities in Chengdu city and (ii) properties of a company owned by the aforesaid previous shareholders.

As at 31 December 2014 and 2015, the interest rate of our bank borrowing was 20% above PBOC benchmark interest rate. The average effective interest rate in respect of our bank borrowing were 6.2% and 5.87% for the years ended 31 December 2014 and 2015.

The abovementioned guarantees provided by the previous shareholders of Sichuan Greenland and their company and the pledge of properties owned by the aforesaid previous shareholders were cancelled in April 2016. As at the Latest Practicable Date, our bank borrowing was pledged by the land use rights and properties in our production facilities only.

### **Amounts due to directors**

As at 31 December 2014 and 2015, our Group recorded amount due to a director of our Company, Mr. Yi, of RMB0.6 million and RMB3.9 million respectively, being an advance made from him which was unsecured, interest free and repayable on demand. Such amount would be settled before Listing.

As at 31 August 2016, our Group recorded amounts due to directors of approximately RMB0.4 million. Such amount represents the netting effect of (i) amount due to directors of our Company, Mr. Yi of approximately RMB0.4 million and (ii) Mr. Liang Xing Jun of approximately RMB11,000. Such amounts were unsecured, interest free and repayable on demand and would be settled before Listing.

### **Amounts due to shareholders**

As at 31 December 2014 and 2015 and 31 August 2016, our Group recorded amounts due to shareholders of approximately RMB13.2 million, RMB65.8 million and RMB75.3 million respectively. The shareholders' loan of approximately RMB75.3 million in the eight months ended 31 August 2016 was provided mainly for the settlement of the consideration for the acquisition of the entire equity interest of Sichuan Greenland by Smart Raise HK. This amount was unsecured, interest free and repayable on demand. Approximately RMB66.6 million (equivalent to approximately HK\$77.2 million) out of the amount due to shareholders of our Group of approximately RMB75.3 million as at 31 August 2016 has been capitalised during the Reorganisation and the remaining balance of which will be repaid before Listing.

### **Tax payables**

As at 31 December 2014 and 2015, our Group recorded tax payables of approximately RMB0.5 million and nil respectively. We have recorded a provision of income tax of RMB3.0 million and paid a total of RMB4.1 million income tax for 2015 and provisional tax for 2016. As a result of approximately RMB1.1 million over payment of tax as at 31 December 2015, no tax payables was recorded. As at 31 August 2016, our Group recorded nil tax payable.

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### Deferred tax liabilities

As at 31 December 2014 and 2015 and 31 August 2016, our Group recorded a deferred tax liabilities of approximately RMB6.4 million, RMB6.2 million and RMB6.0 million respectively. The deferred tax liabilities represented the PRC tax implication on the surplus of fair value over the net book value of the production facilities and the leasehold land held for own use owned by Sichuan Greenland at acquisition in December 2014 which reflected in our Group's financial statement only. Our deferred tax liabilities were credited to profit and loss steadily by approximately RMB0.2 million over the year ended 31 December 2015 and eight months ended 31 August 2016.

### KEY FINANCIAL RATIOS

In order to give investors a meaningful way to analyse our financial ratios during the years ended 31 December 2014 and 2015, we provide the financial ratios on a combined basis of our Group and Sichuan Greenland Group. Regarding the items in the combined statements of profit or loss and other comprehensive income, we obtained the combined financial results for the year ended 31 December 2014 by adding the relevant figures of our Group for the period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014 (but excluding gain on a bargain purchase) and those of Sichuan Greenland Group for the year ended 31 December 2014 respectively. For comparison purposes the following table sets forth our Group's key financial ratios on a combined basis for the respective year/period:

	For the year ended 31 December		For the eight month period ended
	2014 <sup>(12)</sup>	2015	31 August 2016
Net profit margin before interest and tax <sup>(1)</sup> (%)	9.9	9.8	9.0
Net profit margin <sup>(2)</sup> (%)	5.5	4.9	3.8
Return on assets <sup>(3)</sup> (%)	2.1	2.5	2.6
Return on equity <sup>(4)</sup> (%)	28.6	22.5	19.2
Interest coverage <sup>(5)</sup> (times)	3.6	4.5	5.2
Inventory turnover days <sup>(6)</sup> (days)	303.5	208.4	97.7
Trade receivables turnover days <sup>(7)</sup> (days)	69.7	80.8	125.1
— State-owned customers	74.7	86.6	147.4
— Private customers	54.6	61.2	94.2
Trade payables turnover days <sup>(8)</sup> (days)	47.7	61.7	55.0
	<b>As at 31 December</b>		<b>As at 31 August</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Current ratio <sup>(9)</sup> (times)	0.7	0.7	0.7
Gearing ratio <sup>(10)</sup> (times)	11.4	6.9	5.7
Debt-to-equity ratio <sup>(11)</sup> (times)	9.1	5.9	5.3



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*Notes:*

- (1) Net profit margin before interest and tax is calculated based on the net profit netting off the interest and tax for the year/period divided by the total revenue for the respective year/period multiplied by 100%.
- (2) Net profit margin is calculated based on the net profit after taxes for the year divided by the total revenue for the respective year/period and multiplied by 100%.
- (3) Return on assets is calculated based on the net profit for the year/period divided by the total assets at the end of the respective year/period and multiplied by 100%. The annualized return for the eight months ended 31 August 2016 are for illustrative purpose only and thus may not be comparable to the return on assets ratio based on the profit and total comprehensive income for the years ended 31 December 2014 and 2015. Please note that the eventual return may differ depending on profit and total comprehensive income for the whole financial year.
- (4) Return on equity is calculated based on the net profit for the year/period divided by the total equity at the end of the respective year/period multiplied by 100%. The annualized return for the eight months ended 31 August 2016 are for illustrative purpose only and thus may not be comparable to the return on equity ratio based on the profit and total comprehensive income for the years ended 31 December 2014 and 2015. Please note that the eventual return may differ depending on profit and total comprehensive income for the whole financial year.
- (5) Interest coverage is calculated based on the profit before interest and tax for the year/period divided by the interest expenses for the respective year/period.
- (6) Inventory turnover days for each of the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 are calculated by the inventories divided by the cost of sales for the year and multiplied by 365 days for each of the years ended 31 December 2014 and 2015 and 244 days for the eight months ended 31 August 2016.
- (7) Trade receivables turnover days for each of the year/period ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 are calculated by the trade receivables divided by the total revenues for the year/period and multiplied by 365 days for each of the year/period ended 31 December 2014 and 2015 and 244 days for the eight months ended 31 August 2016.
- (8) Trade payables turnover days for each of the year/period ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 are calculated by the trade payables divided by cost of sales for the year/period and multiplied by 365 days for each of the year/period ended 31 December 2014 and 2015 and 244 days for the eight months ended 31 August 2016.
- (9) Current ratio is calculated based on the total current assets at the end of the year/period divided by the total current liabilities at the end of the respective year/period.
- (10) Gearing ratio is calculated based on the total debt at the end of the year/period divided by the total equity at the end of the respective year/period. Total debt represents all liabilities excluding trade payables, tax payables, deferred tax liabilities and provision (if any).
- (11) Debt-to-equity ratio is calculated based on net debt at the end of the year/period divided by the total equity at the end of the respective year/period. Net debt is defined to include total debt net of cash and cash equivalents.
- (12) Our Group did not have any operations prior to the acquisition of Sichuan Greenland on 29 December 2014. For the year ended 31 December 2014, the financial ratios are calculated on a combined basis and for illustrative purposes only.

### **Warning Statement (Non-GAAP financial information)**

Our financial ratios on a combined basis, which are not prepared in accordance with GAAP, are for illustrative purposes only and do not reflect the audited financial information of our Group for the period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014. Investors should refer to the Accountant's Reports as set out in Appendix IA and Appendix 1B to this prospectus for our Group's and Sichuan Greenland Group's financial information for the period/year ended 31 December 2014.

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### **Net profit margin before interest and tax and net profit margin**

On a combined basis, our Group recorded net profit margin before interest and tax of approximately 9.9% and 9.8% respectively and net profit margin of approximately 5.5% and 4.9% respectively for the years ended 31 December 2014 and 2015. Our Group then recorded net profit margin before interest and tax of approximately 9.0% and net profit margin of approximately 3.8% for the eight months ended 31 August 2016. Such decrease in net profit margin before interest and tax and net profit margin was mainly attributable to the Listing expenses of approximately RMB4.7 million recognised for the eight months ended 31 August 2016.

### **Return on assets**

For the years ended 31 December 2014 and 2015, our Group recorded return on assets on a combined basis of approximately 2.1% and 2.5%, respectively.

Our Group recorded return on assets on a combined basis of approximately 2.6% for the eight months ended 31 August 2016.

### **Return on equity**

For the years ended 31 December 2014 and 2015, our Group recorded return on equity on a combined basis of approximately 28.6% and 22.5%, respectively. The decrease in our return on equity was mainly attributable to the increase in our retained earnings by approximately RMB3.5 million from RMB14.8 million as at 31 December 2014 to RMB18.3 million as at 31 December 2015.

Our Group recorded return on equity on a combined basis of approximately 19.2% for the eight months ended 31 August 2016.

### **Interest coverage**

For the years ended 31 December 2014 and 2015, our Group recorded interest coverage on a combined basis of approximately 3.6 times and 4.5 times respectively. The increase in our interest coverage was mainly attributable to the decrease in our finance costs on a combined basis by approximately RMB0.3 million from 2014 to 2015 mainly as a result of the drop in the relevant bank's basic lending rate. Our Group then recorded interest coverage on a combined basis of approximately 5.2 times for the eight months ended 31 August 2016. Such increase in interest coverage was mainly attributable to the relatively better financial performance for the eight months ended 31 August 2016, compared to 2015.

### **Inventory turnover days**

For the years ended 31 December 2014 and 2015, our Group recorded inventory turnover days on a combined basis of approximately 303.5 days and 208.4 days respectively mainly due to some of our customers, in particular, our largest customer during the Track Record Period which is a state owned financial institution with various locations in the PRC, requested us to postpone our delivery of the goods they ordered because their offices or branches were not yet ready for installation of relevant office furniture. Hence, some finished goods were held by us after production, resulting in our high inventory turnover days. Our Group's inventory turnover days then decreased to approximately 97.7

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days for the eight months ended 31 August 2016. The decrease in our inventory turnover days from the year ended 31 December 2015 to the eight months ended 31 August 2016 was mainly attributable to the decrease of our work in progress and finished goods stored as inventories by approximately RMB0.9 million and RMB14.4 million, respectively as discussed above.

### **Trade receivables turnover days**

For the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, our Group recorded trade receivables turnover days on a combined basis of approximately 69.7 days, 80.8 days and 125.1 days respectively. For the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, our Group recorded trade receivables turnover days for the state-owned customers of approximately 74.7 days, 86.6 days and 147.4 days respectively, and that for the private sector customers of approximately 54.6 days, 61.2 days and 94.2 days respectively. Longer trade receivables turnover days were recorded for overall state-owned customers, which were mainly due to (i) higher revenue and thus trade receivables attributable to them; and (ii) our largest customer over the Track Record Period, being a state-owned customer, required more time over their internal approval process to process payments as a result of increase in number and amount of transactions with our Group. The credit terms that may be offered to our customers is based on commercial negotiations and mutual agreement with our customers following our assessment of factors including their background, credit track record, future business prospects as well as the contract size of the relevant orders. During the Track Record Period, there are no balances on the allowance for bad and doubtful debts. As at 31 August 2016, 46.2% of the trade receivables as at 31 August 2016 up to 31 October 2016 were subsequently settled.

### **Trade payables turnover days**

For the years ended 31 December 2014 and 2015, our Group recorded trade payables turnover days on a combined basis of approximately 47.7 days and 61.7 days respectively which was mainly due to delay in payment to a few suppliers as a result of some quality issues in relation to their goods supplied. Our Group's trade payables turnover days then decreased to approximately 55.0 days for the eight months ended 31 August 2016. The decrease in our trade payables turnover days from the year ended 31 December 2015 to the eight months ended 31 August 2016 was mainly attributable to the increase in average cost of sales in line with the increase in revenue for the relevant period. The credit terms that may be granted by our suppliers are based on commercial negotiations and mutual agreement with our suppliers. On such basis, most of our purchases from our suppliers have a credit term if specified of up to four months and we settle our purchases from suppliers by way of bank transfer.

### **Current ratio**

As at 31 December 2014 and 2015 and 31 August 2016, our Group recorded current ratio of approximately 0.7 times for both years and eight months ended 31 August 2016. Our Group's current ratio remained steady over the Track Record Period.

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### Gearing ratio

Our gearing ratio of approximately 11.4 times as at 31 December 2014 mainly arose from other payables (i) due to the previous shareholders of Sichuan Greenland, Mr. Luo, of approximately RMB23.7 million in aggregate, arising from his advance of working capital to Sichuan Greenland; (ii) for the consideration of RMB61.0 million payable to Mr. Luo in relation to the acquisition of the entire equity interest of Sichuan Greenland by Smart Raise HK in December 2014; and (iii) a smaller total equity of approximately RMB14.8 million as at 31 December 2014 compared with approximately RMB19.0 million as at 31 December 2015. The gearing ratio of our Group decreased from approximately 11.4 times as at 31 December 2014 to approximately 6.9 times as at 31 December 2015 mainly due to the decrease in other payables and accruals by approximately RMB80.3 million as discussed above (partially offset by the increase in amounts due to shareholders of approximately RMB52.6 million) and the increase in reserves of approximately RMB4.2 million from 31 December 2014 to 2015. The gearing ratio of our Group further decreased to approximately 5.7 times as at 31 August 2016 mainly due to the decrease in receipts in advance as discussed above.

### Debt-to-equity ratio

The debt-to-equity ratio of our Group decreased from approximately 9.1 times as at 31 December 2014 to approximately 5.9 times as at 31 December 2015 mainly due to the decrease in other payables and accruals by approximately RMB80.3 million as discussed above.

The debt-to-equity ratio of our Group slightly decreased from approximately 5.9 times as at 31 December 2015 to approximately 5.3 times as at 31 August 2016 mainly due to increase in equity of approximately RMB2.6 million.

## INDEBTEDNESS

### Borrowings

The following table sets forth the borrowings of our Group as at dates mentioned below:

	<b>As at 31 December</b>		<b>As at 31 August 2016</b>	<b>As at 31 October 2016</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowing repayable within one year, secured and guaranteed (Note 1)	30,000	30,000	30,000	30,000
Amounts due to directors	600	3,900	443	644
Amounts due to shareholders	<u>13,195</u>	<u>65,795</u>	<u>75,300</u>	<u>75,300</u>
	<u>43,795</u>	<u>99,695</u>	<u>105,743</u>	<u>105,944</u>

(unaudited)  
(Note 2)

## FINANCIAL INFORMATION

*Note:*

1. As at 31 December 2014, 2015, 31 August 2016 and 31 October 2016, the interest rate of our bank borrowing was 20% above PBOC benchmark interest rate. The average effective interest rate in respect of our bank borrowing were 6.2%, 5.87%, 5.83% and 5.73% for the Track Record Period and for the ten months ended 31 October 2016.
2. As per management accounts.

As at 31 December 2014, 2015, 31 August 2016 and 31 October 2016, our borrowings amounted to approximately RMB43.8 million, RMB99.7 million, RMB105.7 million and RMB105.9 million respectively.

The amounts due to directors and shareholders were unsecured, interest free and repayable on demand. Our amounts due to directors was mainly due to the advance made by a director to Sichuan Greenland Group for our working capital purpose. Such amount would be settled upon Listing. Our amounts due to shareholders increased by approximately RMB52.6 million in the year ended 31 December 2015 mainly due to the increase in shareholders' loans for the settlement of consideration for the acquisition of the entire equity interest of Sichuan Greenland by Smart Raise HK. Amounts due to shareholders of approximately RMB66.6 million (equivalent to approximately HK\$77.2 million) has been capitalised during the Reorganisation and the remaining balances of which will be repaid before Listing.

As at 31 December 2014 and 2015, our bank borrowing, in the principal amount of RMB30.0 million, was guaranteed by Mr. Luo and Ms. Li Yan Ling, being the previous shareholders of Sichuan Greenland, and a company owned by them. The bank borrowing was secured by (i) the land use rights of our production facilities in Chengdu city and (ii) properties of a company owned by the aforesaid previous shareholders.

The abovementioned guarantees provided by the previous shareholders of Sichuan Greenland and their company and the pledge of properties owned by the aforesaid previous shareholders were cancelled in April 2016. As at 31 August 2016, 31 October 2016 and the Latest Practicable Date, our bank borrowing, in the principal amount of RMB30.0 million, was pledged by the land use rights and properties in our production facilities only.

As at 31 October 2016, our bank borrowing of RMB30.0 million, which was used for operating purpose, will be repaid after Listing.

Our Directors confirm that our Group has not had any material delay or default in payment with regards to any borrowings during the Track Record Period and up to the Latest Practicable Date.

### **Banking facilities**

As at 31 October 2016, our Group had outstanding bank borrowing of RMB30.0 million, with no undrawn banking facilities. Our Directors have confirmed that our Group did not experience any difficulty in obtaining credit facilities or withdrawal of facilities during the Track Record Period. To the best knowledge and belief of our Directors, our Group will not have difficulties in obtaining new banking facilities or renewing banking facilities after Listing.

## FINANCIAL INFORMATION

### Contingent liabilities

As at the Latest Practicable Date, save for disclosed in the section headed “Business — Litigation” in this prospectus, our Group was not involved in any legal proceedings and no legal proceedings were pending or threatened against our Group which could have a material adverse effect on our Group’s business or operations. Our Directors confirm that our Group did not have any material contingent liabilities.

### OPERATING LEASE COMMITMENTS

Our Group leases certain office premises and warehouse under operating lease arrangement with lease terms of one to eight years. As at 31 December 2014, 2015 and 31 August 2016, our Group has future minimum rental payable under non-cancellable operating lease falling due as follows:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>31 August</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,152	1,198	1,685
Within two to five years	2,506	1,692	2,263
More than five years	133	—	—
	3,791	2,890	3,948

Save for the aforesaid or as otherwise disclosed herein, our Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases, hire purchases commitments, guarantees or other material contingent liabilities at the close of business on 31 October 2016, being the indebtedness date.

### Material indebtedness change

Our Directors confirm that there has not been any material adverse change in our Group’s indebtedness and contingent liabilities since 31 October 2016.

### CAPITAL EXPENDITURES

#### Historical capital expenditures

For the period from 29 December 2014 (date of change in controlling shareholder(s)) to 31 December 2014, the year ended 31 December 2015 and the eight months ended 31 August 2016, our capital expenditures in relation to purchase of property, plant and equipment were nil, approximately RMB6.1 million and RMB0.1 million respectively. Our capital expenditures in 2015 was mainly due to our additions on building of approximately RMB5.9 million, which was mainly attributable to the capitalisation of a mandatory fee as requested by the local government of our production facility for covering the cost of civil infrastructure, and were funded by our internal resources, bank borrowings and/or advance from a director or shareholders.

## FINANCIAL INFORMATION

### Planned capital expenditures

Our planned expenditures in the coming years will include the renovation of our exhibition hall in our Chengdu headquarters and purchase machinery and equipment for our production facilities and strengthen our production capability as disclosed in the section headed “Future plans and use of proceeds” in this prospectus. Our Directors expect that the planned capital expenditure will be initially funded by our proceeds from the Placing and internal resources.

Save as disclosed above and the additions of property, plant and equipment, such as building, leasehold improvements, furniture and equipment, plants and machinery and motor vehicles necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditures as at the Latest Practicable Date.

### CAPITAL COMMITMENTS

The following table sets forth the details of our Group’s capital commitments as at the end of each reporting period during the Track Record Period:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>31 August</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Commitments for property, plant and equipment			
— contracted for but not provided	<u>5,870</u>	<u>—</u>	<u>—</u>

### PROPERTY INTERESTS

As at the Latest Practicable Date, our Group owned a property in Chengdu city as our production base and leased properties in both Chengdu city and Chongqing city as our sales offices and warehouse. For details of our owned and leased properties, please refer to the section headed “Business — Properties” in this prospectus.

### RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in this prospectus, our Directors are of the opinion that these transactions were conducted on normal commercial terms. For analysis of related party transactions, please refer to the Accountant’s Reports as set out in Appendix IA and IB to this prospectus in addition to the transactions detailed elsewhere in this prospectus.

### OFF-BALANCE SHEET TRANSACTIONS

We have not entered into any material off-balance sheet transactions or arrangements during the Track Record Period.

## FINANCIAL INFORMATION

### ACQUISITION OF A SUBSIDIARY

On 28 July 2014, our Group entered into an agreement with the previous shareholders of Sichuan Greenland, namely, Mr. Luo and Ms. Li Yan Ling to acquire the entire equity interest of Sichuan Greenland at a total consideration of RMB61.0 million. Upon the completion of the sale and purchase of Sichuan Greenland on 29 December 2014, Sichuan Greenland became an indirectly wholly owned subsidiary of our Company. Gain on a bargain purchase of approximately RMB14.8 million represents an excess of the fair value of net identifiable assets acquired of approximately RMB75.8 million over the consideration of RMB61 million paid to Mr. Luo and Ms. Li Yan Ling to acquire the entire equity interest in Sichuan Greenland. For details on the basis of the gain on a bargain purchase, please refer to Note 30 of the Accountant's Report of our Group as set out in Appendix IA to this prospectus.

### DIVIDEND

Subject to the Companies Law and the Articles, through a general meeting, our Company may declare dividends in any currency but no dividends shall exceed the amount recommended by our Board. Our Group did not declare or pay any dividends during the Track Record Period. As such, there is no reference or basis to determine the level of dividends that may be declared and paid to our Shareholders after Listing.

Pursuant to the Articles, our Board may from time to time pay to the Shareholders such interim dividends as appear to our Board to be justified by the financial conditions and the profits of our Company. Our Board may also pay half-yearly or at other suitable intervals to be settled by it any dividend which may be payable at a fixed rate if our Board is of the opinion that the financial conditions and the profits of our Company justify the payment. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. Our Company does not have any pre-determined dividend policy or dividend distribution ratio.

The Articles provide that unless and to the extent that the rights attached to any Shares or the terms of issue thereof otherwise provide, all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share. Our Board may deduct from any dividend or other monies payable to any Shareholder all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law. The declaration and payment of dividends may also be limited by financing arrangements that we or our subsidiaries enter into. Any restrictions on our subsidiaries' ability to pay dividends or distributions may limit our ability to pay dividends to our shareholders. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. Investors should note the historical dividend distributions are not indicative of our Group's future dividend distribution policy.



## FINANCIAL INFORMATION

### SENSITIVITY AND BREAKEVEN ANALYSIS

#### Sensitivity analysis

The following table illustrates the effect of a hypothetical 5.0%, 10.0% and the maximum fluctuation increase or decrease in our major operating costs of our operations on a combined basis, (namely cost of sales, cost of wooden panels consumed, selling and distribution expenses, and administrative expenses) on (i) our profit before income tax; and (ii) our profit for each financial year end during the Track Record Period.

	For the year ended 31 December					For the eight months ended 31 August			
	2014		2015			2015		2016	
	(Decrease)/ increase in profit before income tax RMB'000	(Decrease)/ increase in profit for the year RMB'000	(Decrease)/ increase in profit before income tax RMB'000	(Decrease)/ increase in profit for the year RMB'000	(Decrease)/ increase in profit for the year RMB'000	(Decrease)/ increase in profit before the period RMB'000 (unaudited)	(Decrease)/ increase in profit before the period RMB'000 (unaudited)	(Decrease)/ increase in profit before the period RMB'000	(Decrease)/ increase in profit for the period RMB'000
Cost of sales	10% <sup>(Note)</sup>	(5,758)	(4,319)	(6,251)	(4,688)	(4,773)	(3,580)	(5,235)	(3,926)
	5%	(2,879)	(2,159)	(3,125)	(2,344)	(2,386)	(1,790)	(2,618)	(1,963)
	(5)%	2,879	2,159	3,125	2,344	2,386	1,790	2,618	1,963
	(10)% <sup>(Note)</sup>	5,758	4,319	6,251	4,688	4,773	3,580	5,235	3,926
Cost of wooden panels consumed	33% <sup>(Note)</sup>	(9,840)	(7,380)	(9,284)	(6,963)	(7,221)	(5,416)	(9,568)	(7,176)
	10%	(2,982)	(2,236)	(2,813)	(2,110)	(2,188)	(1,641)	(2,900)	(2,175)
	5%	(1,491)	(1,118)	(1,407)	(1,055)	(1,094)	(821)	(1,450)	(1,087)
	(5)%	1,491	1,118	1,407	1,055	1,094	821	1,450	1,087
	(10)%	2,982	2,236	2,813	2,110	2,188	1,641	2,900	2,175
	(33)% <sup>(Note)</sup>	9,840	7,380	9,284	6,963	7,221	5,416	9,568	7,176
Selling and distribution expenses	10%	(465)	(348)	(469)	(352)	(289)	(217)	(263)	(197)
	9% <sup>(Note)</sup>	(418)	(314)	(422)	(316)	(260)	(195)	(236)	(177)
	5%	(232)	(174)	(234)	(176)	(144)	(108)	(131)	(98)
	(5)%	232	174	234	176	144	108	131	98
	(9)% <sup>(Note)</sup>	418	314	422	316	260	195	236	177
	(10)%	465	348	469	352	289	217	263	197
Administrative expenses (excluding the non-recurring Listing expenses)	10%	(807)	(605)	(863)	(647)	(587)	(440)	(605)	(454)
	7% <sup>(Note)</sup>	(565)	(424)	(604)	(453)	(411)	(308)	(424)	(318)
	5%	(403)	(303)	(431)	(324)	(294)	(220)	(303)	(227)
	(5)%	403	303	431	324	294	220	303	227
	(7)% <sup>(Note)</sup>	565	424	604	453	411	308	424	318
	(10)%	807	605	863	647	587	440	605	454

*Note:* These represented the maximum fluctuation in our cost of sales, cost of wooden panels consumed, selling and distribution expenses, and administrative expenses (excluding the non-recurring Listing expenses) during the Track Record Period.

## FINANCIAL INFORMATION

### **Breakeven analysis**

Our Directors consider that the breakeven point to be the level of revenues that our Group would need to generate such that our profit after deducting our variable costs (“**variable margin**”) could cover all our fixed costs.

For the year ended 31 December 2015, our Group’s total fixed costs, including operating lease payments, staff costs, depreciation and other expenses (excluding non-recurring Listing expenses) were approximately RMB22.1 million. Using the variable margin for the year ended 31 December 2015, which is approximately 36.0%, the revenue to cover the total fixed costs, being the total fixed costs divided by the variable margin, is approximately RMB61.4 million.

For the year ended 31 December 2015, it is estimated that we should still be able to achieve breakeven assuming that (i) a decrease in average selling price of our key products by up to 9.3% or (ii) an increase in average raw material cost for producing those key products by up to 12.4%, with all other variables unchanged.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

#### **Currency risk**

As our Group’s revenue and expenses are mainly in RMB and most of our Group’s assets and liabilities are denominated in RMB, which is our functional currency, the currency risk resulting from our daily operations is considered not significant. We currently does not have a foreign currency hedging policy.

#### **Interest rate risk**

Our Group’s exposure to interest rate risk relates principally to our bank deposits and interest-bearing bank borrowing. Our Group’s policy is to minimise interest rate risk exposure. To achieve this, we regularly assess and monitor our needs for cash with reference to our business plans and day-to-day operations. Please refer to Note 19 of the Accountant’s Report of our Group as set out in Appendix IA to this prospectus for the details on interest rates of cash and cash equivalents. The interest bearing bank borrowing bear floating interest rates and is denominated in RMB. Please refer to Note 21 of the Accountant’s Report of our Group as set out in Appendix IA to this prospectus for the details on the interest rates and terms of repayment of our Group’s bank borrowing. We currently do not have an interest rate hedging policy.

## FINANCIAL INFORMATION

The following table illustrates the sensitivity of our Group's profit for the Track Record Period, and other components of equity due to a possible change in interest rates on its floating rate bank deposits and borrowing with all other variables held constant at the end of each financial year (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	<b>As at 31 December</b>		<b>As at 31 August</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Increase/(decrease) in profit for the year and retained earnings</b>			
Increase/decrease in basis points ("bp")			
+ 100 bp	486	373	300
- 100 bp	(486)	(373)	(300)

The above sensitivity analysis is prepared based on the assumption that our Group's bank deposits and borrowings as at reporting dates existed throughout the whole respective financial year.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rates over the next twelve months period.

### **Credit risk**

Our Group's credit risk is primarily attributable to our trade and other receivables and cash at banks. Our Group's management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on our customer's past history of making payments when due and current ability to pay, and take into account information specific to our customers (including their known financial position and reputation, credit track record, length of business relationship and contract size of relevant orders) as well as pertaining to the economic environment in which our customers operate. Ongoing evaluations on our receivable balances and overdue balances are performed on monthly basis and our finance department generates periodic trade and bills receivable report for review by our senior management to alert them of overdue balances. Our debtors with balances that are more than 3 months overdue will be brought to the attention of our finance manager as well as our sales department and therefrom, our sales staff will liaise with the relevant customers to seek prompt settlement of overdue balance. Further credit will only be granted under management's approval, otherwise, our debtors are requested to settle all outstanding balances before any further credit is granted. Normally, we do not obtain collateral from our customers although we may require such collateral if a customer has a history of non-payment. Where outstanding due balances are not met on demand, the matter will be brought to the attention our senior management for further actions (such as potential issuance of statutory demands or proceeds) to be taken.

## FINANCIAL INFORMATION

Please refer to Note 18 of the Accountant's Report of our Group as set out in Appendix IA to this prospectus for further quantitative disclosures in respect of our exposures to credit risk arising from our Group's trade receivables.

Cash at banks are deposits in bank with sound credit rating. Given their high credit rating, our Group does not expect to have high credit risk in this aspect.

### Liquidity risk

We are exposed to liquidity risk in respect of settlement of our trade payables and our financing obligations, and also in respect of our cash flow management. Our Group's policy is to regularly monitor current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash to meet our liquidity requirements in the short and longer term.

The following tables detail our Group's remaining contractual maturities for our financial liabilities as at 31 December 2014, 2015 and 31 August 2016. When our creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when we can be required to pay. The maturity dates for other financial liabilities are based on agreed repayment dates.

#### At 31 December 2014

	Within 1 year or on demand <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total contractual undiscounted cash flow <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
Bank borrowing	31,050	—	—	31,050	30,000
Trade and other payables	94,267	—	—	94,267	94,267
Amount due to a director	600	—	—	600	600
Amounts due to shareholders	13,195	—	—	13,195	13,195
	<u>139,112</u>	<u>—</u>	<u>—</u>	<u>139,112</u>	<u>138,062</u>

#### At 31 December 2015

	Within 1 year or on demand <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total contractual undiscounted cash flow <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
Bank borrowing	31,050	—	—	31,050	30,000
Trade and other payables	17,042	—	—	17,042	17,042
Amount due to a director	3,900	—	—	3,900	3,900
Amounts due to shareholders	65,795	—	—	65,795	65,795
	<u>117,787</u>	<u>—</u>	<u>—</u>	<u>117,787</u>	<u>116,737</u>

## FINANCIAL INFORMATION

At 31 August 2016

	Within 1 year or on demand <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total contractual undiscounted cash flow <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
Bank borrowing	31,412	—	—	31,412	30,000
Trade and other payables	24,215	—	—	24,215	24,215
Amounts due to directors	443	—	—	443	443
Amounts due to shareholders	75,300	—	—	75,300	75,300
	131,370	—	—	131,370	129,958
	131,370	—	—	131,370	129,958

### DISTRIBUTABLE RESERVES

Under the Companies Law, our Group may pay dividends out of our profit or our share premium account in accordance with the provisions of our Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, our Group remains able to pay our debts as and when they fall due in the ordinary course of business. As our Company was incorporated on 4 March 2016, our Company had no distributable reserve available for distribution to shareholders as at 31 August 2016.

### POST BALANCE SHEET EVENTS


Please refer to the paragraph headed “Recent developments” below in this section and the section headed “II. Notes to the financial information — 34. Subsequent events” of the Accountant’s Report of our Group as set out in Appendix IA to this prospectus.

### RECENT DEVELOPMENTS

#### Capitalisation of shareholders loan

Please refer to the section headed “History, reorganisation and corporate structure — Reorganisation” of this prospectus.

#### Incorporation of new operating subsidiary

Chengdu Yishishunda was incorporated in the PRC as a wholly-owned subsidiary of Sichuan Greenland on 5 May 2016 with a registered capital of RMB1,000,000. Chengdu Yishishunda will trade items such as carpets, curtains and drapes, wallpaper and floorboards and panels which our existing customers often request for when they order office furniture products from us. While we do not manufacture these items, we intend to make product catalogues for these items available to our customers. Customers may choose items from the product catalogues and their orders will be processed by Chengdu Yishishunda, who would source requested items from relevant suppliers. Chengdu Yishishunda will charge its customers on a cost-plus basis for the trading of these items. These items will not be marketed under our “” brand as they are not manufactured by us.

## FINANCIAL INFORMATION

We do not expect to commit material resources to develop the business of Chengdu Yishishunda in the short-term, and accordingly we do not expect that its business will materially affect the profitability or financial condition of our Group as a whole in the short-term.

### Financial performance

Revenue on a combined basis generated from customers sourced through tenders accounted for approximately 79.8%, 83.4% and 74.5% of our revenue for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively. Based on our unaudited management accounts, our total revenue increased by approximately 11.8% for the ten months ended 31 October 2016 compared to the same period in 2015, primarily due to orders from new customers through direct sales. Subsequent to the Track Record Period and up to the Latest Practicable Date, we have submitted 106 tenders for a value of approximately RMB32.1 million and won 64 of them for a value of approximately RMB18.0 million.

As our Group continued to collect our outstanding invoices, approximately 46.2% of our trade receivables, amounting to approximately RMB17.1 million, or approximately 61.2% of our trade receivables (excluding quality assurance deposit) as at 31 August 2016, amounting to approximately RMB16.7 million, have been subsequently settled by 31 October 2016.

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospect since 31 August 2016, being the date of our latest audited financial statements, and there is no event since 31 August 2016 which would materially affect the information shown in our financial statements included in the Accountant's Reports set out in Appendix 1A and 1B of this prospectus.

### LISTING EXPENSES

The expenses in relation to the Listing (including underwriting commission) are expected to be approximately HK\$23.4 million (assuming a Placing Price of HK\$0.31 per Placing Share, being the mid-point of our indicative Placing Price range between HK\$0.29 and HK\$0.33 per Placing Share), of which (i) approximately HK\$10.8 million are directly attributable to the issue of Placing Shares under the Placing and are expected to be accounted for as a reduction from equity; and (ii) the remaining amount of approximately HK\$12.6 million has been charged to and reflected in the combined statements of profit or loss and other comprehensive income, of which approximately HK\$3.2 million and HK\$5.6 million were charged for the year ended 31 December 2015 and the eight months ended 31 August 2016 respectively and the remainder of approximately HK\$1.7 million and HK\$2.1 million is expected to be recognised in the remaining period in 2016 and the year ending 31 December 2017, respectively.

Our Directors would like to emphasise that the amount of the Listing expenses stated above is a current estimate for reference only and the final amount to be recognised in the combined financial statements of our Group for the year ending 31 December 2016 is subject to adjustment based on audit and possible changes in variables and assumptions.

## FINANCIAL INFORMATION

Prospective investors should note that the financial performance of our Group for the year ending 31 December 2016 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above. Please also refer to the section headed “Risk factors — Our financial performance and results of operations for the year ending 31 December 2016 will be affected by expenses in relation to the Listing” of this prospectus.

### UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

For the unaudited pro forma adjusted combined net tangible assets of our Group prepared in accordance with paragraph 7.31 of the GEM Listing Rules for illustrating the effect of the Placing as if had taken place on 31 August 2016, please refer to Appendix II to this prospectus.

### PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our property interests at 31 October 2016. The texts of its letter and valuation certificate are set out in Appendix III to this prospectus. A reconciliation of the net book value of property interests as at 31 August 2016 to their fair value as stated in Appendix III to this prospectus is as follows:

	<i>RMB'000</i>
Net book value of property interest of our Group as at 31 August 2016	
Payments for leasehold land held for own use under operating leases	15,232
Buildings	51,512
	66,744
Less: amortisation for the period from 1 September 2016 to 31 October 2016 (unaudited)	(57)
Less: depreciation for the period from 1 September 2016 to 31 October 2016 (unaudited)	(376)
Net book value of property interest of our Group as at 31 October 2016	66,311
Valuation of properties as at 31 October 2016 as set out in Appendix III to this prospectus	64,460
Valuation deficit (unaudited)	1,851

### MATERIAL ADVERSE CHANGE

The Listing expenses (currently estimated to be in the amount of approximately HK\$23.4 million) will negatively impact our combined statements of profit or loss and other comprehensive income, and will materially and adversely affect our financial or trading position of our Group for the period commencing 31 August 2016 (being the date the latest audited combined financial statements of our Group were made up). In particular, our prospective investors should be aware that an amount of approximately HK\$1.7 million and HK\$2.1 million is expected to be recognised in the remaining period in 2016 and the year ending 31 December 2017, respectively.

## **FINANCIAL INFORMATION**

Save as disclosed above, our Directors confirmed that, up to the Latest Practicable Date, there had been no material adverse change in the financial or trading position of our Group since 31 August 2016, being the date to which our latest audited financial information was made up, and there had been no event since 31 August 2016 which would materially affect the information shown in the Accountant's Reports set out in Appendix IA & IB to this prospectus.

### **DISCLOSURE REQUIRED UNDER RULES 17.15 TO 17.21 OF THE GEM LISTING RULES**

Our Directors confirmed that as at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.



## FUTURE PLANS AND USE OF PROCEEDS

### BUSINESS OBJECTIVES AND STRATEGIES

Our goal is to provide our customers with quality products and premium after-sales services through the implementation of stringent quality control policies and through exercise of management control over the production process.

In order to achieve our goals with a view to safeguard our reputation and brand, we have adopted certain business strategies, details of which are set out in the section headed “Business — Our business strategies” of this prospectus.

### IMPLEMENTATION PLAN

Our Directors have drawn up an implementation plan for the period up to 31 December 2018 with a view to achieve our business objectives. Details of the implementation plan and expected timetable for implementation of the plan in relation to items requiring us to make material financial commitments are summarised below.

Investors should note that the implementation plan is formulated on the bases and assumptions referred to in the section headed “Future plans and use of proceeds — Bases and key assumptions” set out below. These bases and assumptions are inherently subject to uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk factors” in this prospectus. There is no assurance that our plans will materialise in accordance with our expected time frame or that our objective will be accomplished. While the implementation plan may be affected by unforeseeable factors and matters outside our control, we will use our best endeavours to anticipate and pre-empt such factors and matters to minimise disruptions to the implementation of our plan.

#### From the Latest Practicable Date to 31 December 2016

<b>Business strategy</b>	<b>Use of proceeds</b>	<b>Implementation plan</b>
Renovation and refurbishment of our exhibition hall to enhance customer experience	HK\$1.5 million	Commencement of renovation of our exhibition hall at our Chengdu headquarters
Purchase machinery and equipment for our production facilities and strengthen our production capability	Nil	Identification of target machinery and equipment

#### For the 6 months ending 30 June 2017

<b>Business strategy</b>	<b>Use of proceeds</b>	<b>Implementation plan</b>
Renovation and refurbishment of our exhibition hall to enhance customer experience	HK\$2.5 million	Renovation of our exhibition hall at our Chengdu headquarters

## FUTURE PLANS AND USE OF PROCEEDS

<b>Business strategy</b>	<b>Use of proceeds</b>	<b>Implementation plan</b>
Purchase machinery and equipment for our production facilities and strengthen our production capability	Nil	<ul style="list-style-type: none"> <li>● Conduct further research regarding market trends and customer preference in existing and target markets</li> <li>● Devise and evaluate purchase plan for new machinery and equipment</li> <li>● Devise plan for reorganisation of the layout of product facilities and other arrangement to accommodate new machinery and equipment</li> </ul>

### **For the 6 months ending 31 December 2017**

<b>Business strategy</b>	<b>Use of proceeds</b>	<b>Implementation plan</b>
Renovation and refurbishment of our exhibition hall to enhance customer experience	HK\$1 million	Completion of the renovation of our exhibition hall at our Chengdu headquarter
Purchase machinery and equipment for our production facilities and strengthen our production capability	HK\$3.27 million	<ul style="list-style-type: none"> <li>● Making deposit on target machinery and equipment and making the relevant purchases</li> <li>● Carry out necessary reorganisation and arrangements at the product facilities to accommodate new machinery and equipment</li> <li>● Receipt, testing and installation of acquired machinery and equipment</li> </ul>

## FUTURE PLANS AND USE OF PROCEEDS

### For the 6 months ending 30 June 2018

Business strategy	Use of proceeds	Implementation plan
Purchase machinery and equipment for our production facilities and strengthen our production capability	HK\$6.54 million	<ul style="list-style-type: none"><li>● Making deposit on target machinery and equipment and making the relevant purchases</li> <li>● Receipt, testing and installation of acquired machinery and equipment</li></ul>

### For the 6 months ending 31 December 2018

Business strategy	Use of proceeds	Implementation plan
Purchase machinery and equipment for our production facilities and strengthen our production capability	HK\$1.09 million	<ul style="list-style-type: none"><li>● Making deposit on target machinery and equipment and making the relevant purchases</li> <li>● Receipt, testing and installation of acquired machinery and equipment</li></ul>

## REASONS FOR THE PLACING AND USE OF PROCEEDS

### Reasons for the Placing

Our Directors believe that the net proceeds from the Listing (“**Net Proceeds**”) will facilitate our implementation of our business strategies which are aimed at enhancing our reputation and brand as a reliable supplier of quality office furniture to government, corporate and institutional customers in the PRC. Our Directors believe that the successful implementation of our business strategies would be conducive to increasing our competitiveness in the office furniture market and assist us to secure more customers. For further details regarding the reason for the Placing, please refer to the section “Summary — Reasons for Listing” section of this prospectus.

We intend to use the net proceeds from the Placing as follows:

- (i) part of the net proceeds of the Placing would be used for the renovation and refurbishment of our exhibition hall at our Chengdu headquarters; this would enhance the visual experience of our customers and serve to better manage their expectations when ordering products. Our Directors believe that this will improve our competitiveness especially when our products and services are being evaluated by potential purchasers;

## FUTURE PLANS AND USE OF PROCEEDS

- (ii) part of the net proceeds of the Placing would be used for the acquisition of new machinery and equipment; which would streamline our production process and enable us to produce modern, contemporary and/or sophisticated furniture capable of meeting the increasingly demanding requirements of our customers. Our Directors believe that such acquisitions of new machinery and equipment are important for us to remain competitive in our market; and
- (iii) part of the net proceeds of the Placing will be used to repay our bank borrowings, the repayment obligations of which are currently secured by our pledge of land use rights and property ownership in our production facilities. Such repayment of our bank borrowings will (i) improve our gearing position and thus our capital raising capability in the future; (ii) lead to a release and discharge of the relevant pledges; and (iii) enhance our flexibility in relation to our future bank borrowings.

### **Use of proceeds**

We estimate that the aggregate net proceeds to us from the Placing (after deducting the underwriting commission and other estimated expenses payable by us in connection in the Placing), assuming a Placing Price of HK\$0.31 per Placing Share, being the mid-point of the indicative Placing Price range between HK\$0.29 and HK\$0.33 per Placing Share, will be approximately HK\$59.7 million, assuming that the Offer Size Adjustment Option is not exercised.

We currently intend to apply the Net Proceeds in the following manner:

- (i) approximately 8.38% of the total estimated net proceeds, or approximately HK\$5.0 million will be used for the renovation of our exhibition hall at our Chengdu headquarters;
- (ii) approximately 18.26% of the total estimated net proceeds, or approximately HK\$10.9 million, will be used to for the acquisition of new machinery and equipment;
- (iii) approximately 59.63% of the total estimated net proceeds, or approximately HK\$35.6 million, will be used for repayment of existing short-term bank borrowing of our Group (which has an annual interest rate of 20% above the PBOC bench interest rate), the proceeds of which was used for working capital purposes;
- (iv) approximately 12.06% of the total estimated net proceeds, or approximately HK\$7.2 million, will be used for repayment of short-term borrowings of our Group (which the Directors expect to have an annual interest rate of 18%), which was used for repayment of shareholders' loan owed to Mr. Ma, Oasis and Ms. Sum respectively before Listing; and
- (v) approximately 1.67% of the total estimated net proceeds, or approximately HK\$1.0 million, will be used for the funding of our working capital and other general corporate purposes.

## FUTURE PLANS AND USE OF PROCEEDS

It is expect that the Net Proceeds will be used over the period from the Latest Practicable Date to 31 December 2018, as follows:

	From the Latest Practicable Date to		6 months ending			Total	%
	31 December 2016	30 June 2017	31 December 2017	30 June 2018	31 December 2018		
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
Renovation and refurbishment of our exhibition hall	1.5	2.5	1.0	—	—	5.0	8.38
Acquiring new machinery and equipment	—	—	3.27	6.54	1.09	10.9	18.26
Repayment of debts	—	42.8	—	—	—	42.8	71.69
Working capital	—	1.0	—	—	—	1.0	1.67
	<u>1.5</u>	<u>46.3</u>	<u>4.27</u>	<u>6.54</u>	<u>1.09</u>	<u>59.7</u>	<u>100</u>

Approximately 1% will be used as working capital and funding for other general corporate purposes according to our current business plans.

In the event the Offer Size Adjustment Option is exercised in full and assuming a Placing Price of HK\$0.31 per Placing Share, being the mid-point of the indicative Placing Price range between HK\$0.29 and HK\$0.33 per Placing Share, the net proceeds from the Placing will increase by approximately HK\$12.0 million. Under such circumstances, we intend to apply such additional net proceeds to the above proposed usage items, save and except for the repayment of debts, on a pro-rata basis.

If the Placing Price is fixed at HK\$0.33 per Placing Share, being the high-end of the indicative Placing Price range, we will receive (i) net proceeds of approximately HK\$64.9 million, assuming the Offer Size Adjustment Option is not exercised, and (ii) net proceeds of approximately HK\$77.7 million, assuming the Offer Size Adjustment Option is exercised in full. Under such circumstances, we will increase the proposed amounts of net proceeds for acquiring new machinery and equipment and working capital on a pro-rata basis.

If the Placing Price is fixed at HK\$0.29 per Placing Share, being the low-end of the indicative Placing Price range, the net proceeds we receive will be (i) reduced to approximately HK\$54.5 million, assuming the Offer Size Adjustment Option is not exercised, and (ii) approximately HK\$65.8 million, assuming the Offer Size Adjustment Option is exercised in full. Under such circumstances, we will reduce the proposed amounts of net proceeds for acquiring new machinery and equipment and we intend to fund the shortfall with our internal resources.

The possible use of proceeds outlined above may change in light of our evolving business needs and conditions and management requirements. In the event of any material modification to the use of proceeds as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required under the GEM Listing Rules.

## FUTURE PLANS AND USE OF PROCEEDS

To the extent that the Net Proceeds have not yet been applied to the above purposes and to the extent permitted by applicable law and regulations, such proceeds will be placed on short-term interest bearing deposits with authorised financial institutions.

### **BASES AND KEY ASSUMPTIONS**

We have adopted the following principal assumptions in the preparation of the future plans up to 31 December 2018:

#### **General assumptions:**

- there will be no material adverse change in the existing political, legal, fiscal, market or economic conditions in the PRC; and
- there will be no material change in the bases or rates of taxation and duties in the PRC.

#### **Specific assumptions:**

- we will have sufficient financial resources to meet the planned capital and business development requirements during the period to which the business objectives relate;
- the Placing will be completed in accordance with and as described in the section headed “Structure and conditions of the Placing” in this prospectus;
- our Directors and key senior management will continue to be involved in the development of our existing and future development and we will be able to retain our key management personnel;
- we will be able to recruit additional key management personnel and staff if and when required;
- we will be able to maintain our customers and sustain demand for our products;
- there will be no change in the funding requirement for each of the business strategies described in this prospectus from the amount currently estimated by our Directors;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group;
- we will not be materially and adversely affected by the risk factors as set out in the section headed “Risk factors” in this prospectus; and

## **FUTURE PLANS AND USE OF PROCEEDS**

- we will be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period and we will also be able to carry out our implementation plans without disruptions.

### **PLACING SHARES ARE FULLY UNDERWRITTEN**

This prospectus is published solely in connection with the Placing, which is sponsored by the Sole Sponsor and managed by the Sole Lead Manager and to be fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). Further information about the Underwriters and the underwriting arrangements is contained in the section headed “Underwriting” in this prospectus.

# UNDERWRITING

## UNDERWRITERS

CSL Securities Limited  
Astrum Capital Management Limited  
China Demeter Securities Limited  
China Jianxin Financial Services Limited  
Fordjoy Securities and Futures Limited  
Jun Yang Securities Company Limited

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering 268,000,000 Placing Shares for subscription by way of Placing to institutional, professional and other investors in Hong Kong at the Placing Price, on and subject to the terms and conditions in the Underwriting Agreement and this prospectus.

Subject to, (i) 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 and such listing and permission not subsequently being revoked; and (ii) certain other conditions set out in the Underwriting Agreement being satisfied or waived on or before the dates and times as specified therein or such other dates as the Sole Lead Manager (also in its capacity as the Underwriters) may agree (but in any event not later than the 30th day after the date of this prospectus), the Underwriters has agreed to subscribe for, or procure subscribers for, the Placing Shares which are offered but are not taken up under the Placing on the terms and conditions set out under the Underwriting Agreement.

### Grounds for termination

The Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Underwriters) shall have the absolute right, upon giving notice in writing to our Company (for itself and on behalf of our executive Directors and our Controlling Shareholders), to terminate the arrangements set out in the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on 20 January 2017) if there shall develop, occur, exist or come into effect:

- (a) any new law or regulation or any material change in the existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands or any relevant jurisdiction; or
- (b) any adverse change (whether or not permanent) in local, national or international stock market conditions; or
- (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (d) any change or development involving a prospective change in taxation or currency exchange control (or the implementation of any exchange control) in Hong Kong and the Cayman Islands or any relevant jurisdiction; or



## UNDERWRITING

- (e) any change in the business or in the financial or trading position of the Group or otherwise; or
- (f) any change or development (whether or not permanent), or any event or series of events resulting in any change in the financial, legal, political, economic, military, industrial, fiscal, regulatory, market (including stock market) or currency matters or condition in Hong Kong and the Cayman Islands or any relevant jurisdiction; or
- (g) a general moratorium on commercial banking activities in Hong Kong and the Cayman Islands or any relevant jurisdiction declared by the relevant authorities; or
- (h) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, natural disaster or outbreak of infectious diseases,

which in the reasonable opinion of the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Underwriters):

- (i) is or will be materially adverse to the business, financial condition or prospects of the Group taken as a whole; or
- (ii) has or will have a material adverse effect on the success of the Placing or has or will have the effect of making any part of the Underwriting Agreement incapable of implementation or performance in accordance with its terms; or
- (iii) makes it inadvisable or inexpedient to proceed with the Placing.

Without prejudice to the above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of the Sole Sponsor and/or the Sole Lead Manager:

- (a) any matter or event showing any of the warranties contained in the Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or any breach of any of the warranties contained in the Underwriting Agreement or any other provision of the Underwriting Agreement by any party thereto (other than the Sole Lead Manager, the Sole Bookrunner and the Underwriters), which is considered, in the reasonable opinion of the Sole Lead Manager (for itself and on behalf of the Underwriters), to be material in the context of the Placing; or
- (b) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus and the placing letter, would have constituted a material omission in the absolute opinion of the Sole Lead Manager (for itself and on behalf of the Underwriters) in the context of the Placing; or
- (c) any statement contained in this prospectus and the placing letter reasonably considered to be material by the Sole Lead Manager which is discovered to be or becomes untrue, incorrect or misleading in any respect and in the reasonable opinion of the Sole Lead Manager (for itself and on behalf of the Underwriters) to be material in the context of the Placing; or

## UNDERWRITING

- (d) any event, act or omission which gives rise to or is likely to give rise to any material liability of the Company, any of the executive Directors and the Controlling Shareholders pursuant to the indemnities contained in the Underwriting Agreement,

the Sole Sponsor and/or the Sole Lead Manager (also in its capacity as the Underwriters) shall be entitled (but not bound) by notice in writing to the Company (for itself and on behalf of our executive Directors and Controlling Shareholders), to terminate the Underwriting Agreement on or prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

### **Commission and expenses**

The Underwriters will receive an underwriting commission of an amount equal to 3.5% of the aggregate Placing Price of all Placing Shares (including the Shares to be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option), out of which the Underwriters will pay all sub-underwriting commission if any.

The Sole Sponsor will receive a fee in relation to the Listing and the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters will be reimbursed for their expenses properly incurred in connection with the Placing.

The above underwriting commission, advisory and documentation fee and expenses, together with the Stock Exchange listing application fee, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees, and printing and other expenses relating to the Placing and Listing, are estimated to amount in aggregate to approximately HK\$23.4 million in total (assuming the Offer Size Adjustment Option is not exercised and based on the Placing Price of HK\$0.31 per Placing Share, being the mid-point of our indicative Placing Price range between HK\$0.29 and HK\$0.33 per Placing Share) and are to be borne by our Company.

### **Indemnity**

Our Company has agreed to indemnify the Sole Lead Manager for certain losses which it may suffer, including losses arising from its performance of its obligations under the Underwriting Agreement and any breach by our Company pursuant to the terms of the Underwriting Agreement.

### **Underwriters' interest in our Group**

The Sole Sponsor has been appointed as the compliance adviser of the Company with effect from the Listing Date until the despatch of the audited consolidated financial results for the second full financial year after the Listing Date as required under the GEM Listing Rules, and our Company will pay to the Sole Sponsor an agreed fee for its provision of services as its compliance adviser.

Save for the interests and obligations under the Underwriting Agreement or as otherwise disclosed in this prospectus, as at the Latest Practicable Date, the Underwriters were not interested, beneficially or non-beneficially, in any of our Shares or securities or any shares or securities of any member of our Group or had any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any of our Shares or securities or any shares or securities of our Group.

## UNDERWRITING

### Undertakings to the Stock Exchange

#### *By our Company*

Our Company has undertaken to the Stock Exchange that it will not issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for those permitted in accordance with Rule 17.29 subsections (1) to (5) of GEM Listing Rules.

#### *By our Controlling Shareholders*

Each of the Controlling Shareholders has, jointly and severally, undertaken to and covenanted with each of our Company, the Stock Exchange, the Sole Sponsor, the Sole Lead Manager and the Underwriters that, without the prior written consent of the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, it/he shall not, and shall procure none of its/his associates or companies controlled by it/him or any nominee or trustee holding in trust for it/him to:

- (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date on which is six months from the Listing Date (“**First Six-month 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 our Shares or securities of our Company in respect of which it/he is shown by this prospectus to be the beneficial owner (whether directly or indirectly) (the “**Relevant Shares**”); and
- (ii) at any time during the period of six months commencing on the date on which the First Six-month Period expires (“**Second Six-month 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 Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company;

and in the event that it/he enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it/he will take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Each of the Controlling Shareholders has further undertaken to and covenanted with our Company, the Sole Sponsor, the Sole Lead Manager, the Underwriters and the Stock Exchange that:

- (i) in the event that it/he pledges or charges any of its/his direct or indirect interest in the Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this

## UNDERWRITING

prospectus and ending on the date on which the Second Six-month Period expires, it/he must inform our Company, the Sole Sponsor, the Sole Lead Manager and the Underwriters immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

- (ii) having pledged or charged any of its/his interests in the Shares or other securities of our Company under sub-paragraph (i) above, it/he must inform our Company, the Sole Sponsor, the Sole Lead Manager and the Underwriters immediately in the event that it/he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of announcement in accordance with Rule 17.43 of the GEM Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

### **Undertakings to the Underwriters**

#### ***Undertakings by our Company***

Pursuant to the Underwriting Agreement, our Company has undertaken to and covenanted with the Stock Exchange, the Sole Sponsor, the Sole Lead Manager and the Underwriters that our Company will not, and each of the Controlling Shareholders and executive Directors has undertaken to the Stock Exchange, the Sole Sponsor, the Sole Lead Manager and the Underwriters that it/he will procure our Company not to, without the prior written consent of the Sole Sponsor and/or the Sole Lead Manager, (for itself and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules), except for the issue of Shares under the Placing, the Capitalisation Issue, the exercise of the Offer Size Adjustment Option, the grant of any option under the Share Option Scheme or the issue of Shares upon exercise of any option granted under the Share Option Scheme:

- (i) at any time within the First Six-month Period offer, allot, issue, agree to allot or issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, rights or warrants to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase any of the share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of share capital or such other securities, in cash or otherwise, or publicly disclose that our Company will or may enter into any of the foregoing transactions (whether or not such transaction will be completed in the aforesaid period); and

## UNDERWRITING

- (ii) at any time during the Second Six-month Period, issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for Shares or securities of our Company or of any of its subsidiaries so as to result in any of the Controlling Shareholders ceasing to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company,

and in the event our Company enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it shall take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

With regard to the undertaking made pursuant to Rule 13.16A of GEM Listing Rules, please refer to the paragraph headed “Non-disposal undertaking” under the section headed “Substantial shareholders” of this prospectus.

## **STRUCTURE AND CONDITIONS OF THE PLACING**

### **THE PLACING**

268,000,000 Placing Shares are being offered pursuant to the Placing, representing in aggregate 40% of the enlarged issued share capital of our Company (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares that may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme).

The Placing is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). Pursuant to the Placing, it is expected that the Underwriters, on behalf of the Company, will conditionally place 268,000,000 Placing Shares at the Placing Price to selected individual, professional and institutional investors in Hong Kong. Professional and institutional investors generally include brokers, dealers, companies, high net worth individuals and companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

The number of Placing Shares to be offered under the Placing may be increased by the Offer Size Adjustment Option as described in the paragraph headed “Offer Size Adjustment Option” in the section below.

The Placing is fully underwritten by the Underwriters under the term of the Underwriting Agreement. Details of the underwriting arrangement are summarised in the section headed “Underwriting” in this prospectus.

### **PRICE PAYABLE ON SUBSCRIPTION**

The Placing Price will not be more than HK\$0.33 per Placing Share and is expected to be not less than HK\$0.29 per Placing Share. Subscribers must on application pay the maximum Placing Price of HK\$0.33 per Placing Share plus 1.0% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee. Assuming the Placing Price is HK\$0.29 to HK\$0.33 per Placing Share (being the lowest and highest points of the indicative Placing Price range respectively), subscribers shall pay HK\$2,343.38 to HK\$2,666.60 for every board lot of 8,000 Shares respectively.

### **DETERMINATION OF THE PLACING PRICE**

The Placing Price is expected to be fixed by the Price Determination Agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is currently scheduled to be on or about Friday, 13 January 2017 and, in any event, not later than Wednesday, 18 January 2017. If, for whatever reason, the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach agreement on the Placing Price on the Price Determination Date, the Placing will not become unconditional and will lapse. In such event, our Company will issue an announcement to be published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.qtbgjj.com](http://www.qtbgjj.com).

The Placing Price will not be more than HK\$0.33 per Placing Share and is currently expected to be not less than HK\$0.29 per Placing Share. The final Placing Price will fall within the indicative Placing Price range as stated in this prospectus unless otherwise announced, as further explained below.

If, based on the level of indication of interest expressed by prospective institutional, professional or other investors during the book-building process, the Sole Bookrunner (for itself and on behalf of the Underwriters) considers it appropriate, and with the consent of our Company, the indicative Placing

## **STRUCTURE AND CONDITIONS OF THE PLACING**

Price range may be reduced below that stated in this prospectus at any time on or before the Price Determination Date. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the websites of the Stock Exchange and our Company an announcement of such change.

The final Placing Price, the level of indication of interest in the Placing and the basis of allocation of the Placing Shares, are expected to be announced on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.qtbj.com](http://www.qtbj.com) on or before Thursday, 19 January 2017.

### **CONDITIONS OF THE PLACING**

The Placing will be conditional upon, among others:

- (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein on GEM and such listing and permission not subsequently having been revoked prior to the commencement of dealing in or Shares on the Stock Exchange; and
- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming and remaining unconditional (including the waiver of any condition(s) by the Sole Lead Manager and the Underwriting Agreement not being terminated in accordance with the terms of that agreement or otherwise),

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) or such other dates as the Sole Lead Manager (for itself and on behalf of the Underwriters) may agree but in any event not later than the 30th day after the date of this prospectus.

If such conditions are not fulfilled or waived by the Sole Lead Manager (for itself and on behalf of the Underwriters) prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by our Company on the Stock Exchange website, at [www.hkexnews.hk](http://www.hkexnews.hk), and our Company's website, at [www.qtbj.com](http://www.qtbj.com), on the next business day following such lapse.

### **BASIS OF ALLOCATION**

Allocation of the Placing Shares to selected individual, professional and institutional investors will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investors are likely to purchase further Shares or hold or sell their Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

No allocations will be permitted to nominee companies without the prior written consent of the Stock Exchange unless the name of the ultimate beneficiary is disclosed.

## **STRUCTURE AND CONDITIONS OF THE PLACING**

Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

### **OFFER SIZE ADJUSTMENT OPTION**

The Sole Lead Manager (for itself and on behalf of the Underwriters) can exercise the Offer Size Adjustment Option granted to it by the Company to cover over-allocations under the Placing. Pursuant to the Offer Size Adjustment Option, the Sole Lead Manager shall have the right to require our Company to allot and issue, at the Placing Price, up to an aggregate of 40,200,000 additional Shares, representing 15.0% of the Placing Shares initially available under the Placing. The Offer Size Adjustment Option can only be exercised on or before 5:00 p.m. on the Business Day immediately before the date of allotment results announcement with respect to the level of indication of interest in the Placing, otherwise it will lapse. The Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option will not be used for price stabilisation purpose and is not subject to the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong). Any such additional Shares may be issued to cover any excess demand in the Placing and in the event that the Offer Size Adjustment Option is exercised, the Sole Lead Manager in their sole discretion may decide to whom and the proportions in which the additional Shares will be allotted.

If the Offer Size Adjustment Option is exercised in full, the additional Placing Shares will represent approximately 5.7% of the enlarged issued share capital of our Company in issue following completion of the Placing and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.

The additional net proceeds that we would receive if the Offer Size Adjustment Option is exercised in full (at the Placing Price of HK\$0.31 per Share, being the mid-point of our indicative Placing Price range between HK\$0.29 and HK\$0.33 per Placing Share), are estimated to be approximately HK\$12.0 million. We intend to apply such additional net proceeds in the same proportions as disclosed in “Future plans and use of proceeds” of this prospectus (except in respect of repayment of debt).

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by that time, then the Offer Size Adjustment Option will have lapsed and cannot be exercised on any future date.

### **COMMENCEMENT OF DEALINGS**

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Friday, 20 January 2017. The Shares will be traded in board lots of 8,000 Shares under the stock code 8370.



## STRUCTURE AND CONDITIONS OF THE PLACING

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on GEM and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

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

In respect of the dealings in the Shares which may be settled through CCASS, investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

*The following is the text of a report, prepared for sole purpose of inclusion in this prospectus, received from the Company's independent reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.*



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30 December 2016

The Directors  
Zhi Sheng Group Holdings Limited  
Convoy Capital Hong Kong Limited

Dear Sirs,

We set out below our report on the financial information regarding Zhi Sheng Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), including the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the period from 29 December 2014 (date of change in controlling shareholder) to 31 December 2014, the year ended 31 December 2015 and the eight months ended 31 August 2016 (the “Relevant Periods”), and the combined statements of financial position of the Group as at 31 December 2014 and 2015 and 31 August 2016 and the statement of financial position of the Company as at 31 August 2016, together with the notes thereto (collectively the “Financial Information”), and the comparative combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows of the Group for the eight months ended 31 August 2015 (the “Comparative Financial Information”), prepared on the basis of presentation and preparation set forth in Notes 2 and 3(a) of Section II below, for inclusion in the prospectus of the Company dated 30 December 2016 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands on 4 March 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as revised) of the Cayman Islands.

Pursuant to a group reorganisation as detailed in the subsection headed “Reorganisation” in the section headed “History, reorganisation and corporate structure” in the Prospectus (the “Reorganisation”), the Company became the holding company of the subsidiaries now comprising the Group.

The Group is principally engaged in the manufacture and sale of office furniture products in the People’s Republic of China (the “PRC”). The Company has not carried on any business, since the date of incorporation, saved for the Reorganisation as referred above.

As of the date of this report, the particulars of the subsidiaries now comprising the Group are as follows:

Name	Place and date of incorporation/ establishment and form of business structure	Issued and fully paid share capital/ registered capital	Effective interests held by the Company	Principal activities
<i>Directly held</i>				
Smart Raise Holding Limited ("Smart Raise BVI")	The British Virgin Islands ("BVI") 6 June 2014 Limited liability company	United States dollars ("US\$") 10,000	100%	Investment holding
<i>Indirectly held</i>				
Smart Raise (Hong Kong) Limited ("Smart Raise HK")	Hong Kong 23 June 2014 Limited liability company	Hong Kong dollars ("HK\$") 10,000	100%	Investment holding
四川青田家具實業有限公司 ("Sichuan Greenland")	The PRC 13 December 1996 Limited liability company	Renminbi ("RMB") 61,000,000	100%	Manufacture and sale of office furniture products
成都頤事順達貿易有限公司	The PRC 5 May 2016 Limited liability company	RMB1,000,000	100%	Trading of items such as carpets, curtains and drapes, wallpaper, floorboards and panels

The Company and its subsidiaries have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company and its subsidiaries incorporated in the BVI since their respective dates of incorporation as it is not subject to statutory audit requirements under the relevant jurisdiction.

Smart Raise HK was incorporated on 23 June 2014 and the statutory financial statements for the period from its date of incorporation to 30 June 2015 were audited by BDO Limited.

No audited financial statements of Sichuan Greenland were prepared for the year ended 31 December 2014. The financial statements of Sichuan Greenland for the year ended 31 December 2015 were audited by 四川公明會計師事務所有限公司 (Sichuan Gong Ming Certified Public Accountants Co., Ltd.\*), a firm of certified public accountants registered in the PRC. These statutory financial statements were prepared in accordance with the relevant accounting principles and financial regulations applicable to the enterprise registered in the PRC.

\* English translated names are for identification purpose only

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the combined financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”), in accordance with the basis of presentation and preparation set out in Notes 2 and 3(a) of Section II below and the accounting policies set out in Note 3 of Section II below which conform with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information has been prepared by the Directors based on the Underlying Financial Statements, on the basis of presentation and preparation set out in Notes 2 and 3(a) of Section II below. No statement of adjustments as defined under Rule 7.18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) is considered necessary.

### **Respective responsibilities of Directors and reporting accountant in respect of the Financial Information**

The Directors are responsible for the contents of the Prospectus including the preparation of the Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 2 and 3(a) of Section II below and the accounting policies set out in Note 3 of Section II below, applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the Directors determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

For the purpose of the Financial Information, our responsibility is to form an independent opinion on the Financial Information based on our procedures performed on the Financial Information and to report our opinion to you.

For the purpose of the Comparative Financial Information, our responsibility is to form a review conclusion on the Comparative Financial Information based on our procedures performed on the Comparative Financial Information and to report our review conclusion thereon to you.

### **Procedures performed in respect of the Underlying Financial Statements and the Financial Information**

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

### **Procedures performed in respect of the Comparative Financial Information**

For the purpose of this report, we have also performed a review of the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

A review consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the Comparative Financial Information. 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 Comparative Financial Information.

**Opinion in respect of the Financial Information**

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis of presentation and preparation set out in Notes 2 and 3(a) of Section II below and in accordance with the accounting policies in Note 3 of Section II below, gives a true and fair view of the financial position of the Company as at 31 August 2016 and the combined financial position of the Group as at 31 December 2014, 31 December 2015 and 31 August 2016 and of the combined financial performance and combined cash flows of the Group for the Relevant Periods.

**Review conclusion in respect of the Comparative Financial Information**

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

## I. FINANCIAL INFORMATION

## Combined Statements of Profit or Loss and Other Comprehensive Income

		For the period from 29 December 2014 (date of change in controlling shareholder) to 31 December 2014	For the year ended 31 December 2015	For the eight months ended 31 August	
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2015</i> <i>RMB'000</i>	<i>2016</i> <i>RMB'000</i>
Revenue	6, 7	—	86,862	66,206	72,220
Cost of sales		—	(62,505)	(47,729)	(52,351)
Gross profit		—	24,357	18,477	19,869
Other income	7	—	61	28	23
Gain on a bargain purchase	30	14,785	—	—	—
Selling and distribution expenses		—	(4,687)	(2,889)	(2,626)
Administrative expenses		—	(11,232)	(5,872)	(10,802)
Finance costs	9	—	(1,880)	(1,287)	(1,245)
<b>Profit before income tax</b>	8	14,785	6,619	8,457	5,219
Income tax expense	11	—	(2,352)	(2,139)	(2,452)
Profit for the period/year		14,785	4,267	6,318	2,767
Other comprehensive income for the period/year:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		—	(112)	—	(154)
Total comprehensive income for the period/year attributable to the owners of the Company		<u>14,785</u>	<u>4,155</u>	<u>6,318</u>	<u>2,613</u>

## Combined Statements of Financial Position

		At 31 December		At
		2014	2015	31 August
	Notes	RMB'000	RMB'000	2016
				RMB'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	15	52,744	55,751	53,993
Payments for leasehold land held for own use under operating leases	16	<u>15,570</u>	<u>15,229</u>	<u>15,002</u>
Total non-current assets		<u>68,314</u>	<u>70,980</u>	<u>68,995</u>
<b>Current assets</b>				
Payments for leasehold land held for own use under operating leases	16	230	230	230
Inventories	17	47,875	35,686	20,958
Trade and other receivables	18	47,285	39,741	62,921
Tax recoverable		—	1,053	33
Cash and cash equivalents	19	<u>34,124</u>	<u>19,981</u>	<u>9,200</u>
Total current assets		<u>129,514</u>	<u>96,691</u>	<u>93,342</u>
<b>Total assets</b>		<u>197,828</u>	<u>167,671</u>	<u>162,337</u>
<b>Current liabilities</b>				
Trade and other payables	20	132,305	42,799	28,964
Bank borrowing	21	30,000	30,000	30,000
Amounts due to directors	22	600	3,900	443
Amounts due to shareholders	23	13,195	65,795	75,300
Tax payable		<u>466</u>	<u>—</u>	<u>—</u>
Total current liabilities		<u>176,566</u>	<u>142,494</u>	<u>134,707</u>
<b>Net current liabilities</b>		(47,052)	(45,803)	(41,365)
Total assets less current liabilities		<u>21,262</u>	<u>25,177</u>	<u>27,630</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	24	<u>6,415</u>	<u>6,175</u>	<u>6,015</u>
<b>NET ASSETS</b>		<u>14,847</u>	<u>19,002</u>	<u>21,615</u>
<b>EQUITY</b>				
Equity attributable to the owners of the Company				
Share capital	25	62	62	62
Reserves	26	<u>14,785</u>	<u>18,940</u>	<u>21,553</u>
<b>TOTAL EQUITY</b>		<u>14,847</u>	<u>19,002</u>	<u>21,615</u>

## Statement of Financial Position of the Company

	<i>Note</i>	At 31 August 2016 RMB'000
<b>ASSET</b>		
Net current asset and net asset		— <sup>(1)</sup>
		<u>                    </u>
<b>EQUITY</b>		
Equity attributable to owners of the Company		
Share capital	25	— <sup>(1)</sup>
		<u>                    </u>
Total equity		— <sup>(1)</sup>
		<u>                    </u>

(1) Represents the amount less than RMB1,000.



## Combined Statements of Changes in Equity

	Share capital RMB'000	Statutory reserve (Note 26(a)) RMB'000	Foreign exchange reserve (Note 26(b)) RMB'000	Retained earnings (Note 26(c)) RMB'000	Total RMB'000
At 29 December 2014 (date of change in controlling shareholder)	62	—	—	—	62
Profit and total comprehensive income for the period	—	—	—	14,785	14,785
<b>At 31 December 2014 and 1 January 2015</b>	62	—	—	14,785	14,847
Profit for the year	—	—	—	4,267	4,267
Other comprehensive income: Exchange difference arising on translation of foreign operations	—	—	(112)	—	(112)
Total comprehensive income for the year	—	—	(112)	4,267	4,155
Transfer to statutory reserve	—	724	—	(724)	—
<b>At 31 December 2015 and 1 January 2016</b>	62	724	(112)	18,328	19,002
Profit for the year	—	—	—	2,767	2,767
Other comprehensive income: Exchange difference arising on translation of foreign operations	—	—	(154)	—	(154)
Total comprehensive income for the year	—	—	(154)	2,767	2,613
Transfer to statutory reserve	—	775	—	(775)	—
At 31 August 2016	<u>62</u>	<u>1,499</u>	<u>(266)</u>	<u>20,320</u>	<u>21,615</u>
<b>For the eight months ended 31 August 2015 (unaudited)</b>					
At 1 January 2015	62	—	—	14,785	14,847
Profit for the period	—	—	—	6,318	6,318
Other comprehensive income: Exchange difference arising on translation of foreign operations	—	—	—	—	—
Total comprehensive income for the period	—	—	—	6,318	6,318
Transfer to statutory reserve	—	652	—	(652)	—
At 31 August 2015	<u>62</u>	<u>652</u>	<u>—</u>	<u>20,451</u>	<u>21,165</u>

## Combined Statements of Cash Flows

		For the period from 29 December 2014 (date of change in controlling shareholder) to 31 December 2014	For the year ended 31 December 2015	For the eight months ended 31 August	
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> 2016
<b>Profit before income tax</b>		14,785	6,619	8,457	5,219
Adjustments for:					
Gain on a bargain purchase		(14,785)	—	—	—
Amortisation of payments for leasehold land held for own use under operating leases	8	—	341	227	227
Depreciation of property, plant and equipment	8	—	3,111	2,117	1,886
Interest income	7	—	(61)	(28)	(23)
Interest expenses	9	—	1,880	1,287	1,245
		—	11,890	12,060	8,554
Decrease in inventories		—	12,189	14,940	14,728
Decrease/(increase) in trade and other receivables		—	7,544	(28,265)	(23,180)
Decrease in trade and other payables		—	(28,506)	(10,290)	(13,835)
<b>Cash generated from/(used in) operations</b>		—	3,117	(11,555)	(13,733)
Income tax paid		—	(4,111)	(4,111)	(1,592)
Interest received		—	61	28	23
Interest paid		—	(1,880)	(1,287)	(1,245)
Net cash used in operating activities		—	(2,813)	(16,925)	(16,547)
<b>Cash flows from investing activities</b>					
Acquisition of a subsidiary	30	20,867	(61,000)	(61,000)	—
Proceed from issue of shares		62	—	—	—
Purchases of property, plant and equipment	15	—	(6,118)	(6,102)	(128)
Net cash from/(used in) investing activities		20,929	(67,118)	(67,102)	(128)

	For the period from 29 December 2014 (date of change in controlling shareholder) to 31 December 2014 <i>RMB'000</i>	For the year ended 31 December 2015 <i>RMB'000</i>	For the eight months ended 31 August 2015                      2016 <i>RMB'000</i> <i>RMB'000</i> (unaudited)	
<b>Cash flows from financing activities</b>				
Proceeds from bank and other borrowing	—	30,000	—	60,000
Repayment of bank and other borrowing	—	(30,000)	—	(60,000)
Advances from/(repayment to) directors	—	3,300	7,000	(3,457)
Advances from shareholders	13,195	52,600	48,058	9,505
Net cash from financing activities	<u>13,195</u>	<u>55,900</u>	<u>55,058</u>	<u>6,048</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	34,124	(14,031)	(28,969)	(10,627)
<b>Cash and cash equivalents at beginning of period/year</b>	—	34,124	34,124	19,981
<b>Effect of foreign exchange rate changes</b>	<u>—</u>	<u>(112)</u>	<u>—</u>	<u>(154)</u>
<b>Cash and cash equivalents at end of period/year</b>	<u>34,124</u>	<u>19,981</u>	<u>5,155</u>	<u>9,200</u>
<b>Analysis of balances of cash and cash equivalents</b>				
Cash and bank balances	<u>34,124</u>	<u>19,981</u>	<u>5,155</u>	<u>9,200</u>

## II. NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 4 March 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands in preparation for a listing of the Company's shares on the GEM of the Stock Exchange (the "Listing"). The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350 Grand Cayman KY1-1108, Cayman Islands and its principal place of business is Level 12, China Minmetals Tower, 79 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company is an investment holding company and the Group is principally engaged in the manufacture and sale of office furniture products in the PRC.

### 2. REORGANISATION AND BASIS OF PRESENTATION

Pursuant to the Reorganisation in preparation for the Listing, as detailed in the section headed "History, reorganisation and corporate structure" in the Prospectus, the Company has since 19 December 2016 become the holding company of its subsidiaries now comprising the Group.

The Group is regarded as a continuing entity resulting from the Reorganisation since the insertion of a new holding company at the top of Smart Raise BVI has not resulted in any change in economic substance. Accordingly, the Financial Information has been prepared using the merger basis of accounting as if the Reorganisation had occurred as of the beginning of the Relevant Periods and the current group structure had always been in existence.

The combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the period from 29 December 2014 (date of change in controlling shareholder) to 31 December 2014 and for the year ended 31 December 2015 and for the eight months ended 31 August 2016 have included the financial performance, changes in equity and cash flows of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence throughout the Relevant Periods. The combined statements of financial position of the Group as of 31 December 2014, 31 December 2015 and 31 August 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates. No adjustment is made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The Financial Information have been prepared in accordance with the accounting policies set out below, which conform to HKFRSs (a collective term which includes HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the HKICPA. The Financial Information also complies with the applicable disclosure requirements of the GEM Listing Rules throughout the Relevant Periods. All HKFRSs effective for accounting period commencing from 1 January 2016 together with the relevant transactional provisions have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 5.

As at 31 August 2016, the Group had net current liabilities of RMB41,365,000. Taking consideration of the amounts due to shareholders of approximately HK\$77,241,380 (equivalent to approximately RMB66,613,000) which was subsequently capitalised on 19 December 2016 into share capital of Smart Raise BVI and the funds expected to

be generated internally from operations, the directors of the Company are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future and have prepared the financial statements underlying the Financial Information on a going concern basis.

**(b) Functional and presentation currency**

The combined financial statements are presented in RMB. Each entity in the Group maintains its books and records in its own functional currency. The functional currency of the Company is HK\$.

**(c) Basis of combination**

The combined financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the combined financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

**(d) Business combination**

The results of subsidiaries acquired or disposed of during the period/year are included in the combined statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

**(e) Subsidiaries**

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

**(f) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the Relevant Periods. The principal annual rates used for calculating depreciation are as follows:

Motor vehicles	10%–20%
Plant and machinery	10%–20%
Furniture and equipment	10%–20%
Leasehold improvements	10%–20%
Buildings	3.3%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

**(g) Payments for leasehold land held for own use under operating leases**

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long term interests in the usage of land in the PRC. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the period of the leases.

**(h) Leasing***The Group as lessee*

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. The total rentals payable under the operating leases are recognised in the profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expenses, over the term of the lease.

**(i) Financial instruments***(i) Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) *Impairment loss on financial assets*

The Group assesses, at the end of each of the Relevant Periods, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss on loans and receivables 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 financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

Financial liabilities at amortised cost including bank borrowing, trade payables, other payables, amounts due to directors and amounts due to shareholders are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Equity instruments*

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39").

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(j) **Inventories**

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(k) **Cash and cash equivalents**

For the purpose of the combined statements of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired.

(l) **Revenue and other income recognition**

The Group is principally engaged in the manufacture and sale of office furniture products.

Revenue is recognised to the extent when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, net of allowances for returns, trade discounts and value-added tax. The following specific recognition criteria must also be met before revenue is recognised:

- (i) Sale of office furniture products is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon the completion of installation for office furniture products.
- (ii) Interest income from bank deposits is accrued on a time apportionment basis using the effective interest method.

(m) **Income taxes**

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are nonassessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of each of the Relevant Periods.



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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) The Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entity; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**(n) Foreign currencies**

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each of the Relevant Periods. 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 translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Company and certain subsidiaries are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of each of the Relevant Periods, and their income and expenses items 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 as foreign exchange reserve.

**(o) Employee benefits**

*Defined contribution retirement plan*

The employees of the Group which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

*Other employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

**(p) Impairment of assets (other non-financial assets)**

At the end of each of the Relevant Periods, the Group reviews the carrying amounts of the property, plant and equipment, payments for leasehold land held for own use under operating leases and other non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

An impairment loss is recognised as an expense immediately for the amount by which the asset's recoverable amount is estimated to be less than its carrying amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, 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.

**(q) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(r) Borrowing costs**

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing cost capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(s) Related parties**

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) The entity is members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

#### 4. NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

At the date of this report, the HKICPA has issued the following new or revised HKFRSs that have been issued but are not yet effective and potentially relevant to the Group, and have not been adopted early by the Group.

HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKFRS 2	Clarification and Measurement of Share-based Payment Transactions <sup>2</sup>
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKAS 7	Disclosure Initiatives <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferral Tax Assets for Unrealised Losses <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

##### HKFRS 9 (2014) — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

##### HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

**HKFRS 16 — Leases**

HKFRS 16 supersedes HKAS 17 “Leases”, HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”, HK(SIC)-Int 15 “Operating Lease — Incentives” and HK(SIC)-Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 “Leases”. Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17. Accordingly, lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors of the Company so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In addition to information disclosed elsewhere in this Financial Information, other key sources of estimation uncertainty that have significant risks of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

**(i) Impairment of receivables**

The policy for the impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

**(ii) Depreciation**

The Group depreciated the property, plant and equipment on a straight-line basis with 5% salvage value, over the estimated useful lives of five to thirty years, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

**(iii) Inventory provision**

The management of the Group reviews the marketability of inventory items at each reporting date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each reporting date and makes provision for obsolete items.

**(iv) Income tax**

The Group is subject to income taxes in various regions. As a result, certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgments based on currently enacted tax laws, regulations and other related policies are required in determining the provision for corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the corporate income tax and tax provisions over the period in which the differences are realised.

**6. SEGMENT REPORTING****(a) Reportable segments**

During the Relevant Periods, the information reported to the executive directors of the Company, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. Such information does not contain profit or loss information of particular product or service line or geographical area. Therefore, the executive directors of the Company have determined that the Group has only one single reportable segment which is manufacture and sale of office furniture products in the PRC. The executive directors of the Company allocate resources and assess performance on an aggregated basis.

**(b) Geographic information**

The Company is an investment holding company incorporated in the Cayman Islands and the principal place of the Group's operations is the PRC. Accordingly, the management determines the Group is domiciled in the PRC.

The following table provides an analysis of the Group's revenue from external customers.

	<b>For the period from 29 December 2014 (date of change in controlling shareholder) to 31 December 2014 RMB'000</b>	<b>For the year ended 31 December 2015 RMB'000</b>	<b>For the eight months ended 31 August 2015 RMB'000 (unaudited)</b>	<b>2016 RMB'000</b>
<b>Revenue from external customers</b>				
The PRC (domicile)	—	86,862	66,206	72,220

The geographical location of revenue allocated is based on the location at which the goods were delivered. The geographical location of non-current assets is based on the physical location of the assets. The Group has majority of its operation and workforce in the PRC. Therefore, the PRC is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

(c) **Information about a major customer**

The Group's customer base is diversified and includes only the following customer with whom transactions have exceeded 10% of the Group's revenue. During the Relevant Periods, revenue derived from the customer is as follows:

	For the period from 29 December 2014 (date of change in controlling shareholder) to 31 December 2014 <i>RMB'000</i>	For the year ended 31 December 2015 <i>RMB'000</i>	For the eight months ended 31 August 2015 <i>RMB'000</i> (unaudited)	
			2015 <i>RMB'000</i>	2016 <i>RMB'000</i>
Customer A	—	25,762	25,757	25,861

7. **REVENUE AND OTHER INCOME**

The Group and the Company's principal activities are disclosed in Note 1.

Revenue represented the net invoiced value of goods sold, net of allowances for returns, trade discounts and value-added tax. An analysis of the Group's revenue and other income is as follows:

	For the period from 29 December 2014 (date of change in controlling shareholder) to 31 December 2014 <i>RMB'000</i>	For the year ended 31 December 2015 <i>RMB'000</i>	For the eight months ended 31 August 2015 <i>RMB'000</i> (unaudited)	
			2015 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Revenue</b>				
Sale of office furniture products	—	86,862	66,206	72,220
<b>Other income</b>				
Interest income	—	61	28	23

**8. PROFIT BEFORE INCOME TAX**

Profit before income tax is arrived at after charging:

	For the period from 29 December 2014 (date of change in controlling shareholder) to 31 December 2014 <i>RMB'000</i>	For the year ended 31 December 2015 <i>RMB'000</i>	For the eight months ended 31 August 2015 <i>RMB'000</i> (unaudited)	
			2015 <i>RMB'000</i>	2016 <i>RMB'000</i>
Listing expenses	—	2,604	—	4,749
Cost of inventories recognised as expenses	—	54,636	42,744	45,455
Depreciation of property, plant and equipment	—	3,111	2,117	1,886
Amortisation of payments for leasehold land held for own use under operating leases	—	341	227	227
Operating lease charges on rented premises	—	1,245	679	871
Staff costs (including directors' remuneration) ( <i>Note 10</i> )	—	10,182	6,345	7,180
	<u>—</u>	<u>10,182</u>	<u>6,345</u>	<u>7,180</u>

**9. FINANCE COSTS**

	For the period from 29 December 2014 (date of change in controlling shareholder) to 31 December 2014 <i>RMB'000</i>	For the year ended 31 December 2015 <i>RMB'000</i>	For the eight months ended 31 August 2015 <i>RMB'000</i> (unaudited)	
			2015 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interest on bank borrowing	—	1,880	1,287	1,245
	<u>—</u>	<u>1,880</u>	<u>1,287</u>	<u>1,245</u>



## 10. STAFF COSTS

	For the period from 29 December 2014 (date of change in controlling shareholder) to 31 December 2014 <i>RMB'000</i>	For the year ended 31 December 2015 <i>RMB'000</i>	For the eight months ended 31 August 2015 <i>RMB'000</i> (unaudited)	
			2015 <i>RMB'000</i>	2016 <i>RMB'000</i>
Staff costs (including directors' remuneration):				
Wages and salaries	—	7,692	4,465	5,116
Retirement benefits scheme contributions	—	2,490	1,880	2,064
	<u>—</u>	<u>10,182</u>	<u>6,345</u>	<u>7,180</u>

## 11. INCOME TAX EXPENSE

	For the period from 29 December 2014 (date of change in controlling shareholder) to 31 December 2014 <i>RMB'000</i>	For the year ended 31 December 2015 <i>RMB'000</i>	For the eight months ended 31 August 2015 <i>RMB'000</i> (unaudited)	
			2015 <i>RMB'000</i>	2016 <i>RMB'000</i>
Current tax				
— tax for the year	—	2,592	2,298	2,612
Deferred tax				
— current year	—	(240)	(159)	(160)
	<u>—</u>	<u>2,352</u>	<u>2,139</u>	<u>2,452</u>

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is not subject to income tax.

No Hong Kong profit tax was provided in the Financial Information as the Group has no estimated assessable profit derived from and earned in Hong Kong during the Relevant Periods.

Provision for the enterprise income tax in the PRC is calculated on a statutory tax rate of 25% of the estimated assessable profit as determine in accordance with the relevant income tax law in the PRC.

The income tax expense for the Relevant Periods can be reconciled to the accounting profit at applicable tax rate as follows:

	For the period from 29 December 2014 (date of change in controlling shareholder) to 31 December 2014 <i>RMB'000</i>	For the year ended 31 December 2015 <i>RMB'000</i>	For the eight months ended 31 August 2015 <i>RMB'000</i> (unaudited)	
			2015 <i>RMB'000</i>	2016 <i>RMB'000</i>
Profit/(loss) before income tax	14,785	6,619	8,457	5,219
Tax calculated at tax rate of 25%	3,696	1,655	2,114	1,305
Tax effect of expenses not deductible for tax purposes	—	697	25	1,147
Tax effect of income not taxable for tax purposes	(3,696)	—	—	—
Income tax expense	—	2,352	2,139	2,452

## 12. DIVIDENDS

No dividend has been paid or declared during the Relevant Periods nor has any dividend been declared since the end of the Relevant Periods.

## 13. EARNINGS PER SHARE

No earnings per share information is presented as such information is not considered meaningful with regard to the Reorganisation and the presentation of the results for the Relevant Periods on a combined basis as disclosed in Note 2.



	Fees <i>RMB'000</i>	Basic salaries and bonus <i>RMB'000</i>	Retirement benefits scheme contributions <i>RMB'000</i>	Housing and other allowance and benefit in kind <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the eight months ended</b>					
<b>31 August 2015 (unaudited)</b>					
<b>Executive Directors:</b>					
Mr. Yi Cong	—	320	37	—	357
Mr. Liang Xing Jun	—	20	10	—	30
<b>Non-Executive Director:</b>					
Mr. Ma Gary Ming Fai	—	—	—	—	—
	—	340	47	—	387

Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung were appointed as independent non-executive directors of the Company. No remuneration were paid or payable to the independent non-executive directors during the Relevant Periods.

#### Five highest paid individuals

The five highest paid individuals consists of 1, 1 and 1 director of the Group for the year ended 31 December 2015 and for the eight months ended 31 August 2015 and 2016 respectively. Details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining 4, 4 and 4 highest paid individuals for the year ended 31 December 2015 and for the eight months ended 31 August 2015 and 2016 respectively are as follows:

	<b>For the period from 29 December 2014 (date of change in controlling shareholder) to 31 December 2014</b>			
	<i>RMB'000</i>	<b>For the year ended 31 December 2015</b>	<b>For the eight months ended 31 August</b>	
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2015</b>	<b>2016</b>
			<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)	
Salaries, allowances and benefits in kind	—	374	246	182
Retirement benefits scheme contributions	—	131	76	59
	—	505	322	241

The remuneration paid to each of the above individuals for each of the Relevant Periods fell within the following band:

	Number of individuals			
	For the period from 29 December 2014 (date of change in controlling shareholder) to 31 December 2014	For the year ended 31 December 2015	For the eight months ended 31 August 2015 (unaudited)	2016
Nil to RMB500,000	—	4	4	4

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

No emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RMB'000	Plant and machinery RMB'000	Furniture and equipment RMB'000	Leasehold improvements RMB'000	Buildings (Note 21) RMB'000	Total RMB'000
<b>Cost</b>						
At 29 December 2014	—	—	—	—	—	—
Acquired on acquisition of a subsidiary (Note 30)	293	2,575	284	192	49,400	52,744
At 31 December 2014 and at 1 January 2015	293	2,575	284	192	49,400	52,744
Additions	193	—	55	—	5,870	6,118
At 31 December 2015 and 1 January 2016	486	2,575	339	192	55,270	58,862
Additions	—	—	128	—	—	128
At 31 August 2016	486	2,575	467	192	55,270	58,990
<b>Accumulated depreciation</b>						
At 29 December 2014, 31 December 2014 and 1 January 2015	—	—	—	—	—	—
Provided for the year	(172)	(417)	(149)	(119)	(2,254)	(3,111)
At 31 December 2015 and 1 January 2016	(172)	(417)	(149)	(119)	(2,254)	(3,111)
Provided for the period	(45)	(275)	(42)	(20)	(1,504)	(1,886)
At 31 August 2016	(217)	(692)	(191)	(139)	(3,758)	(4,997)
<b>Net book value</b>						
At 31 December 2014	293	2,575	284	192	49,400	52,744
At 31 December 2015	314	2,158	190	73	53,016	55,751
At 31 August 2016	269	1,883	276	53	51,512	53,993

## 16. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	RMB'000
At 29 December 2014	—
Acquired on acquisition of a subsidiary (Note 30)	15,800
At 31 December 2014 and 1 January 2015	15,800
Amortisation for the year	(341)
At 31 December 2015 and 1 January 2016	15,459
Amortisation for the period	(227)
At 31 August 2016	15,232

The land is located at No. 808 Xinhua Avenue, Tianfu Town, Wenjiang District, Chengdu City, Sichuan Province, the PRC (中國四川省成都市溫江區成都海峽兩岸科技產業開發園新華大道一段808號).

At 31 December 2014, 2015 and 31 August 2016, the land use rights with carrying amounts of RMB15,800,000, RMB15,459,000 and RMB15,232,000 were pledged as securities of bank borrowing ("Pledged Asset A") as set out in Note 21 below.

#### 17. INVENTORIES

	At 31 December		At
	2014	2015	31 August
	RMB'000	RMB'000	2016
			RMB'000
Raw materials	4,272	4,047	4,625
Work in progress	267	1,935	990
Finished goods	43,336	29,704	15,343
	<u>47,875</u>	<u>35,686</u>	<u>20,958</u>

#### 18. TRADE AND OTHER RECEIVABLES

	At 31 December		At
	2014	2015	31 August
	RMB'000	RMB'000	2016
			RMB'000
Trade receivables	14,653	19,232	37,033
Other receivables	6,425	3,987	7,774
Prepayments and deposits	26,207	16,522	18,114
	<u>47,285</u>	<u>39,741</u>	<u>62,921</u>

At 31 December 2015 and 31 August 2016, among the other receivables, RMB729,000 and RMB729,000 was due from Mr. Luo, the then owner. The balance is interest free, unsecured and repayable on demand.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables. The credit periods on sales of goods for customers are normally within 90 days from invoice date.

The ageing analysis of trade receivables based on the invoice date as at 31 December 2014, 2015 and 31 August 2016 is as follows:

	At 31 December		At
	2014	2015	31 August
	RMB'000	RMB'000	2016
			RMB'000
Within 3 months	5,959	3,690	21,123
More than 3 months	8,694	15,542	15,910
	<u>14,653</u>	<u>19,232</u>	<u>37,033</u>

The ageing of trade receivables which are not impaired are as follows:

	At 31 December		At
	2014	2015	31 August
	RMB'000	RMB'000	2016
			RMB'000
Neither past due nor impaired	12,632	11,569	28,289
Less than 1 month past due	134	465	900
1 to 3 months past due	499	3,069	1,445
More than 3 months but less than 6 months past due	328	1,668	3,367
More than 6 months past due	<u>1,060</u>	<u>2,461</u>	<u>3,032</u>
	<u>14,653</u>	<u>19,232</u>	<u>37,033</u>

Trade receivables that were neither past due nor impaired relate to a number of customer for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

#### 19. CASH AND CASH EQUIVALENTS

	At 31 December		At
	2014	2015	31 August
	RMB'000	RMB'000	2016
			RMB'000
Cash and bank balances	<u>34,124</u>	<u>19,981</u>	<u>9,200</u>

The analysis of cash and bank balances denominated in foreign currencies at the end of each of the Relevant Periods are shown as follows:

	At 31 December		At
	2014	2015	31 August
	RMB'000	RMB'000	2016
			RMB'000
HK\$	13,257	1,126	3,708
RMB	<u>20,867</u>	<u>18,855</u>	<u>5,492</u>
	<u>34,124</u>	<u>19,981</u>	<u>9,200</u>

Cash at banks earns interest at interest rates ranging from 0.35% to 0.385% during the Relevant Periods. Part of cash and bank balances of the Group as at 31 December 2014, 2015 and 31 August 2016 respectively are denominated in RMB which is not a freely convertible currency.



## 20. TRADE AND OTHER PAYABLES

	At 31 December		At
	2014	2015	31 August
	RMB'000	RMB'000	2016
			RMB'000
Trade payables	7,527	10,568	11,801
Other payables and accruals ( <i>Note</i> )	86,740	6,474	12,414
Receipts in advance	<u>38,038</u>	<u>25,757</u>	<u>4,749</u>
	<u>132,305</u>	<u>42,799</u>	<u>28,964</u>

*Note:* The balance included an advance from a then owner of Sichuan Greenland, 羅錦耀 (Mr. Luo Jin Yao, known as “Mr. Luo” hereafter) (the “advance from a then owner”) of RMB23,712,000, nil and nil respectively as at 31 December 2014, 2015 and 31 August 2016. The balance is unsecured, interest free and repayable on demand.

The ageing analysis of the trade payables of the Group based on the invoice date as at 31 December 2014, 2015 and 31 August 2016 is as follows:

	At 31 December		At
	2014	2015	31 August
	RMB'000	RMB'000	2016
			RMB'000
Within 3 months	4,897	4,623	6,317
More than 3 months	<u>2,630</u>	<u>5,945</u>	<u>5,484</u>
	<u>7,527</u>	<u>10,568</u>	<u>11,801</u>

## 21. BANK BORROWING

	At 31 December		At
	2014	2015	31 August
	RMB'000	RMB'000	2016
			RMB'000
Bank borrowing repayable within one year, secured and guaranteed	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>

*Note 1:*

As at 31 December 2014 and 2015, the interest rate of the bank borrowing consist of two components (i) the benchmark interest rate and (ii) 20% of the benchmark interest rate. The average effective interest rate are 6.2%, 5.87% and 5.83% during the Relevant Periods.

*Note 2:*

As at 31 December 2014 and 2015, the bank borrowing was guaranteed personally by Mr. Luo and 李燕玲 (Ms. Li Yan Ling known as “Ms. Li” hereafter), the then owners of Sichuan Greenland, and a company (“Company A”), which are owned by Mr. Luo and Ms. Li (collectively known as the “Guarantee”).

*Note 3:*

The bank borrowing was secured by payments for leasehold land held for own use under operating leases (Note 16) and properties (“Pledged Asset B”) of another company, (“Company B”), which is owned by Mr. Luo and Ms. Li.

*Note 4:*

In April 2016, the bank issued a statement to confirm the release of the Guarantee and the Pledged Asset B. In addition to the Pledged Asset A, the Group has further entered into a pledge agreement with the bank by which buildings (Note 15) are pledged as securities to the bank borrowing.

**22. AMOUNTS DUE TO DIRECTORS**

The amounts due to directors are unsecured, interest free and repayable on demand.

**23. AMOUNTS DUE TO SHAREHOLDERS**

The amounts due to shareholders are unsecured, interest free and repayable on demand.

As at 31 December 2014 and 2015 and 30 August 2016, the amounts, which were included in amounts due to shareholders, of approximately RMB4,750,000, RMB39,203,000 and RMB48,436,000 were due to Ma Gary Ming Fai, a director of the Company, respectively.

**24. DEFERRED TAX LIABILITIES**

The following is deferred tax liabilities recognised and movements thereon during the Relevant Periods:

	<b>Fair value adjustment arising from acquisition of a subsidiary RMB'000</b>
At 29 December 2014	—
Arising from acquisition of a subsidiary	<u>6,415</u>
At 31 December 2014 and 1 January 2015	6,415
Credit to profit and loss	<u>(240)</u>
At 31 December 2015 and 1 January 2016	6,175
Credit to profit and loss	<u>(160)</u>
At 31 August 2016	<u><u>6,015</u></u>

**25. SHARE CAPITAL**

The Company was incorporated in the Cayman Islands on 4 March 2016 with an authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares of HK\$0.01 each. On the same date, one ordinary share of HK\$0.01 was issued to Sun Universal Limited at nil consideration. Further details on the Company's share capital are set out in the section headed "Statutory and general information" in Appendix V to the Prospectus.

For the purpose of this report, the share capital of the Group as at 31 December 2014, 2015 and 31 August 2016 represented the combined share capital of the companies now comprising the Group at the end of each of the Relevant Periods.

**26. RESERVES**

Details of the movements on the Group's reserves for the Relevant Periods are presented in the combined statements of changes in equity.

The nature and purposes of reserves within equity are as follows:

(a) **Statutory reserve**

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the PRC subsidiary, it is required to appropriate 10% of the annual net profits of the PRC subsidiary, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve fund before distributing any net profit. When the balance of the statutory reserve fund reaches 50% of the registered capital of the PRC subsidiary, any further appropriation is at the discretion of shareholders. The statutory reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory reserve fund after such issue is not less than 25% of registered capital.

(b) **Foreign exchange reserve**

Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

(c) **Retained earnings**

Cumulative net gains and losses recognised in profit or loss.

**27. OPERATING LEASE COMMITMENTS**

**As lessee**

The Group leases certain office premises and warehouse under operating lease arrangements with lease terms of one to eight years. At the end of each of the Relevant Periods, the Group has future minimum rental payable under non-cancellable operating leases falling due as follows:

	<b>At 31 December</b>		<b>At</b>
	<b>2014</b>	<b>2015</b>	<b>31 August</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2016</b>
			<i>RMB'000</i>
Within one year	1,152	1,198	1,685
Within two to five years	2,506	1,692	2,263
More than five years	133	—	—
	<u>3,791</u>	<u>2,890</u>	<u>3,948</u>

**28. CAPITAL COMMITMENTS**

	<b>At 31 December</b>		<b>At</b>
	<b>2014</b>	<b>2015</b>	<b>31 August</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2016</b>
			<i>RMB'000</i>
Commitments for property, plant and equipment			
— contracted for but not provided	<u>5,870</u>	<u>—</u>	<u>—</u>

**29. RELATED PARTY TRANSACTION**

Save as disclosed in Note 22 and Note 23, the Group has the following significant related party transaction.

Members of key management comprise only of the directors whose emoluments are set out in Note 14.

**30. ACQUISITION OF A SUBSIDIARY**

On 29 December 2014, the Group completed the acquisition of 100% equity interests in Sichuan Greenland at a total consideration of RMB61,000,000. Upon the completion of the acquisition, Sichuan Greenland became a wholly-owned subsidiary of Smart Raise HK.

The fair value of the identifiable assets and liabilities arising from the acquisition of Sichuan Greenland are as follows;

	<i>RMB'000</i>
Property, plant and equipment	52,744
Payments for leasehold land held for own use under operating leases	15,800
Inventories	47,875
Trade and other receivables	47,285
Cash and cash equivalents	20,867
Trade and other payables	(71,305)
Bank borrowing	(30,000)
Amount due to a director	(600)
Tax payable	(466)
Deferred tax liabilities	<u>(6,415)</u>
Fair value of net identifiable assets acquired	75,785
Less: Fair value of consideration in cash	<u>(61,000)</u>
Gain on a bargain purchase	<u><u>14,785</u></u>
Total consideration satisfied by:	
Cash	<u><u>61,000</u></u>
<b>Net cash inflow arising on the acquisition for the period from 29 December 2014 (date of change in controlling shareholder) to 31 December 2014:</b>	
Cash and cash equivalents acquired	<u><u>20,867</u></u>
<b>Net cash outflow arising on the acquisition for the year ended 31 December 2015:</b>	
Total consideration paid by cash	<u><u>(61,000)</u></u>

Gain on a bargain purchase of RMB14,785,000 was resulted as the then owners of Sichuan Greenland intended to dispose Sichuan Greenland in a short period of time in order to obtain funds for their other investments.

**31. FINANCIAL RISK MANAGEMENT**

The Group is exposed to a variety of financial risks in its ordinary course of operations. The financial risks include market risk (mainly currency risk and interest rate risk), credit risk and liquidity risk. Details are disclosed in the notes below. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the directors of the Company. The Group does not have written risk management policies. However, the directors of the Company meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

**Categories of financial assets and liabilities**

The carrying amounts of the Group's financial assets and liabilities recognised in the combined statements of financial position at the reporting dates and as defined in Note 3(i) may also be categorised as follows:

	At 31 December		At 31 August
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>			
Loans and receivables:			
Trade and other receivables	21,078	23,219	44,807
Cash and cash equivalents	<u>34,124</u>	<u>19,981</u>	<u>9,200</u>
	<u>55,202</u>	<u>43,200</u>	<u>54,007</u>
<b>Financial liabilities</b>			
Financial liabilities at amortised costs:			
Trade and other payables	94,267	17,042	24,215
Bank borrowing	30,000	30,000	30,000
Amounts due to directors	600	3,900	443
Amounts due to shareholders	<u>13,195</u>	<u>65,795</u>	<u>75,300</u>
	<u>138,062</u>	<u>116,737</u>	<u>129,958</u>

**Fair value**

The fair values of the Group's financial assets and liabilities as at 31 December 2014, 2015 and 31 August 2016 were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

**Currency risk**

As the Group's revenue and expenses are mainly in RMB and most of the Group's assets and liabilities are denominated in RMB, which is the functional currency of the Company's primary subsidiaries, the currency risk resulting from the Group's daily operations is considered not significant. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

**Interest rate risk**

The Group's exposure to interest rate risk relates principally to its bank deposits and interest-bearing bank borrowing. The Group's policy is to minimise interest rate risk exposure. To achieve this, the Group regularly assesses and monitors its needs for cash with reference to its business plans and day-to-day operations. Interest rates

of cash and cash equivalents are disclosed in Note 19 above. The interest bearing bank borrowing bear floating interest rates and are denominated in RMB. The interest rates and terms of repayment of bank borrowing of the Group are disclosed in Note 21 above. The Group currently does not have an interest rate hedging policy.

The following table illustrates the sensitivity of the Group's profit for the Relevant Periods, and other components of equity due to a possible change in interest rates on its floating rate bank deposits and borrowing with all other variables held constant at the end of each of the Relevant Periods (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	At 31 December		At
	2014	2015	31 August
	RMB'000	RMB'000	2016
			RMB'000
<b>Increase/(decrease) in profit for the year and retained earnings</b>			
Increase/decrease in basis points ("bp")			
+ 100 bp	486	373	300
- 100 bp	<u>(486)</u>	<u>(373)</u>	<u>(300)</u>

The above sensitivity analysis is prepared based on the assumption that the bank deposits and borrowings as at reporting dates existed throughout the whole respective financial year.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rates over the next twelve month period.

#### Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing evaluations are performed on monthly basis. Debtors with balances that are more than 3 months overdue, further credit will only be granted under management's approval, otherwise, debtors are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Further quantitative disclosures in respect of the Group's exposures to credit risk arising from trade receivables are set out in Note 18 above.

Cash at banks are deposits in bank with sound credit rating. Given their high credit rating, the Group does not expect to have high credit risk in this aspect.

#### Liquidity risk

The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturities for its financial liabilities as at 31 December 2014, 2015 and 31 August 2016. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. The maturity dates for other financial liabilities are based on agreed repayment dates.

## At 31 December 2014

	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Bank borrowing	31,050	—	—	31,050	30,000
Trade and other payables	94,267	—	—	94,267	94,267
Amount due to a director	600	—	—	600	600
Amounts due to shareholders	13,195	—	—	13,195	13,195
	<u>139,112</u>	<u>—</u>	<u>—</u>	<u>139,112</u>	<u>138,062</u>

## At 31 December 2015

	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Bank borrowing	31,050	—	—	31,050	30,000
Trade and other payables	17,042	—	—	17,042	17,042
Amount due to a director	3,900	—	—	3,900	3,900
Amounts due to shareholders	65,795	—	—	65,795	65,795
	<u>117,787</u>	<u>—</u>	<u>—</u>	<u>117,787</u>	<u>116,737</u>

## At 31 August 2016

	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Bank borrowing	31,412	—	—	31,412	30,000
Trade and other payables	24,215	—	—	24,215	24,215
Amount due to directors	443	—	—	443	443
Amounts due to shareholders	75,300	—	—	75,300	75,300
	<u>131,370</u>	<u>—</u>	<u>—</u>	<u>131,370</u>	<u>129,958</u>

## 32. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of debt, which include bank borrowing disclosed in Note 21 and equity attributable to owners of the Company, comprising share capital and reserves.

The group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt to equity ratio at the end of each Relevant Periods was as follows:

	At 31 December		At
	2014	2015	31 August
	RMB'000	RMB'000	2016
			RMB'000
Bank borrowing	30,000	30,000	30,000
Less: Cash and cash equivalents	<u>(34,124)</u>	<u>(19,981)</u>	<u>(9,200)</u>
Net debt	<u>(4,124)</u>	<u>10,019</u>	<u>20,800</u>
Equity attributable to owners of the Company	<u>14,847</u>	<u>19,002</u>	<u>21,615</u>
Net debt to equity ratio	<u>N/A</u>	<u>53%</u>	<u>96%</u>

In the opinion of the directors of the Company, the Group's net debt to equity ratio is maintained at an optimal level having considered the projected capital expenditures and the projected strategic investment opportunities.

### 33. LITIGATION

As at 31 December 2014, Sichuan Greenland was being sued by a customer ("the plaintiff") by which required Sichuan Greenland to make compensation amounted to approximately RMB1,003,696 for delay in delivery and products with inferior quality.

On 11 June 2014, the case was first heard at Chengdu Qing Yang People's Court (成都青羊區人民法院) ("the Qing Yang Court"), the plaintiff claimed against Sichuan Greenland for (i) payment of RMB203,696 for inferior quality, (ii) total of RMB800,000 as compensation for economic loss directly associated with the quality problem and delay in delivery, (iii) complete the remaining part of the contract (iv) penalty payment of RMB5,000 per day by Sichuan Greenland because of breaching contractual terms (Collectively known as "the Compensation").

On 6 August 2015, the Qing Yang Court issued a first instance judgment ((2014)青羊民初字第2550號) ("the judgment) which is in favor of the plaintiff, and instructed Sichuan Greenland to pay the Compensation.

On 21 January 2016, Sichuan Greenland lodged an appeal (the "Appeal") with the Chengdu Intermediate People's Court (成都市中級人民法院). Up to the issue date of this report, the proceedings are ongoing. No court decision relating to the Appeal has been issued.

In case Sichuan Greenland ultimately loses in the proceedings, it may have to settle the Compensation to the plaintiff. As the proceedings are still ongoing up to the date of issuance of this report and the outcome is subject to uncertainties, the directors of the Company consider that no provision is required at this stage in accordance with Sichuan Greenland's relevant accounting policy.

### 34. SUBSEQUENT EVENTS

On 19 December 2016, Smart Raise BVI and its shareholders entered into a loan capitalisation agreement, pursuant to which the shareholders' loans previously granted to Smart Raise BVI in total amount of approximately HK\$77,241,380 (equivalent to approximately RMB66,613,000) were capitalised into shares of Smart Raise BVI by the issue and allotment to them of a total of 10,000 new ordinary shares of par value US\$1.00 each.

The companies now comprising the Group underwent and completed the Reorganisation on 19 December 2016 in the preparation for the Listing. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.



**35. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 August 2016.

Yours faithfully,

**BDO Limited**

*Certified Public Accountants*

**Chan Wing Fai**

Practising Certificate Number P05443

Hong Kong

*The following is the text of a report on our major operating subsidiary, 四川青田家具實業有限公司 (“Sichuan Greenland”), prepared for sole purpose of inclusion in this prospectus, received from the Company’s independent reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.*



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30 December 2016

The Directors  
Zhi Sheng Group Holdings Limited  
Convoy Capital Hong Kong Limited

Dear Sirs,

We set out below our report on the financial information regarding 四川青田家具實業有限公司 (“Sichuan Greenland”) and its subsidiary (hereinafter collectively referred to as the “Sichuan Greenland Group”), including the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Sichuan Greenland Group for each of the two years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 (the “Relevant Periods”), and the consolidated statements of financial position of the Sichuan Greenland Group as at 31 December 2014 and 2015 and 31 August 2016 and the statements of financial position of Sichuan Greenland as at 31 December 2014 and 2015 and 31 August 2016, together with the notes thereto (collectively the “Sichuan Greenland Group Financial Information”), and the comparative consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Sichuan Greenland Group for the eight months ended 31 August 2015 (the “Sichuan Greenland Group Comparative Financial Information”), prepared on the basis of preparation set forth in Note 2(a) of Section II below for inclusion in the prospectus of Zhi Sheng Group Holdings Limited (the “Company”) dated 30 December 2016 (“The Prospectus”) in connection with the initial listing of the shares of the Company on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Sichuan Greenland is a limited liability company established in the People’s Republic of China (the “PRC”) on 13 December 1996. Sichuan Greenland is principally engaged in the manufacture and sale of office furniture products in the PRC. After a series of transfers of ownership, as of 1 January 2014, Sichuan Greenland was owned by 羅錦耀 (Mr. Luo Jin Yao, known as “Mr. Luo” hereafter) and 李燕玲 (Ms. Li Yan Ling, known as “Ms. Li” hereafter) which had equity interests of 90%, and 10% therein respectively. On 28 July 2014, Mr. Luo and Ms. Li, entered into agreements with Smart Raise (Hong Kong) Limited (the “Smart Raise HK”) to transfer their corresponding equity interests in Sichuan Greenland to Smart Raise HK separately. Smart Raise HK completed the acquisition of 100% equity interests from Mr. Luo, and, Ms. Li, on 29 December 2014.

As the date of this report, the particulars of the Sichuan Greenland's subsidiary are as follows:

Name	Place and date of incorporation/ establishment and form of business structure	Registered capital	Effective interests held by Sichuan Greenland	Principal activities
成都頤事順達貿易 有限公司 ("Chengdu Yishishunda")	The PRC 5 May 2016 Limited liability company	Renminbi ("RMB") 1,000,000	100%	Trading of items such as carpets, curtains and drapes, wallpaper, floorboards and panels

Sichuan Greenland and its subsidiary have adopted 31 December as their financial year end date.

No audited financial statements of Sichuan Greenland were prepared for the year ended 31 December 2014. The financial statements of Sichuan Greenland for the year ended 31 December 2015 were audited by 四川公明會計師事務所有限公司 (Si Chuan Gong Ming Certified Public Accountants Co. Ltd\*), which is certified public accountants registered in the PRC. These statutory financial statements were prepared in accordance with the relevant accounting principles and financial regulations applicable to the enterprise registered in the PRC.

For the purpose of this report, the directors of Sichuan Greenland (the "Directors") have prepared the consolidated financial statements of the Sichuan Greenland Group for the Relevant Periods (the "Sichuan Greenland Group Underlying Financial Statements"), in accordance with the accounting policies set out in Note 2 of Section II below which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Sichuan Greenland Group Financial Information has been prepared by the Directors based on the Sichuan Greenland Group Underlying Financial Statements, on the basis of preparation set out in Note 2(a) of Section II below. No statement of adjustments as defined under 7.18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") is considered necessary.

#### **Respective responsibilities of Directors, directors of the Company and reporting accountant in respect of the Sichuan Greenland Group Financial Information**

The Directors are responsible for the preparation of the Sichuan Greenland Group Financial Information that gives a true and fair view in accordance with the basis of preparation in Note 2(a) of Section II below and the accounting policies set out in Note 2 of Section II below, applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the Directors determine is necessary to enable the preparation of the Sichuan Greenland Group Financial Information that is free from material misstatement, whether due to fraud or error. The directors of the Company are responsible for the contents of the Prospectus in which this report is included.

\* English translated names are for identification purpose only

For the purpose of the Sichuan Greenland Group Financial Information, our responsibility is to form an independent opinion on the Sichuan Greenland Group Financial Information based on our procedures performed on the Sichuan Greenland Group Financial Information and to report our opinion to you.

For the purpose of the Sichuan Greenland Group Comparative Financial Information, our responsibility is to form a review conclusion on the Sichuan Greenland Group Comparative Financial Information based on our procedures performed on the Sichuan Greenland Group Comparative Financial Information and to report our review conclusion thereon to you.

### **Procedures performed in respect of the Sichuan Greenland Group Underlying Financial Statements and the Sichuan Greenland Group Financial Information**

For the purpose of this report, we have carried out audit procedures in respect of the Sichuan Greenland Group Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Sichuan Greenland Group Financial Information and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

### **Procedures performed in respect of the Sichuan Greenland Group Comparative Financial Information**

For the purpose of this report, we have also performed a review of the Sichuan Greenland Group Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

A review consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the Sichuan Greenland Group Comparative Financial Information. 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 Sichuan Greenland Group Comparative Financial Information.

### **Opinion in respect of the Sichuan Greenland Group Financial Information**

In our opinion, the Sichuan Greenland Group Financial Information, for the purpose of this report, prepared on the basis of preparation set out in Note 2(a) of Section II below and in accordance with the accounting policies in Note 2 of Section II below, gives a true and fair view of the financial position of Sichuan Greenland as at 31 December 2014, 31 December 2015 and 31 August 2016 and the consolidated financial position of the Sichuan Greenland Group as at 31 December 2014, 31 December 2015 and 31 August 2016 and of the consolidated financial performance and consolidated cash flows of the Sichuan Greenland Group for the Relevant Periods.

### **Review conclusion in respect of the Sichuan Greenland Group Comparative Financial Information**

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Sichuan Greenland Group Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Sichuan Greenland Group Financial Information.

## I. THE SICHUAN GREENLAND GROUP FINANCIAL INFORMATION

## Consolidated Statements of Profit or Loss and Other Comprehensive Income

	<i>Notes</i>	For the year ended 31 December		For the eight months ended 31 August	
		2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>
				(unaudited)	
Revenue	4, 5	76,737	86,862	66,206	72,220
Cost of sales		<u>(57,584)</u>	<u>(62,505)</u>	<u>(47,729)</u>	<u>(52,351)</u>
Gross profit		19,153	24,357	18,477	19,869
Other income	5	1,166	60	28	23
Selling and distribution expenses		(4,646)	(4,687)	(2,889)	(2,626)
Administrative expenses		(8,067)	(7,669)	(5,236)	(5,714)
Finance costs	7	<u>(2,136)</u>	<u>(1,880)</u>	<u>(1,287)</u>	<u>(1,245)</u>
<b>Profit before income tax</b>	6	5,470	10,181	9,093	10,307
Income tax expense	9	<u>(1,219)</u>	<u>(2,592)</u>	<u>(2,298)</u>	<u>(2,612)</u>
<b>Profit and total comprehensive income for the year/period attributable to the owner of Sichuan Greenland</b>		<u>4,251</u>	<u>7,589</u>	<u>6,795</u>	<u>7,695</u>

## Consolidated Statements of Financial Position

		At 31 December		At
		2014	2015	31 August
	Notes	RMB'000	RMB'000	2016
				RMB'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11	32,317	36,167	34,972
Payments for leasehold land held for own use under operating leases	12	<u>10,337</u>	<u>10,107</u>	<u>9,954</u>
Total non-current assets		<u>42,654</u>	<u>46,274</u>	<u>44,926</u>
<b>Current assets</b>				
Payments for leasehold land held for own use under operating leases	12	230	230	230
Inventories	13	47,875	35,686	20,958
Trade and other receivables	14	47,285	38,751	57,179
Tax recoverable		—	1,053	33
Cash and cash equivalents	15	<u>20,867</u>	<u>18,855</u>	<u>5,492</u>
Total current assets		<u>116,257</u>	<u>94,575</u>	<u>83,892</u>
<b>Total assets</b>		<u>158,911</u>	<u>140,849</u>	<u>128,818</u>
<b>Current liabilities</b>				
Trade and other payables	16	71,305	42,320	26,051
Bank borrowing	17	30,000	30,000	30,000
Amounts due to directors	18	600	3,900	443
Amount due to a shareholder	19	—	500	500
Tax payable		<u>466</u>	<u>—</u>	<u>—</u>
Total current liabilities		<u>102,371</u>	<u>76,720</u>	<u>56,994</u>
<b>Net current assets</b>		13,886	17,855	26,898
Total assets less current liabilities		<u>56,540</u>	<u>64,129</u>	<u>71,824</u>
<b>NET ASSETS</b>		<u>56,540</u>	<u>64,129</u>	<u>71,824</u>
<b>EQUITY</b>				
Equity attributable to the owner of Sichuan Greenland				
Paid-in capital	20	61,000	61,000	61,000
Reserves	21	<u>(4,460)</u>	<u>3,129</u>	<u>10,824</u>
<b>TOTAL EQUITY</b>		<u>56,540</u>	<u>64,129</u>	<u>71,824</u>

## Statement of Financial Position of Sichuan Greenland

		At 31 December		At
		2014	2015	31 August
	Notes	RMB'000	RMB'000	2016
				RMB'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11	32,317	36,167	34,972
Payments for leasehold land held for own use under operating leases	12	10,337	10,107	9,954
Investment in a subsidiary	29	—	—	1,000
Total non-current assets		<u>42,654</u>	<u>46,274</u>	<u>45,926</u>
<b>Current assets</b>				
Payments for leasehold land held for own use under operating leases	12	230	230	230
Inventories	13	47,875	35,686	20,958
Trade and other receivables	14	47,285	38,751	57,179
Tax recoverable		—	1,053	33
Cash and cash equivalents	15	<u>20,867</u>	<u>18,855</u>	<u>5,487</u>
Total current assets		<u>116,257</u>	<u>94,575</u>	<u>83,887</u>
<b>Total assets</b>		<u>158,911</u>	<u>140,849</u>	<u>129,813</u>
<b>Current liabilities</b>				
Trade and other payables		71,305	42,320	25,972
Bank borrowing	17	30,000	30,000	30,000
Amount due to a director	18	600	3,900	433
Amount due to a shareholder	19	—	500	500
Amount due to a subsidiary	29	—	—	1,000
Tax payable		<u>466</u>	<u>—</u>	<u>—</u>
Total current liabilities		<u>102,371</u>	<u>76,720</u>	<u>57,905</u>
<b>Net current assets</b>		13,886	17,855	25,982
Total assets less current liabilities		<u>56,540</u>	<u>64,129</u>	<u>71,908</u>
<b>NET ASSETS</b>		<u>56,540</u>	<u>64,129</u>	<u>71,908</u>
<b>EQUITY</b>				
Equity attributable to the owner of Sichuan Greenland				
Paid-in capital	20	61,000	61,000	61,000
Reserves		<u>(4,460)</u>	<u>3,129</u>	<u>10,908</u>
<b>TOTAL EQUITY</b>		<u>56,540</u>	<u>64,129</u>	<u>71,908</u>

## Consolidated Statements of Changes in Equity

	Paid-in capital <i>RMB'000</i>	Statutory reserve <i>(Note 21(a))</i> <i>RMB'000</i>	(Accumulated losses)/ Retained earnings <i>(Note 21(b))</i> <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At 1 January 2014</b>	61,000	—	(8,711)	52,289
Profit and total comprehensive income for the year	—	—	4,251	4,251
Transfer to statutory reserve	—	550	(550)	—
<b>At 31 December 2014 and 1 January 2015</b>	61,000	550	(5,010)	56,540
Profit and total comprehensive income for the year	—	—	7,589	7,589
Transfer to statutory reserve	—	724	(724)	—
<b>At 31 December 2015 and 1 January 2016</b>	61,000	1,274	1,855	64,129
Profit and total comprehensive income for the period	—	—	7,695	7,695
Transfer to statutory reserve	—	775	(775)	—
<b>At 31 August 2016</b>	<u>61,000</u>	<u>2,049</u>	<u>8,775</u>	<u>71,824</u>
<b>For the eight months ended 31 August 2015 (unaudited)</b>				
<b>At 1 January 2015</b>	61,000	550	(5,010)	56,540
Profit and total comprehensive income for the period	—	—	6,795	6,795
Transfer to statutory reserve	—	652	(652)	—
<b>At 31 August 2015</b>	<u>61,000</u>	<u>1,202</u>	<u>1,133</u>	<u>63,335</u>



## Consolidated Statements of Cash Flows

	Notes	For the year ended		For the eight months ended	
		31 December		31 August	
		2014	2015	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Profit before income tax</b>		5,470	10,181	9,093	10,307
Adjustments for:					
Amortisation of payments for leasehold land held for own use under operating leases	6	230	230	153	153
Depreciation of property, plant and equipment	6	2,080	2,268	1,554	1,323
Write-down of inventories to net realisable value	6	292	—	—	—
Loss on disposal of property, plant and equipment	6	3	—	—	—
Interest income	5	(66)	(60)	(28)	(23)
Interest expenses	7	2,136	1,880	1,287	1,245
		<u>10,145</u>	<u>14,499</u>	<u>12,059</u>	<u>13,005</u>
(Increase)/decrease in inventories		(27,678)	12,189	14,939	14,728
Decrease/(increase) in trade and other receivables		121,956	8,534	(28,060)	(18,428)
Decrease in trade and other payables		<u>(73,601)</u>	<u>(28,985)</u>	<u>(10,291)</u>	<u>(16,269)</u>
<b>Cash generated from/(used in) operations</b>		30,822	6,237	(11,353)	(6,964)
Income tax paid		(1,016)	(4,111)	(4,111)	(1,592)
Interest received		66	60	28	23
Interest paid		<u>(2,136)</u>	<u>(1,880)</u>	<u>(1,287)</u>	<u>(1,245)</u>
Net cash from/(used in) operating activities		<u>27,736</u>	<u>306</u>	<u>(16,723)</u>	<u>(9,778)</u>
<b>Cash flows from an investing activity</b>					
Purchases of property, plant and equipment	11	<u>(386)</u>	<u>(6,118)</u>	<u>(6,102)</u>	<u>(128)</u>
Net cash used in an investing activity		<u>(386)</u>	<u>(6,118)</u>	<u>(6,102)</u>	<u>(128)</u>

	For the year ended		For the eight months ended	
	31 December		31 August	
	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flows from financing activities</b>				
Proceeds from bank and other borrowing	30,000	30,000	30,000	60,000
Repayment of bank and other borrowing	(30,000)	(30,000)	(30,000)	(60,000)
(Repayment to)/advances from directors	(16,050)	3,300	7,000	(3,457)
Advances from a shareholder	—	500	—	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net cash (used in)/from financing activities	<u>(16,050)</u>	<u>3,800</u>	<u>7,000</u>	<u>(3,457)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	11,300	(2,012)	(15,825)	(13,363)
<b>Cash and cash equivalents at beginning of year/period</b>	<u>9,567</u>	<u>20,867</u>	<u>20,867</u>	<u>18,855</u>
<b>Cash and cash equivalents at end of year/period</b>	<u><u>20,867</u></u>	<u><u>18,855</u></u>	<u><u>5,042</u></u>	<u><u>5,492</u></u>
<b>Analysis of balances of cash and cash equivalents</b>				
Cash and bank balances	<u><u>20,867</u></u>	<u><u>18,855</u></u>	<u><u>5,042</u></u>	<u><u>5,492</u></u>

## II. NOTES TO THE SICHUAN GREENLAND GROUP FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

Sichuan Greenland is a limited liability company established in the People's Republic of China ("the PRC") on 13 December 1996. Sichuan Greenland's registered office and principal place of business is located at No. 808, Xinhua Avenue, Tianfu Town, Wenjiang District, Chengdu City, Sichuan Province, the PRC (中國四川省成都市溫江區成都海峽兩岸科技產業開發園新華大道一段808號).

The Sichuan Greenland Group is principally engaged in the manufacture and sale of office furniture products in the PRC.

The Sichuan Greenland Group Financial Information is presented in RMB which is also the functional currency of Sichuan Greenland.

On 5 May 2016, Chengdu Yishishunda was incorporated in the PRC as a wholly-owned subsidiary of Sichuan Greenland with a registered capital of RMB1,000,000. Chengdu Yishishunda engages in trading of items such as carpets, curtains and drapes, wallpaper, floorboards and panels.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The Sichuan Greenland Financial Information has been prepared in accordance with the accounting policies set out below, which conform to HKFRSs (a collective term which includes HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the HKICPA. The Sichuan Greenland Financial Information also complies with the applicable disclosure requirements of the GEM Listing Rules throughout the Relevant Periods. All HKFRSs effective for accounting period commencing from 1 January 2016 together with the relevant transactional provisions have been early adopted by the Sichuan Greenland Group in the preparation of the Sichuan Greenland Group Financial Information throughout the Relevant Periods.

The Sichuan Greenland Group Financial Information has been prepared under the historical cost convention. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the Sichuan Greenland Group Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Sichuan Greenland Group Financial Information, are disclosed in Note 3.

#### (b) New/revised HKFRSs that have been issued but are not yet effective

At the date of this report, the HKICPA has issued the following new or revised HKFRSs that have been issued but are not yet effective and potentially relevant to the Sichuan Greenland Group, and have not been adopted early by the Sichuan Greenland Group.

HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKFRS 2	Clarification and Measurement of Share-based Payment Transactions <sup>2</sup>
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKAS 7	Disclosure Initiatives <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferral Tax Assets for Unrealised Losses <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

*HKFRS 9 (2014) — Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 “Financial Instruments: Recognition and Measurement” (“HKAS 39”) and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

*HKFRS 15 — Revenue from Contracts with Customers*

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

*HKFRS 16 — Leases*

HKFRS 16 supersedes HKAS 17 “Leases”, HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”, HK(SIC)-Int 15 “Operating Lease — Incentives” and HK(SIC)-Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 “Leases”. Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17. Accordingly, lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

The Sichuan Greenland Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors of Sichuan Greenland so far concluded that the application of these new/revised HKFRSs will have no material impact on the Sichuan Greenland Group's financial statements.

**(c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Sichuan Greenland and its subsidiary. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

**(d) Subsidiaries**

A subsidiary is an investee over which Sichuan Greenland is able to exercise control. Sichuan Greenland controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In Sichuan Greenland's statement of financial position, investment in a subsidiary is stated at cost less impairment loss, if any. The results of subsidiary are accounted for by Sichuan Greenland on the basis of dividend received and receivable.

**(e) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Sichuan Greenland Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the Relevant Periods. The principal annual rates used for calculating depreciation are as follows:

Motor vehicles	10%–20%
Plant and machinery	10%–20%
Furniture and equipment	10%–20%
Leasehold improvements	10%–20%
Buildings	3.3%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

**(f) Payments for leasehold land held for own use under operating leases**

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long term interests in the usage of land in the PRC. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the period of the leases.

**(g) Leasing**

*The Sichuan Greenland Group as lessee*

Leases which do not transfer substantially all the risks and rewards of ownership to the Sichuan Greenland Group are classified as operating leases. The total rentals payable under the operating leases are recognised in the profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expenses, over the term of the lease.

**(h) Financial instruments**

*(i) Financial assets*

The Sichuan Greenland Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) *Impairment loss on financial assets*

The Sichuan Greenland Group assesses, at the end of each the Relevant Periods, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss on loans and receivables 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 financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) *Financial liabilities*

The Sichuan Greenland Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

Financial liabilities at amortised cost including bank borrowing, trade payables, other payables, amounts due to directors and amount due to a shareholder are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Equity instruments*

Equity instruments issued by the Sichuan Greenland Group are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*

The Sichuan Greenland Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

**(i) Inventories**

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

**(j) Cash and cash equivalents**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired.

**(k) Revenue and other income recognition**

The Sichuan Greenland Group is principally engaged in the manufacture and sale of office furniture products.

Revenue is recognised to the extent when it is probable that the economic benefits will flow to the Sichuan Greenland Group and when the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, net of allowances for returns, trade discounts and value-added tax. The following specific recognition criteria must also be met before revenue is recognised:

- (i) Sale of office furniture products is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Sichuan Greenland Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon the completion of installation for office furniture products.
- (ii) Interest income from bank deposits is accrued on a time apportionment basis using the effective interest method.

**(l) Income taxes**

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are nonassessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Sichuan Greenland 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.



Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) The Sichuan Greenland Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Sichuan Greenland Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entity; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**(m) Foreign currencies**

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each of the Relevant Periods. 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 translation of monetary items, are recognised in profit or loss in the period in which they arise.

**(n) Employee benefits**

*Defined contribution retirement plan*

The employees of the Sichuan Greenland Group which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Sichuan Greenland Group is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

*Other employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

**(o) Impairment of assets (other non-financial assets)**

At the end of each reporting period, the Sichuan Greenland Group reviews the carrying amounts of the property, plant and equipment, payments for leasehold land held for own use under operating leases and other non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

An impairment loss is recognised as an expense immediately for the amount by which the asset's recoverable amount is estimated to be less than its carrying amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, 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.

**(p) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Sichuan Greenland Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(q) Government grants**

Government grants are recognised when there is reasonable assurance that they will be received and that the Sichuan Greenland Group will comply with the conditions attaching to them. Grants that compensate the Sichuan Greenland Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Sichuan Greenland Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

**(r) Borrowing costs**

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(s) Related parties**

- (a) A person or a close member of that person's family is related to the Sichuan Greenland Group if that person:
  - (i) has control or joint control over the Sichuan Greenland Group;
  - (ii) has significant influence over the Sichuan Greenland Group; or
  - (iii) is a member of key management personnel of the Sichuan Greenland Group.
- (b) An entity is related to the Sichuan Greenland Group if any of the following conditions apply:
  - (i) The entity and the Sichuan Greenland Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Sichuan Greenland Group or an entity related to the Sichuan Greenland Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

In the application of the Sichuan Greenland Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In addition to information disclosed elsewhere in the Sichuan Greenland Group Financial Information, other key sources of estimation uncertainty that have significant risks of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

**(i) Impairment of receivables**

The policy for the impairment of receivables of the Sichuan Greenland Group is based on the evaluation of collectability and ageing analysis of accounts and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

**(ii) Depreciation**

The Sichuan Greenland Group depreciated the property, plant and equipment on a straight-line basis with 5% salvage value, over the estimated useful lives of five to thirty years, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' best estimate of the periods that the Sichuan Greenland Group intends to derive future economic benefits from the use of the Sichuan Greenland Group's property, plant and equipment.

**(iii) Inventory provision**

The management of the Sichuan Greenland Group reviews the marketability of inventory items at each reporting date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. The Sichuan Greenland Group carries out an inventory review on a product-by-product basis at each reporting date and makes provision for obsolete items.

**(iv) Income tax**

The Sichuan Greenland Group is subject to income taxes in various regions. As a result, certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgments based on currently enacted tax laws, regulations and other related policies are required in determining the provision for corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the corporate income tax and tax provisions over the period in which the differences are realised.

**4. SEGMENT REPORTING**

**(a) Reportable segments**

During the Relevant Periods, the information reported to the executive directors of Sichuan Greenland, who are the chief operating decision makers for the purpose of resource and assessment of performance, is the financial information of the Sichuan Greenland Group as a whole as reported under HKFRSs. Such information does not contain profit or loss information of particular product or service line or geographical area. Therefore, the executive directors of Sichuan Greenland have determined that the Sichuan Greenland Group has only one single reportable segment which is manufacture and sale of office furniture products in the PRC. The executive directors of Sichuan Greenland allocate resources and assess performance on an aggregated basis.

**(b) Geographic information**

The following table provides an analysis of the Sichuan Greenland Group's revenue from external customers.

	For the year ended		For the eight months ended	
	31 December		31 August	
	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)	
<b>Revenue from external customers</b>				
The PRC (domicile)	<u>76,737</u>	<u>86,862</u>	<u>66,206</u>	<u>72,220</u>

The geographical location of revenue allocated is based on the location at which the goods were delivered. The geographical location of non-current assets is based on the physical location of the assets. The Sichuan Greenland Group has its operation and workforce in the PRC. Therefore, the PRC is considered as the Sichuan Greenland Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

**(c) Information about a major customer**

The Sichuan Greenland Group's customer base is diversified and includes only the following customer with whom transactions have exceeded 10% of the Sichuan Greenland Group's revenues. During each of the years ended 31 December 2014, 2015 and the eight months ended 31 August 2015 and 2016, revenue derived from the customer is as follows:

	For the year ended		For the eight months ended	
	31 December		31 August	
	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)	
Customer A	<u>20,274</u>	<u>25,762</u>	<u>25,757</u>	<u>25,861</u>

**5. REVENUE AND OTHER INCOME**

The Sichuan Greenland Group's principal activities are disclosed in Note 1.

Revenue represented the net invoiced value of goods sold, net of allowances for returns, trade discounts and value-added tax. An analysis of the Sichuan Greenland Group's revenue and other income is as follows:

	For the year ended		For the eight months ended	
	31 December		31 August	
	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)	
<b>Revenue</b>				
Sale of office furniture products	<u>76,737</u>	<u>86,862</u>	<u>66,206</u>	<u>72,220</u>
<b>Other income</b>				
Interest income	66	60	28	23
Government subsidy ( <i>Note</i> )	<u>1,100</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,166</u>	<u>60</u>	<u>28</u>	<u>23</u>

*Note:* Government subsidy was received as the Sichuan Greenland Group has made excessive investment in non-current assets which exceed certain predetermined limit set by the Chengdu local authorities. Under the economic enhancement policy, the Sichuan Greenland Group is entitled to obtain the government subsidy. For the year ended 31 December 2014, there are no unfulfilled conditions and contingencies related to the government subsidy.

#### 6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	For the year ended 31 December		For the eight months ended 31 August	
	2014 RMB'000	2015 RMB'000	2015 RMB'000	2016 RMB'000
			(unaudited)	
Listing expenses	—	—	—	369
Cost of inventories recognised as expenses	51,369	54,636	42,744	45,455
Write-down of inventories to net realisable value	292	—	—	—
Depreciation of property, plant and equipment	2,080	2,268	1,554	1,323
Amortisation of payments for leasehold land held for own use under operating leases	230	230	153	153
Loss on disposal of property, plant and equipment	3	—	—	—
Operating lease charges on rented premises	1,447	1,245	679	871
Staff costs (including directors' remuneration): (Note 8)	8,589	10,182	6,345	7,180

#### 7. FINANCE COSTS

	For the year ended 31 December		For the eight months ended 31 August	
	2014 RMB'000	2015 RMB'000	2015 RMB'000	2016 RMB'000
			(unaudited)	
Interest on bank borrowing	2,136	1,880	1,287	1,245

#### 8. STAFF COSTS

	For the year ended 31 December		For the eight months ended 31 August	
	2014 RMB'000	2015 RMB'000	2015 RMB'000	2016 RMB'000
			(unaudited)	
Staff costs (including directors' remuneration):				
Wages and salaries	6,465	7,692	4,465	5,116
Retirement benefits scheme contributions	2,124	2,490	1,880	2,064
	8,589	10,182	6,345	7,180

## 9. INCOME TAX EXPENSE

	For the year ended 31 December		For the eight months ended 31 August	
	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax				
— tax for the year	<u>1,219</u>	<u>2,592</u>	<u>2,298</u>	<u>2,612</u>

Provision for the enterprise income tax in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC.

Reconciliation between income tax expense and accounting profit at applicable tax rate is as follows:

	For the year ended 31 December		For the eight months ended 31 August	
	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	<u>5,470</u>	<u>10,181</u>	<u>9,093</u>	<u>10,307</u>
Tax calculated at tax rate of 25%	1,368	2,545	2,273	2,577
Tax effect of expenses not deductible for tax purposes	126	47	25	35
Tax effect of income not taxable for tax purposes	<u>(275)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Income tax expense	<u>1,219</u>	<u>2,592</u>	<u>2,298</u>	<u>2,612</u>

## 10. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

## Directors' remuneration

The aggregate amount of remuneration paid and payable to the current directors of Sichuan Greenland during the Relevant Periods are as follows:

	Fees RMB'000	Basic salaries and bonus RMB'000	Retirement benefits scheme contributions RMB'000	Housing and other allowance and benefit in kind RMB'000	Total RMB'000
For the year ended 31 December 2014					
Directors:					
Mr. Yi Cong	—	470	66	—	536
Mr. Liang Xing Jun	—	30	12	—	42
	<u>—</u>	<u>500</u>	<u>78</u>	<u>—</u>	<u>578</u>

	Fees <i>RMB'000</i>	Basic salaries and bonus <i>RMB'000</i>	Retirement benefits scheme contributions <i>RMB'000</i>	Housing and other allowance and benefit in kind <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the year ended</b>					
<b>31 December 2015</b>					
<b>Directors:</b>					
Mr. Yi Cong	—	480	55	—	535
Mr. Liang Xing Jun	—	30	11	—	41
	<u>—</u>	<u>510</u>	<u>66</u>	<u>—</u>	<u>576</u>

	Fees <i>RMB'000</i>	Basic salaries and bonus <i>RMB'000</i>	Retirement benefits scheme contributions <i>RMB'000</i>	Housing and other allowance and benefit in kind <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the eight months ended</b>					
<b>31 August 2016</b>					
<b>Directors:</b>					
Mr. Yi Cong	—	320	36	—	356
Mr. Liang Xing Jun	—	40	13	—	53
	<u>—</u>	<u>360</u>	<u>49</u>	<u>—</u>	<u>409</u>

	Fees <i>RMB'000</i>	Basic salaries and bonus <i>RMB'000</i>	Retirement benefits scheme contributions <i>RMB'000</i>	Housing and other allowance and benefit in kind <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the eight months ended</b>					
<b>31 August 2015 (unaudited)</b>					
<b>Directors:</b>					
Mr. Yi Cong	—	320	37	—	357
Mr. Liang Xing Jun	—	20	10	—	30
	<u>—</u>	<u>340</u>	<u>47</u>	<u>—</u>	<u>387</u>



**Five highest paid individuals**

The five highest paid individuals consisted of 1, 1, 1 and 1 director of Sichuan Greenland for the years ended 31 December 2014, 2015 and eight months ended 31 August 2015 and 2016 respectively. Details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining 4, 4, 4 and 4 highest paid individuals for the years ended 31 December 2014 and 2015 and eight months ended 31 August 2015 and 2016 respectively are as follows:

	For the year ended 31 December		For the eight months ended 31 August	
	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	387	374	246	182
Retirement benefits scheme contributions	<u>206</u>	<u>131</u>	<u>76</u>	<u>59</u>
Total	<u>593</u>	<u>505</u>	<u>322</u>	<u>241</u>

The remuneration paid to each of the above individuals for each of the Relevant Periods fell within the following band:

	Number of individuals			
	For the year ended 31 December		For the eight months ended 31 August	
	2014	2015	2015	2016
Nil to RMB500,000	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

No emolument was paid by the Sichuan Greenland Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Sichuan Greenland Group, or compensation for loss of office.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Furniture and equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Buildings (Note 17) <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost</b>						
At 1 January 2014	1,480	4,119	937	152	37,224	43,912
Additions	—	261	23	102	—	386
Disposal	—	—	(11)	—	—	(11)
At 31 December 2014 and at 1 January 2015	1,480	4,380	949	254	37,224	44,287
Additions	193	—	55	—	5,870	6,118
At 31 December 2015 and at 1 January 2016	1,673	4,380	1,004	254	43,094	50,405
Additions	—	—	128	—	—	128
At 31 August 2016	1,673	4,380	1,132	254	43,094	50,533
<b>Accumulated depreciation</b>						
At 1 January 2014	(908)	(1,391)	(503)	(23)	(7,073)	(9,898)
Provided for the year	(279)	(414)	(170)	(39)	(1,178)	(2,080)
Disposal	—	—	8	—	—	8
At 31 December 2014 and at 1 January 2015	(1,187)	(1,805)	(665)	(62)	(8,251)	(11,970)
Provided for the year	(172)	(417)	(149)	(119)	(1,411)	(2,268)
At 31 December 2015 and at 1 January 2016	(1,359)	(2,222)	(814)	(181)	(9,662)	(14,238)
Provided for the period	(45)	(275)	(42)	(20)	(941)	(1,323)
At 31 August 2016	(1,404)	(2,497)	(856)	(201)	(10,603)	(15,561)
<b>Net book value</b>						
At 31 December 2014	293	2,575	284	192	28,973	32,317
At 31 December 2015	314	2,158	190	73	33,432	36,167
At 31 August 2016	269	1,883	276	53	32,491	34,972

**12. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES**

	<i>RMB'000</i>
At 1 January 2014	10,797
Amortisation for the year	<u>(230)</u>
At 31 December 2014 and 1 January 2015	10,567
Amortisation for the year	<u>(230)</u>
At 31 December 2015 and 1 January 2016	10,337
Amortisation for the period	<u>(153)</u>
At 31 August 2016	<u><u>10,184</u></u>

The land is located at No. 808, Xinhua Avenue, Tianfu Town, Wenjiang District, Chengdu City, Sichuan Province, the PRC (中國四川省成都市溫江區成都海峽兩岸科技產業開發園新華大道一段808號).

At 31 December 2014, 2015 and 31 August 2016, the land use rights with carrying amounts of RMB10,567,000, RMB10,337,000 and RMB10,184,000 were pledged as securities ("Pledged Asset A") of bank borrowing as set out in Note 17 below.

**13. INVENTORIES**

	<b>At 31 December</b>		<b>At</b>
	<b>2014</b>	<b>2015</b>	<b>31 August</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	4,272	4,047	4,625
Work in progress	267	1,935	990
Finished goods	<u>43,336</u>	<u>29,704</u>	<u>15,343</u>
	<u><u>47,875</u></u>	<u><u>35,686</u></u>	<u><u>20,958</u></u>

For the year ended 31 December 2014, write-down of inventories to net realisable value of approximately RMB292,000 was made.

**14. TRADE AND OTHER RECEIVABLES**

	<b>At 31 December</b>		<b>At</b>
	<b>2014</b>	<b>2015</b>	<b>31 August</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	14,653	19,232	37,033
Other receivables	6,425	3,987	7,774
Prepayments and deposits	<u>26,207</u>	<u>15,532</u>	<u>12,372</u>
	<u><u>47,285</u></u>	<u><u>38,751</u></u>	<u><u>57,179</u></u>

At 31 December 2015 and 31 August 2016, among the other receivables, RMB729,000 and RMB729,000 was due from Mr. Luo, the then owner of Sichuan Greenland. The balance is interest free, unsecured and repayable on demand.

The Sichuan Greenland Group did not hold any collateral as security or other credit enhancements over the trade receivables. The credit periods on sales of goods for customers are normally within 90 days from invoice date.

The ageing analysis of trade receivables based on the invoice date as at 31 December 2014, 2015 and 31 August 2016 is as follows:

	At 31 December		At
	2014	2015	31 August
	RMB'000	RMB'000	2016
Within 3 months	5,959	3,690	21,123
More than 3 months	<u>8,694</u>	<u>15,542</u>	<u>15,910</u>
	<u>14,653</u>	<u>19,232</u>	<u>37,033</u>

The ageing of trade receivables which are not impaired are as follows:

	At 31 December		At
	2014	2015	31 August
	RMB'000	RMB'000	2016
Neither past due nor impaired	12,632	11,569	28,289
Less than 1 month past due	134	465	900
1 to 3 months past due	499	3,069	1,445
More than 3 months but less than 6 months past due	328	1,668	3,367
More than 6 months past due	<u>1,060</u>	<u>2,461</u>	<u>3,032</u>
	<u>14,653</u>	<u>19,232</u>	<u>37,033</u>

Trade receivables that were neither past due nor impaired relate to a number of customer for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Sichuan Greenland Group. Based on past experience, the directors of Sichuan Greenland are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

#### 15. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at interest rates ranging from 0.35% to 0.385% during the Relevant Periods. The whole bank and cash balances of the Sichuan Greenland Group as at 31 December 2014, 2015 and 31 August 2016 respectively are denominated in RMB which is not a freely convertible currency.

#### 16. TRADE AND OTHER PAYABLES

	At 31 December		At
	2014	2015	31 August
	RMB'000	RMB'000	2016
Trade payables	7,527	10,568	11,801
Other payables and accruals ( <i>Note</i> )	25,740	5,995	9,501
Receipt in advance	<u>38,038</u>	<u>25,757</u>	<u>4,749</u>
	<u>71,305</u>	<u>42,320</u>	<u>26,051</u>

*Note:* The balance included an advance from the then owner of Sichuan Greenland, Mr. Luo of RMB23,712,000, nil and nil respectively as at 31 December 2014, 2015 and 31 August 2016. The balance is unsecured, interest free and repayable on demand.

The ageing analysis of the trade payables of the Sichuan Greenland Group based on the invoice date as at 31 December 2014, 2015 and 31 August 2016 is as follows:

	At 31 December		As at
	2014	2015	31 August 2016
	RMB'000	RMB'000	RMB'000
Within 3 months	4,897	4,623	6,317
More than 3 months	<u>2,630</u>	<u>5,945</u>	<u>5,484</u>
	<u>7,527</u>	<u>10,568</u>	<u>11,801</u>

#### 17. BANK BORROWING

	At 31 December		As at
	2014	2015	31 August 2016
	RMB'000	RMB'000	RMB'000
Bank borrowing repayable within one year, secured and guaranteed	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>

*Note 1:*

As at 31 December 2014, 2015 and 31 August 2016, the interest rate of the bank borrowing consist of two components (i) the benchmark interest rate and (ii) 20% of the benchmark interest rate. The average effective interest rate are 6.2%, 5.87% and 5.83% during the Relevant Periods.

*Note 2:*

As at 31 December 2014 and 2015, the bank borrowing was guaranteed personally by Mr. Luo and Ms. Li, the then owners of Sichuan Greenland, and a company ("Company A"), which is owned by Mr. Luo and Ms. Li (collectively known as the "Guarantee").

*Note 3:*

The bank borrowing was secured by payments for leasehold land held for own use under operating leases (Note 12) and properties ("Pledged Asset B") of another company, ("Company B"), which is owned by Mr. Luo and Ms. Li.

*Note 4:*

In April 2016, the bank issued a statement to confirm the release of the Guarantee and the Pledged Asset B. In addition to the Pledged Asset A, the Sichuan Greenland Group has further entered into a pledge agreement with the bank by which buildings (Note 15) are pledged as securities to the bank borrowing.

#### 18. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest free and repayable on demand.

#### 19. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured, interest free and repayable on demand.

**20. PAID-IN CAPITAL**

The paid-in capital of Sichuan Greenland at 31 December 2014, 2015 and 31 August 2016 represented the sum of fully paid registered capital of Sichuan Greenland contributed by the owners of Sichuan Greenland.

**21. RESERVES**

Details of movements on the Sichuan Greenland Group's reserves for the Relevant Periods are presented in the consolidated statements of changes in equity.

The nature and purpose of reserves within equity are as follows:

**(a) Statutory reserve**

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the PRC subsidiary, it is required to appropriate 10% of the annual net profits of the PRC subsidiary, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve fund before distributing any net profit. When the balance of the statutory reserve fund reaches 50% of the registered capital of the PRC subsidiary, any further appropriation is at the discretion of shareholders. The statutory reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory reserve fund after such issue is not less than 25% of registered capital.

**(b) Accumulated losses/Retained earnings**

Cumulative net gains and losses recognised in profit or loss.

**22. OPERATING LEASE COMMITMENTS****As lessee**

The Sichuan Greenland Group leases certain office premises and warehouse under operating lease arrangements with lease terms of one to eight years. At the end of each of the Relevant Periods, the Sichuan Greenland Group has future minimum rental payable under non-cancellable operating lease falling due as follows:

	<b>At 31 December</b>		<b>At</b>
	<b>2014</b>	<b>2015</b>	<b>31 August</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2016</b>
			<i>RMB'000</i>
Within one year	1,152	1,198	1,685
Within two to five years	2,506	1,692	2,263
More than five years	133	—	—
	<u>3,791</u>	<u>2,890</u>	<u>3,948</u>

**23. CAPITAL COMMITMENTS**

	<b>At 31 December</b>		<b>At</b>
	<b>2014</b>	<b>2015</b>	<b>31 August</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2016</b>
			<i>RMB'000</i>
Commitments for property, plant and equipment			
— contracted for but not provided	<u>5,870</u>	<u>—</u>	<u>—</u>

**24. RELATED PARTY TRANSACTION**

Save as disclosed in Note 18 and Note 19, the Sichuan Greenland Group has the following significant related party transaction.

- (a) Members of key management comprise only of the directors whose emoluments are set out in Note 10.

**25. FINANCIAL RISK MANAGEMENT**

The Sichuan Greenland Group is exposed to a variety of financial risks in its ordinary course of operations. The financial risks include market risk (mainly currency risk and interest rate risk), credit risk and liquidity risk. Details are disclosed in the notes below. The Sichuan Greenland Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Sichuan Greenland Group's financial performance. Risk management is carried out by key management under the policies approved by the directors of Sichuan Greenland. The Sichuan Greenland Group does not have written risk management policies. However, the directors of Sichuan Greenland meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Sichuan Greenland Group to mitigate these risks are set out below.

**Categories of financial assets and liabilities**

The carrying amounts of the Sichuan Greenland Group's financial assets and liabilities recognised in the consolidated statements of financial position at the reporting dates may also be categorised as follows:

	<b>At 31 December</b>		<b>At</b>
	<b>2014</b>	<b>2015</b>	<b>31 August</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2016</b>
			<i>RMB'000</i>
<b>Financial assets</b>			
Loans and receivables:			
Trade and other receivables	21,078	23,219	44,807
Cash and cash equivalents	<u>20,867</u>	<u>18,855</u>	<u>5,492</u>
	<u>41,945</u>	<u>42,074</u>	<u>50,299</u>
<b>Financial liabilities</b>			
Financial liabilities at amortised costs:			
Trade and other payables	33,267	16,563	21,302
Bank borrowing	30,000	30,000	30,000
Amounts due to directors	600	3,900	443
Amount due to a shareholder	<u>—</u>	<u>500</u>	<u>500</u>
	<u>63,867</u>	<u>50,963</u>	<u>52,245</u>

**Fair value**

The fair values of the Sichuan Greenland Group's financial assets and liabilities as at 31 December 2014, 2015 and 31 August 2016 were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

**Currency risk**

As the Sichuan Greenland Group's revenue and expenses are mainly in RMB and most of the Sichuan Greenland Group's assets and liabilities are denominated in RMB, which is the functional currency of group entities, the currency risk resulting from the Sichuan Greenland Group's daily operations is considered not significant. The Sichuan Greenland Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

**Interest rate risk**

The Sichuan Greenland Group's exposure to interest rate risk relates principally to its bank deposits and interest-bearing bank borrowing. The Sichuan Greenland Group's policy is to minimise interest rate risk exposure. To achieve this, the Sichuan Greenland Group regularly assesses and monitors its needs for cash with reference to its business plans and day-to-day operations. Interest rates of cash and cash equivalents are disclosed in Note 15 above. The interest bearing bank borrowing bear floating interest rates and are denominated in RMB. The interest rates and terms of repayment of bank borrowing of the Sichuan Greenland Group are disclosed in Note 17 above. The Sichuan Greenland Group currently does not have an interest rate hedging policy.

The following table illustrates the sensitivity of the Sichuan Greenland Group's profit for the Relevant Periods, and other components of equity due to a possible change in interest rates on its floating rate bank deposits and borrowing with all other variables held constant at the end of each of the Relevant Periods (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	<b>At 31 December</b>		<b>At</b>
	<b>2014</b>	<b>2015</b>	<b>31 August</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Increase/(decrease) in profit for the year and retained earnings</b>			
Increase/decrease in basis points ("bp")			
+ 100 bp	375	362	262
- 100 bp	<u>(375)</u>	<u>(362)</u>	<u>(262)</u>

The above sensitivity analysis is prepared based on the assumption that the bank deposits and borrowings as at reporting dates existed throughout the whole respective financial year.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rates over the next twelve month period.

**Credit risk**

The Sichuan Greenland Group's credit risk is primarily attributable to its trade and other receivables and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing evaluations are performed on monthly basis. Debtors with balances that are more than 3 months overdue, further credit will only be granted under management's approval, otherwise, debtors are requested to settle all outstanding balances before any further credit is granted. Normally, the Sichuan Greenland Group does not obtain collateral from customers.

Further quantitative disclosures in respect of the Sichuan Greenland Group's exposures to credit risk arising from trade receivables are set out in Note 14 above.

Cash at banks are deposits in bank with sound credit rating. Given their high credit rating, the Sichuan Greenland Group does not expect to have high credit risk in this aspect.



**Liquidity risk**

The Sichuan Greenland Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Sichuan Greenland Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the Sichuan Greenland Group's remaining contractual maturities for its financial liabilities as at 31 December 2014, 2015 and 31 August 2016. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Sichuan Greenland Group can be required to pay. The maturity dates for other financial liabilities are based on agreed repayment dates.

**At 31 December 2014**

	<b>Within 1 year or on demand</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total contractual undiscounted cash flow</b>	<b>Carrying amount</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowing	31,050	—	—	31,050	30,000
Trade and other payables	33,267	—	—	33,267	33,267
Amount due to a director	600	—	—	600	600
	<u>64,917</u>	<u>—</u>	<u>—</u>	<u>64,917</u>	<u>63,867</u>

**At 31 December 2015**

	<b>Within 1 year or on demand</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total contractual undiscounted cash flow</b>	<b>Carrying amount</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowing	31,050	—	—	31,050	30,000
Trade and other payables	16,563	—	—	16,563	16,563
Amount due to a director	3,900	—	—	3,900	3,900
Amount due to a shareholder	500	—	—	500	500
	<u>52,013</u>	<u>—</u>	<u>—</u>	<u>52,013</u>	<u>50,963</u>

**At 31 August 2016**

	<b>Within 1 year or on demand</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total contractual undiscounted cash flow</b>	<b>Carrying amount</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowing	31,412	—	—	31,412	30,000
Trade and other payables	21,302	—	—	21,302	21,302
Amount due to directors	443	—	—	443	443
Amount due to shareholder	500	—	—	500	500
	<u>53,657</u>	<u>—</u>	<u>—</u>	<u>53,657</u>	<u>52,245</u>

## 26. CAPITAL MANAGEMENT

The Sichuan Greenland Group manages its capital to ensure that entities in the Sichuan Greenland Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Sichuan Greenland Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Sichuan Greenland Group consists of debt, which include bank borrowing disclosed in Note 17 and equity attributable to owner of Sichuan Greenland, comprising share capital and reserves.

The Sichuan Greenland Group sets the amount of capital in proportion to its overall financing structure. The Sichuan Greenland Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Sichuan Greenland Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt to equity ratio at the end of each Relevant Periods was as follows:

	At 31 December		At 31 August
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Bank borrowing	30,000	30,000	30,000
Less: Cash and cash equivalents	<u>(20,867)</u>	<u>(18,855)</u>	<u>(5,492)</u>
Net debt	<u>9,133</u>	<u>11,145</u>	<u>24,508</u>
Equity attributable to owner of Sichuan Greenland	<u>56,540</u>	<u>64,129</u>	<u>71,824</u>
Net debt to equity ratio	<u>16%</u>	<u>17%</u>	<u>34%</u>

In the opinion of the directors, the Sichuan Greenland Group's net debt to equity ratio is maintained at an optimal level having considered the projected capital expenditures and the projected strategic investment opportunities.

## 27. LITIGATION

As at 31 December 2014, Sichuan Greenland was being sued by a customer ("the plaintiff") by which required Sichuan Greenland to make compensation amounted to approximately RMB1,003,696 for delay in delivery and products with inferior quality.

On 11 June 2014, the case was first heard at Chengdu Qing Yang People's Court (成都青羊區人民法院) ("the Qing Yang Court"), the plaintiff claimed against Sichuan Greenland for (i) payment of RMB203,696 for inferior quality, (ii) total of RMB800,000 as compensation for economic loss directly associated with the quality problem and delay in delivery, (iii) complete the remaining part of the contract & (iv) penalty payment of RMB5,000 per day by Sichuan Greenland because of breaching contractual terms (Collectively known as "the Compensation").

On 6 August 2015, the Qing Yang Court issued a first instance judgment ((2014)青羊民初字第2550號) which is in favor of the plaintiff, and instructed Sichuan Greenland to pay the Compensation.

On 21 January 2016, Sichuan Greenland lodged an appeal (the "Appeal") with the Chengdu Intermediate People's Court (成都市中級人民法院). Up to the issue date of this report, the proceedings are ongoing. No court decision relating to the Appeal has been issued.

In case Sichuan Greenland ultimately loses in the proceedings, it may have to settle the Compensation to the plaintiff. As the proceedings are still ongoing up to the date of issuance of this report and the outcome is subject to uncertainties, the directors of Sichuan Greenland consider that no provision is required at this stage in accordance with the Sichuan Greenland Group's relevant accounting policy.

**28. DIVIDENDS**

No dividend was paid or declared during the Relevant Periods, nor has any dividend been declared since the end of the Relevant Periods.

**29. INVESTMENT IN A SUBSIDIARY**

As at  
31 August  
2016  
RMB'000

Unlisted capital to be injected, at cost (*note*)

1,000

*Note:* The balance represents investment in Chengdu Yishishunda.

The amount due to a subsidiary is unsecured, interest free and repayable on demand.

**30. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Sichuan Greenland Group in respect of any period subsequent to 31 August 2016.

Yours faithfully,

**BDO Limited**

*Certified Public Accountants*

**Chan Wing Fai**

Practising Certificate Number P05443

Hong Kong

The information set out in this appendix does not form part of the accountant's report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the independent reporting accountant of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only.

For illustrative purpose, only the unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules is set forth below to provide the prospective investors with further information on how the Placing might have affected the net tangible assets of the Group attributable to owners of the Company after the completion of the Placing.

#### A. UNAUDITED PRO FORMA STATEMENT OF COMBINED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of combined net tangible assets prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the issue of new Shares pursuant to the Placing on the net tangible assets attributable to the owners of the Company as if the Placing had taken place on 31 August 2016. This unaudited pro forma statement of combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets attributable to the owners of the Company had the Placing been completed as of 31 August 2016 or at any future dates.

	Audited combined net tangible assets attributable to the owners of the Company as at 31 August 2016 RMB'000 (note 1)	Estimated net proceeds from the issue of New Shares pursuant to the Placing RMB'000 (note 2)	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company RMB'000	Unaudited pro forma adjusted combined net tangible assets per Share RMB (note 3)	Unaudited pro forma adjusted combined net tangible assets per Share HK\$ (note 4)
Based on the Placing Price of HK\$0.29 per Share	21,615	53,172	74,787	0.11	0.13
Based on the Placing Price of HK\$0.33 per Share	21,615	61,860	83,475	0.12	0.14

*Notes:*

- (1) The audited combined net tangible assets attributable to the owners of the Company as at 31 August 2016 is extracted from the Accountant's Report, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the issue of new Shares pursuant to the Placing are based on 268,000,000 new Shares to be issued at the placing price of HK\$0.29 and HK\$0.33 per Share, being the lower and to higher end of the stated placing price range, respectively, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be issued upon the exercise of the Offer Size Adjustment Option or options that may be granted under the Share Option Scheme. The estimated net proceeds from the Placing are converted from Hong Kong dollars to Renminbi at an exchange rate of HK\$1.00 to RMB0.84.

- (3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 670,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue as set out in the “Share Capital” section to this prospectus, but takes no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or options that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchase by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (4) The unaudited pro forma adjusted net tangible assets per Share is converted to Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.84. No presentation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that date.
- (5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 August 2016.
- (6) The property and land interests of the Group as at 31 October 2016 were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Details of the valuation in respect of these property and land interests were set out in Appendix III to this prospectus.

The revaluation deficit of the property and land interests under buildings and payments for leasehold land held for own use under operating lease of approximately RMB2,284,000 will not be included in the Group’s financial statements as of 31 August 2016. The Group’s accounting policy is to state such buildings and payments for leasehold land held for own use at cost less accumulated depreciation and any impairment loss rather than at fair value.

Had all the property and land interests been stated at such valuations, the additional annual depreciation would be nil as there would be revaluation deficit of the property and the additional annual amortisation would be approximately RMB13,000.

**B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the Company's independent reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.*



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**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

30 December 2016

**To the directors of Zhi Sheng Group Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Zhi Sheng Group Holdings Limited (the "Company") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of combined net tangible assets of the Company as at 31 August 2016 and related notes as set out on pages II-1 to II-2 of Appendix II of the Company's prospectus dated 30 December 2016 (the "Prospectus") in connection with the proposed placing of ordinary shares of the Company and listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Proposed Placing"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Placing on the Company's combined financial position as at 31 August 2016 as if the Proposed Placing had taken place at 31 August 2016. As part of this process, information about the Company's combined financial position has been extracted by the directors of the Company from the Company's financial information for the eight months ended 31 August 2016, on which an accountant's report set out in Appendix I of the Prospectus has been published.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant’s Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Placing at 31 August 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**BDO Limited**

*Certified Public Accountants*

Hong Kong

30 December 2016



*The following is the text of a letter, summary of values and valuation certificate, prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer for the purpose of incorporation in this prospectus, in connection with its valuation of the property interests held by the Group as at 31 October 2016.*



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
6/F Three Pacific Place 1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No: C-030171

30 December 2016

The Board of Directors  
**Zhi Sheng Group Holdings Limited**

Dear Sirs,

In accordance with your instructions to value the property interests held by Zhi Sheng Group Holdings Limited (the "Company") and its subsidiary (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 October 2016 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings of property and the particular location in which it is situated, there are unlikely to be relevant market comparable sales readily available. The property interest in Group I has therefore been valued by cost approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

We have attributed no commercial value to the property interests in Group II, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited; the RICS Valuation - Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificate, Building Ownership Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Shu Jin Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in December 2015 by Ms. Amy Wang who has more than 3 years' experience in the valuation of properties in the PRC. The subsequent inspection of the properties was carried out in December 2016 by Ms. Jun Yang who has more than 2 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarised below and the valuation certificates are attached.

Yours faithfully,  
For and on behalf of  
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**  
**Eddie T.W. Yiu**  
*MRICS MHKIS RPS (GP)*  
*Director*

*Notes:* Eddie T.W. Yiu is a Chartered Surveyor who has 22 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

## SUMMARY OF VALUES

## Group I — Property interest owned and occupied by the Group in the PRC

No.	Property	Market value in existing state as at 31 October 2016 RMB
1.	A parcel of land, 7 buildings and various structures No. 808 Xinhua Avenue Tianfu Town Wenjiang District Chengdu City Sichuan Province	64,460,000
<b>Sub-total:</b>		<b><u>64,460,000</u></b>

## Group II — Property interests leased and occupied by the Group in the PRC

No.	Property	Market value in existing state as at 31 October 2016 RMB
2.	Unit No. 301 on Level 3 No. 222 Tianren Road Tianfu Town Hi-tech District Chengdu City Sichuan Province The PRC	No commercial value
3.	A warehouse No. 26 Gangan First Road Cuntan Harbour Jiangbei District Chongqing City The PRC	No commercial value

No.	Property	Market value in existing state as at 31 October 2016 RMB
4.	Levels 1 and 2 of Huaxin Building No. 2 Daxigou Road Yuzhong District Chongqing City The PRC	No commercial value
<b>Sub-total:</b>		<u>Nil</u>
<b>Grand total:</b>		<u><u>64,460,000</u></u>

## VALUATION CERTIFICATE

## Group I — Property interest owned and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2016 <i>RMB</i>																		
1.	A parcel of land, 7 buildings and various structures No. 808 Xinhua Avenue Tianfu Town Wenjiang District Chengdu City Sichuan Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 49,881.39 sq.m., 7 buildings and various structures erected thereon which were completed in 2009.</p> <p>The property is located at the western side of Xuefu Road, the northern side of Xinhua Avenue, the eastern side of Rongtai Avenue and the southern side of Kexing Road in Wenjiang District of Chengdu. The subject area of the property is well-served by public transportation with 15 minutes' driving distance to Wenjiang People's Government office. The locality of the property is an industrial area with some large-scale factory complexes.</p> <p>The buildings have a total gross floor area of approximately 33,218.98 sq.m. and the details of uses and their respective gross floor areas are set out as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: center;">No. of Item</th> <th style="text-align: right;">Gross floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Production</td> <td style="text-align: center;">3</td> <td style="text-align: right;">20,566.07</td> </tr> <tr> <td>Office</td> <td style="text-align: center;">1</td> <td style="text-align: right;">7,846.04</td> </tr> <tr> <td>Canteen and Staff quarters</td> <td style="text-align: center;">1</td> <td style="text-align: right;">4,720.65</td> </tr> <tr> <td>Ancillary</td> <td style="text-align: center;"><u>2</u></td> <td style="text-align: right;"><u>86.22</u></td> </tr> <tr> <td>Total</td> <td style="text-align: center;"><u>7</u></td> <td style="text-align: right;"><u>33,218.98</u></td> </tr> </tbody> </table>	Use	No. of Item	Gross floor Area (sq.m.)	Production	3	20,566.07	Office	1	7,846.04	Canteen and Staff quarters	1	4,720.65	Ancillary	<u>2</u>	<u>86.22</u>	Total	<u>7</u>	<u>33,218.98</u>	<p>The property is currently occupied by the Group for production, office and ancillary purposes.</p>	64,460,000
Use	No. of Item	Gross floor Area (sq.m.)																				
Production	3	20,566.07																				
Office	1	7,846.04																				
Canteen and Staff quarters	1	4,720.65																				
Ancillary	<u>2</u>	<u>86.22</u>																				
Total	<u>7</u>	<u>33,218.98</u>																				
		<p>The structures mainly include boundary walls, roads and landscaped facilities.</p> <p>The land use rights of the property have been granted for a term expiring on 22 January 2061 for industrial use.</p>																				

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate — Wen Guo Yong (2011) Di No. 12943, the land use rights of a parcel of land of the property with a site area of approximately 49,881.39 sq.m. have been granted to Sichuan Greenland Furniture Co., Limited (四川青田家具實業有限公司) ("Sichuan Greenland", a wholly-owned subsidiary of the Company) by the Bureau of Land and Resources Wenjiang District, Chengdu City for a term expiring on 22 January 2061 for industrial use.

2. Pursuant to 7 Building Ownership Certificates (the “BOCs”) issued by Real Estate Bureau of Wenjiang District, Chengdu City dated 20 November 2015, 7 buildings of the property with a total gross floor area of approximately 33,218.98 sq.m. are owned by Sichuan Greenland. The details are set out as follows:

No.	BOC No.	Block No.	Gross Floor	
			Area (sq.m.)	Use of Building
(1)	Wen Fang Quan Zheng Jian Zheng Zi Di No. 0521333	Block 1	66.87	Ancillary
(2)	Wen Fang Quan Zheng Jian Zheng Zi Di No. 0521334	Block 2	7,846.04	Office
(3)	Wen Fang Quan Zheng Jian Zheng Zi Di No. 0521335	Block 3	4,720.65	Canteen and Staff quarters
(4)	Wen Fang Quan Zheng Jian Zheng Zi Di No. 0521336	Block 4	3,962.88	Production
(5)	Wen Fang Quan Zheng Jian Zheng Zi Di No. 0521337	Block 5	8,025.47	Production
(6)	Wen Fang Quan Zheng Jian Zheng Zi Di No. 0521338	Block 6	8,577.72	Production
(7)	Wen Fang Quan Zheng Jian Zheng Zi Di No. 0521339	Block 7	19.35	Ancillary
<b>Total:</b>			<b><u>33,218.98</u></b>	

3. Pursuant to 2 Mortgage Contracts of Maximum Amount — 2014 Xin Yin Rong Jin Zui Di Zi Di No. 432066-2 and 2016 Xin Yin Rong Jin Zui Di Zi Di No. 632014, the land use rights of the property and the building ownership rights of portions of the buildings of the property are subject to mortgages in favour of China Citic Bank Co., Ltd., Chengdu Sub-Branch.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
- a. Sichuan Greenland is legally in possession of the land use rights of the property by the means of grant and is the sole user of the land use rights of the property. The land is subject to a mortgage contract. The mortgage contract is in compliance with relevant law and regulations and is legally valid; and
  - b. Sichuan Greenland is the sole owner of the buildings of the property and has the rights to occupy, use, lease, transfer, mortgage or otherwise dispose of the buildings of the property in accordance with relevant PRC laws and regulations. Portions of the buildings are subject to a mortgage contract. The mortgage contract is in compliance with relevant law and regulations and is legally valid.

## VALUATION CERTIFICATE

## Group II — Property interests leased and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2016 RMB
2.	Unit No. 301 on Level 3 No. 222 Tianren Road Tianfu Town Hi-tech District Chengdu City Sichuan Province The PRC	<p>The property comprises an office unit on Level 3 of a 6-storey office building completed in 2005.</p> <p>The property has a lettable area of approximately 1,456.64 sq.m.</p> <p>Pursuant to 2 Building Tenancy Contracts, the property is leased to Sichuan Greenland Furniture Co., Limited (“Sichuan Greenland”), a wholly-owned subsidiary of the Company, from an independent third party for office purpose.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Building Tenancy Contract dated 8 May 2012, portion of the property with a lettable area of approximately 277.21 sq.m. was leased to Sichuan Greenland from an independent third party (the “Lessor 1”) for a term of 8 years commencing from 10 August 2012 and expiring on 31 August 2020 at an annual rent of RMB133,060.8 for the first year. The monthly rent will be increased by RMB5 per sq.m. every year from the second to fifth year. For the sixth to the eighth year, the rent will be adjusted with reference to the market rent at that time. The rent is exclusive of water and electricity charges, management fee and parking fee.
2. Pursuant to a Building Tenancy Contract dated 9 August 2015, the remaining portion of the property with a lettable area of approximately 1,179.43 sq.m. was leased to Sichuan Greenland Furniture Co., Limited (“Sichuan Greenland”), a wholly-owned subsidiary of the Company) from an independent third party (the “Lessor 2”) for a term of 5 years commencing from 10 August 2015 and expiring on 31 June 2020 at an annual rent of RMB396,288 for the first year and RMB424,494 for the second year. For the third to the fifth year, the rent will be adjusted with reference to the market rent at that time. The rent is exclusive of water and electricity charges, management fee and parking fee.
3. We have been provided with a legal opinion regarding the legal validity of the Building Tenancy Contracts by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
  - a. the respective lessors hold the building ownership rights of the property and are the owners of the property according to the Building Ownership Certificates. The respective lessors have the rights to lease and authorise others to lease the property. The Building Tenancy Contracts entered between Sichuan Greenland and the respective lessors are legal and valid; and
  - b. the Building Tenancy Contracts entered into between Sichuan Greenland and the respective lessors have not been duly registered according to relevant PRC regulations. There may be a risk that the respective lessors may suffer an executive punishment from the relevant PRC administration authorities. However, the validity of the Building Tenancy Contracts will not be affected despite the absence of registration.



## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2016 RMB
3.	A warehouse No. 26 Gangan First Road Cuntan Harbour Jiangbei District Chongqing City The PRC	<p>The property comprises a single storey warehouse completed in 2008.</p> <p>The property has a lettable area of approximately 1,200 sq.m.</p> <p>Pursuant to a Building Tenancy Contract, the property is leased to Sichuan Greenland Furniture Co., Limited, Chongqing Branch (“Sichuan Greenland Chongqing Branch”), a wholly-owned subsidiary of the Company, from an independent third party for storage purpose.</p>	The property is currently occupied by the Group for storage purpose.	No commercial value

*Notes:*

1. Pursuant to a Building Tenancy Contract dated 15 September 2016, a warehouse with a lettable area of approximately 1,200 sq.m. was leased to Sichuan Greenland Chongqing Branch from an independent third party (the “Lessor”) for a term of 1 year commencing from 15 September 2016 and expiring on 14 September 2017 at an annual rent of RMB316,800.
2. We have been provided with a legal opinion regarding the legal validity of the Building Tenancy Contract by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
  - a. the Lessor holds the ownership rights of the property and is the sole owner of the property and has the rights to lease the property. The Building Tenancy Contract entered between Sichuan Greenland Chongqing Branch and the Lessor is legal and valid; and
  - b. the Building Tenancy Contract entered into between Sichuan Greenland Chongqing Branch and the Lessor has been duly registered and is in accordance with relevant PRC laws and regulations.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2016 RMB
4.	Levels 1 and 2 of Huaxin Building No. 2 Daxigou Road Yuzhong District Chongqing City The PRC	<p>The property comprises the whole Levels 1 and 2 of a 22-storey office building completed in 2000.</p> <p>The property has a total lettable area of approximately 1,599.95 sq.m.</p> <p>Pursuant to a Building Tenancy Contract, the property is leased to Sichuan Greenland Chongqing Branch ("Sichuan Greenland Chongqing Branch"), a wholly-owned subsidiary of the Company, from an independent third party for office purpose.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Building Tenancy Contract dated 1 April 2014, Levels 1 and 2 with a total lettable area of approximately 1,599.95 sq.m. were leased to Sichuan Greenland Chongqing Branch from an independent third party (the "Lessor") for a term of 4 year commencing from 1 April 2014 and expiring on 31 March 2018 at an annual rent of RMB729,576 for the first to the second year, RMB767,976 for the third to the fourth year. The rent is exclusive of water and electricity charges and management fee.
2. We have been provided with a legal opinion regarding the legal validity of the Building Tenancy Contract by the Company's PRC legal advisers, which contains, *inter alia*, the following:
  - a. the Lessor holds the ownership rights of the property and is the sole owner of the property and has the rights to lease the property. The Building Tenancy Contract entered between Sichuan Greenland Chongqing Branch and the Lessor is legal and valid; and
  - b. the Building Tenancy Contract entered between Sichuan Greenland Chongqing Branch and the Lessor has been duly registered and is in accordance with relevant PRC laws and regulations.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 March 2016 under the Cayman Companies Law. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

## 2. ARTICLES OF ASSOCIATION

The Articles were adopted on 19 December 2016. A summary of certain provisions of the Articles is set out below.

### (a) Shares

#### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

*(iv) Transfer of shares*

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

*(v) Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the

Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(b) Directors**

*(i) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest 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 shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other



special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

*(iv) 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 uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, 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 and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make 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 former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or

owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its

subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

*(ix) Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**(d) Meetings of member**

*(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of 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 holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

*(v) Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(e) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**(f) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.



Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions.

**(g) Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

**(h) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(i) 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 is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or 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 so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(j) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 4 March 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also 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**

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and

- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so 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 member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 30 March 2016.

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 for certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act 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.

#### **(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the



dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

## A. FURTHER INFORMATION ABOUT OUR COMPANY

### 1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 4 March 2016. Our Company's registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 4 July 2016, and has established a principal place of business in Hong Kong at Level 12, China Minmetals Tower, 79 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong. Mr. Yi Cong and Ms. Leung Yuk Yi have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the relevant laws and regulations of the Cayman Islands and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix IV to this prospectus.

### 2. Changes in the share capital of our Company

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$100,000 divided into 10,000,000 Shares of par value HK\$0.01 each. One Share was allotted and issued nil-paid to the subscriber on 4 March 2016, and was subsequently transferred to Sun Universal on the same day.
- (b) On 9 December 2016, the Company issued and allotted the 6,101 Shares, 499 Shares, 499 Shares and 2,900 Shares in nil paid form to each of Sun Universal (a company wholly owned by Mr. Ma), Oasis (a company wholly owned by Mr. Man), Ms. Sum and Brilliant Talent (a company wholly owned by Ms. Zhang), respectively, such that after such issue and allotment (and together with the initial subscriber Share transferred to Sun Universal), the number of Shares and percentage shareholding of them were as follows:

<b>Shareholders</b>	<b>Number of Shares held (% shareholding)</b>
Sun Universal	6,102 (61.02%)
Oasis	499 (4.99%)
Ms. Sum	499 (4.99%)
Brilliant Talent	2,900 (29%)

- (c) On 19 December 2016, Mr. Ma, Oasis, Ms. Sum and Ms. Zhang (collectively the "Ultimate Shareholders") and Smart Raise BVI entered into a loan capitalisation agreement, pursuant to which the Ultimate Shareholders agreed to capitalise part of their entire non-interest bearing shareholders' loans previously granted to Smart Raise

BVI in the total amount of HK\$77,241,380 into shares of Smart Raise BVI by the issue and allotment to them a total of 10,000 new ordinary shares of par value US\$1.00 each as follows:

<b>Shareholders</b>	<b>Amount of shareholders' loan capitalised (HK\$)</b>	<b>Number of new shares issued to the Shareholder</b>
Mr. Ma	47,132,690	6,102
Oasis	3,854,345	499
Ms. Sum	3,854,345	499
Ms. Zhang	<u>22,400,000</u>	<u>2,900</u>
Total	<u><u>77,241,380</u></u>	<u><u>10,000</u></u>

After the aforesaid capitalisation of loans, the Ultimate Shareholders' percentage interest in Smart Raise BVI remained unchanged.

- (d) On 19 December 2016, the Ultimate Shareholders, as vendors, Mr. Man as warrantor and the Company, as purchaser entered into a sale and purchase agreement, pursuant to which the Company acquired 61.02%, 4.99%, 4.99% and 29% shares of Smart Raise BVI representing all its issued shares in aggregate, from Mr. Ma, Oasis, Ms. Sum and Ms. Zhang respectively, at a consideration of HK\$24,500,000, which was determined with reference to the net asset value of Smart Raise BVI as at 31 August 2016. The consideration for acquisition was satisfied by the Company crediting as fully paid at par the (i) 6,102 nil paid Shares held by Sun Universal (including one nil paid subscriber Share) with instruction from Mr. Ma, (ii) 499 nil paid Shares held by Oasis with instruction from Oasis, (iii) 499 nil paid Shares held by Ms. Sum with instruction from Ms. Sum and (iv) 2,900 nil paid Shares held by Brilliant Talent with instruction from Ms. Zhang.
- (e) The number of Shares, fully paid, and percentage shareholding held by our Shareholders after the above acquisition were as follows:

<b>Shareholders</b>	<b>Number of Shares held (% shareholding)</b>
Sun Universal	6,102 (61.02%)
Oasis	499 (4.99%)
Ms. Sum	499 (4.99%)
Brilliant Talent	2,900 (29%)

- (f) Pursuant to written resolutions of our Shareholders passed on 19 December 2016, the authorised share capital of our Company was increased from HK\$100,000 divided into 10,000,000 Shares of par value HK\$0.01 each to HK\$15,000,000 divided into 1,500,000,000 Shares of par value HK\$0.01 each by the creation of a further 1,490,000,000 Shares.
- (g) Immediately following completion of the Capitalisation Issue and the Placing, and taking no account of any Share to be issued upon exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, 670,000,000 Shares will be issued fully paid or credited as fully paid, and 830,000,000 Shares will remain unissued.
- (h) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of all Shareholders passed on 19 December 2016” in this appendix and pursuant to Offer Size Adjustment Option and the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (i) Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

### 3. Written resolutions of all Shareholders passed on 19 December 2016

On 19 December 2016, resolutions in writing were passed by all Shareholders pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) the authorised share capital of our Company was increased from HK\$100,000 divided into 10,000,000 Shares of par value HK\$0.01 each to HK\$15,000,000 divided into 1,500,000,000 Shares of par value HK\$0.01 each by the creation of additional 1,490,000,000 Shares each ranking *pari passu* in all respects with the Shares in issue at the date of passing of these resolutions;
- (c) conditional on (1) the Listing Division 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 to be issued upon exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme) on GEM; (2) the entering into the Price Determination Agreement between the Company and the sole bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date; (3) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional; and (4) the Underwriting Agreement not being terminated in accordance with its terms or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus:
  - (i) the proposed Placing was approved and our Directors were authorised to approve allotment and issue the New Shares pursuant to the Placing to carry the same rights with the then existing Shares in all respects;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” below in this appendix, were approved and adopted and our Directors were authorised, at their absolute

discretion but subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (iii) conditional further on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of allotment and issue of new Shares pursuant to the Placing, the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of approximately HK\$4,019,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 401,990,000 Shares for allotment and issue to the person(s) whose names appear on the register of members of the principal share register of our Company at the close of business on 19 December 2016 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each carrying the same rights in all respects with the then Shares in issue;
- (d) a general mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with an amount not exceeding 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Placing (but excluding any Shares to be issued upon exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme) such mandate to remain in effect until the earliest of:
  - (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; and
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

Such general mandate does not apply to issue, allotment or dealing in Shares or securities by way of rights issue or an issue of Shares pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Capitalisation Issue and the Placing.

- (e) a general mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM (or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose) such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Placing (but excluding any Shares to be issued upon exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the earliest of:
  - (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; and
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general mandate described in sub-paragraph (d) above was extended by the addition to the total number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Placing but excluding any Shares to be issued upon exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme.

#### **4. Corporate reorganisation**

Our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing pursuant to which, among others, our Company became the holding company of our Group. For information relating to the Reorganisation, please refer to the section headed "History, reorganisation and corporate structure" in this prospectus.

#### **5. Changes in share capital of subsidiaries**

The subsidiaries of our Company are listed in the Accountant's Report of our Group, the text of which is set out in Appendix IA to this prospectus.

Save as disclosed in section headed "History, reorganisation and corporate structure — Reorganisation", there has been no other change to the share capital of the subsidiaries of our Company within two years preceding the date of this prospectus.

## 6. Repurchase of Shares by our Company

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company.

### (a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, the most important of which are summarised below:

#### (i) *Shareholders' approval*

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

*Note:* Pursuant to the written resolutions passed by our then Shareholders on 19 December 2016, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Placing but excluding any Shares to be issued upon exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

#### (ii) *Source of funds*

Any repurchase of securities by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules.

Any repurchases by our Company may be made out of profits of our Company, out of the share premium account of our Company, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of either or both of the profits of our Company or our Company's share premium account, before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

Our Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement, otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

*(iii) Connected parties*

Our Company is prohibited from knowingly repurchasing the Shares on GEM from a “core connected person” (as defined in the GEM Listing Rules), which by definition includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them, and a core connected person shall not knowingly sell Shares to our Company on GEM.

*(iv) Trading restrictions*

A company is authorised to repurchase on GEM or on any other stock exchange recognised by the SFC and the Stock Exchange up to a maximum of 10% of the number of issued shares of that company and the total number of warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on GEM.

*(v) Status of repurchased securities*

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled and the certificates of the relevant securities must be cancelled and destroyed. Under Cayman Islands law, shares repurchased by a Cayman Islands company may be treated as cancelled and, if so cancelled, the amount of the company’s issued share capital shall be reduced by the number of the repurchased shares accordingly although the authorised share capital of the company will not be taken as reduced.

*(vi) Suspension of repurchase*

Any securities repurchase programme is required to be suspended after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company’s results for any year, half year, quarter-year period or any other interim period (whether or not required by the GEM Listing Rules); and (2) the deadline for our Company to publish an announcement of its



results for any year, or half-year or quarter-year period under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules), and in each case ending on the date of the results announcement, our Company may not purchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if our Company has breached the GEM Listing Rules.

*(vii) Reporting requirements*

Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares, reporting total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. Our Company shall make arrangements with its broker who effects the purchase to provide our Company in a timely manner the necessary information in relation to the purchase made on behalf of the company to enable our Company to report to the Stock Exchange.

*(b) Exercise of the Repurchase Mandate*

On the basis of 670,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Placing, our Directors would be authorised under the Repurchase Mandate to repurchase up to 67,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

*(c) Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share or both and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

*(d) Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

*(e) General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable law and regulations from time to in force in the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

In the event that the Repurchase Mandate is exercised in full, the percentage shareholding of Sun Universal would be increased from approximately 36.62% to 40.69% of the issued share capital of our Company. If the percentage shareholding of Sun Universal increases by more than 2% from the lowest percentage holding of Sun Universal in the 12-month period ending on and inclusive of the date of the relevant repurchase, such increase of interest would give rise to an obligation to make a mandatory general offer under rules 26 and 32 of the Takeovers Code on the part of Sun Universal and the parties acting in concert with it. However, the Directors have no present intention to exercise the Repurchase Mandate to such an extent that will trigger a mandatory general offer obligation under the Takeovers Code on the part of Sun Universal and its concert parties. Our Directors are not aware of any other consequences of the repurchases which would give rise to any mandatory general offer obligations under the Takeovers Code immediately after the Listing.

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

No core connected person has notified our Company that he has a present intention to sell Shares to our 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 entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) a debt settlement agreement dated 31 December 2015 entered into between Sichuan Greenland and Mr. Luo Jin Yao for settlement of a debt in the amount of RMB21,428,005.87 due from Sichuan Greenland to Mr. Luo Jin Yao by raw materials of Sichuan Greenland.
- (b) a loan capitalisation agreement dated 19 December 2016 entered into among Mr. Ma, Oasis, Ms. Sum and Ms. Zhang (collectively the “Ultimate Shareholders”) and Smart Raise BVI pursuant to which the Ultimate Shareholders agreed to capitalise part of their respective non-interest bearing shareholders’ loans previously granted to Smart Raise BVI (in the total amount of HK\$77,241,380) into the share capital of Smart Raise BVI by the issue and allotment to 6,102 shares, 499 shares, 499 shares and 2,900 shares to Mr. Ma, Oasis, Ms. Sum and Ms. Zhang respectively;
- (c) a loan capitalisation agreement dated 19 December 2016 entered into between Smart Raise BVI and Smart Raise HK, pursuant to which Smart Raise BVI agreed to capitalise its entire non-interest bearing shareholder’s loan in Smart Raise HK in the total amount of approximately HK\$76,077,308 into share capital of the Smart Raise HK by the issue and allotment of 10,000 shares to Smart Raise BVI;
- (d) a sale and purchase agreement dated 19 December 2016 entered into among Mr. Ma, Oasis, Ms. Sum and Ms. Zhang, as vendors, Mr. Man as warrantor, and the Company, as purchaser, pursuant to which the Company agreed to acquire the entire issued shares of Smart Raise BVI from Mr. Ma, Oasis, Ms. Sum and Ms. Zhang in consideration of the Company crediting as fully paid at par on 19 December 2016 the (i) 6,102 nil paid Shares held by Sun Universal (including the one nil paid subscriber Share) with instruction from Mr. Ma, (ii) 499 nil paid Shares held by Oasis with instruction from Oasis, (iii) 499 nil paid Shares held by Ms. Sum with instruction from Ms. Sum, and (iv) 2,900 nil paid Shares held by Brilliant Talent with instruction from Ms. Zhang;
- (e) the Deed of Non-competition;
- (f) the Deed of Indemnity; and
- (g) the Underwriting Agreement.

## 2. Intellectual property rights of our Group

### (a) Registered trademark owned by our Group

As at the Latest Practicable Date, our Group had registered the following trademarks which are considered by our Directors to be material to our Group's business:

Trademark	Class	Place of registration	Registration number	Name of registrant	Period of validity
	6	The PRC	2018355	Sichuan Greenland	21 November 2004 to 20 November 2024
	20	The PRC	2019516	Sichuan Greenland	28 August 2004 to 27 August 2024
	37	The PRC	1675698	Sichuan Greenland	28 November 2011 to 27 November 2021
	37	The PRC	4047597	Sichuan Greenland	28 January 2009 to 27 January 2019
	6	Hong Kong	303656601	Sichuan Greenland	13 January 2016 to 12 January 2026
	20	Hong Kong	303656601	Sichuan Greenland	13 January 2016 to 12 January 2026
	37	Hong Kong	303656601	Sichuan Greenland	13 January 2016 to 12 January 2026

*(b) Registered patents owned by our Group*

As of the Latest Practicable Date, our Group has registered the following patents which are considered by our Directors to be material to our Group's business:

Patent description	Type of patent	Place of registration	Patent number	Name of registrant	Period of validity
A type of filing cabinet *(一種文件櫃)	Design	PRC	ZL201230128227.6	Sichuan Greenland	24 April 2012 to 23 April 2022
A type of conference table *(一種會議桌)	Design	PRC	ZL201230128180.3	Sichuan Greenland	24 April 2012 to 23 April 2022
A type of desk *(一種班台)	Design	PRC	ZL201230128179.0	Sichuan Greenland	24 April 2012 to 23 April 2022

*(c) Domain name(s)*

As at the Latest Practicable Date, our Group has registered the following domain name which is material to our Group's business:

Domain name	Registrant	Registration date	Expiry date
qtbjgj.com	Sichuan Greenland	17 February 2016	14 November 2019

The contents of this website, registered or licensed, do not form part of this prospectus.

Save as disclosed above, there are no other trademarks or other intellectual property rights which are material in relation to our Group's business.

**C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS AND DIRECTORS****1. Disclosure of Interests***(a) Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following completion of the Capitalisation Issue and the Placing (without taking account any Shares to be issued upon exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors or chief executive of our Company in shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on GEM, would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including

any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors to be notified to our Company and the Stock Exchange, will be as follows:

(i) *Long position in the Shares*

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Placing</b>	<b>Percentage of shareholding immediately following completion of the Capitalisation Issue and the Placing</b>
Mr. Ma	Interest in a controlled corporation ( <i>Note 1</i> )	245,300,400	36.62%
Mr. Yi	Interest of a spouse ( <i>Note 2</i> )	116,580,000	17.40%

*Notes:*

1. The Shares are registered in the name of Sun Universal, the issued share capital of which is owned as to 100% by Mr. Ma. Accordingly, Mr. Ma is deemed to be interested in all the Shares held by Sun Universal for the purpose of Part XV of the SFO.
2. Mr. Yi is the husband of Ms. Zhang. Accordingly, Mr. Yi is deemed to be interested in all the Shares which Ms. Zhang is interested for the purpose of Part XV of the SFO.

*(b) Interests of substantial and other Shareholders in the Shares and underlying Shares*

So far as is known to our Directors and taking no account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following completion of the Capitalisation Issue and the Placing, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the issued shares of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries:

*Long position in the Shares*

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number of Shares held/interested</b>	<b>Percentage of shareholding</b>
Sun Universal	Beneficial owner	245,300,400	36.62%
Brilliant Talent	Beneficial owner	116,580,000	17.40%
Ms. Zhang	Interest in a controlled corporation ( <i>Note 1</i> )	116,580,000	17.40%
Ms. Hung Fung King Margaret	Interest of spouse ( <i>Note 2</i> )	245,300,400	36.62%

*Notes:*

1. These Shares are held by Brilliant Talent, the issued share capital of which is owned as to 100% by Ms. Zhang. Accordingly, Ms. Zhang is deemed to be interested in all the Shares held by Brilliant Talent for the purpose of Part XV of the SFO.
2. Ms. Hung Fung King Margaret is the spouse of Mr. Ma. Accordingly, Ms. Hung Fung King Margaret is deemed to be interested in the Shares held by Mr. Ma for the purpose of Part XV of the SFO.

**2. Particulars of service agreements***(a) Executive Directors*

Each of our executive Directors has entered into a service contract with our Company on 19 December 2016. The principal particulars of these service contracts are:

- (i) the service contract shall become effective from the Listing Date and shall continue unless terminated in accordance with the terms therein. Under the terms of the service contract, the service contract may be terminated by not less than six months' notice served by either party on the other, and
- (ii) the term of service of a Director is subject to retirement by rotation of Directors as set out in the Memorandum and the Articles;

- (iii) commencing from the Listing Date, each of the executive Directors is entitled to an initial annual salary set out sub-paragraph (c) of paragraph headed “Remuneration of Directors” below, such salary to be reviewed annually by the Board. In addition, each of the executive Directors is entitled to such discretionary bonus as the Board may approve, provided that the aggregate amount of the bonus payable to all the executive directors of the Company for any financial year of the Company shall not exceed 30% of the combined profits attributable to shareholders of the Company (after payment of such discretionary bonuses) in respect of that financial year of the Company.

(b) *Non-executive Director and independent non-executive Directors*

Each of the non-executive Director and the independent non-executive Directors has signed an appointment letter with our Company on 19 December 2016. The principal particulars of these appointments are:

- (i) appointment shall be for a term of three years commencing from the Listing Date and which may be terminated by not less than three months’ notice served by either party on the other,
- (ii) the term of service of a Director is subject to the provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles; and
- (iii) commencing from the Listing Date, each of the non-executive Directors and the independent non-executive Directors is entitled to an initial director’s fee set out sub-paragraph (c) of paragraph headed “Remuneration of Directors” below, such director’s fee to be reviewed annually by our Board.

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

**3. Remuneration of Directors**

- (a) The aggregate amount of emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) paid by our Group to our Directors in respect of each of the year ended 31 December 2014 and 2015 were approximately RMB0.6 million and RMB0.6 million, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2016 will be approximately HK\$1.1 million.



- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
<b>Executive Directors</b>	
Mr. Yi Cong	569,185
Mr. Liang Xing Jun	191,149
<b>Non-executive Director</b>	
Mr. Ma Gary Ming Fai	—
<b>Independent non-executive Directors</b>	
Mr. Chan Wing Kit	120,000
Ms. Cao Shao Mu	120,000
Mr. Kwok Sui Hung	120,000

None of the Directors or any past directors of any member of the Group has been paid any sum of money during the Track Record Period (i) as an inducement to join or upon joining the Company; or (ii) 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.

Save as disclosed above, no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

#### **4. Agency fees or commissions received**

Save as disclosed in the section headed “Underwriting — Commission and expenses” in this prospectus, and in the paragraph headed “Sponsor” in this Appendix, none of our Directors or the experts named in the paragraph headed “Consents of experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

#### **5. Related party transactions**

Details of the related party transactions are set out under Note 29 to the Accountant’s Report of our Group set out in Appendix IA to this prospectus and under Note 24 to the Accountant’s Report of Sichuan Greenland set out in Appendix IB to this prospectus.

**6. Disclaimers**

Save as disclosed in this prospectus as at the Latest Practicable Date:

- (a) taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the paragraph headed “A. Further information about our Company” in this appendix, and taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Placing, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the issued shares of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries;
- (b) taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on GEM;
- (c) none of the Directors or the experts named in the sub-paragraph headed “6. Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of the Directors or the experts named in the sub-paragraph headed “6. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of the Directors or the experts named in the sub-paragraph headed “6. Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the top five customers or the top five suppliers of our Group.

#### D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our Board and the Shareholders on 19 December 2016.

For the purpose of this section, the following expressions have the meanings set out below unless context otherwise requires:

“Adoption Date”	means 19 December 2016, the date on which the Share Option Scheme is conditionally adopted by our Company by the written resolutions of the Shareholders;
“Board”	means our Board from time to time or a duly authorised committee thereof;
“Eligible Employee”	means any employee (whether full time or part time employee, including any executive Directors) of our Company, any of its Subsidiaries and any Invested Entity;
“Grantee”	means any Participant who accepts the offer of the grant of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee or the legal representative of such person;
“Group”	means our Company and its Subsidiaries from time to time and “member(s) of our Group” shall be construed accordingly;
“Invested Entity”	means any entity in which our Group holds any equity interest;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme and for the time being subsisting;
“Option Period”	means in respect of any particular Option, such period as our Board may in its absolute discretion determine, save that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and that our Board may at its discretion determine the minimum period for which the Option has to be held before the exercise of the Option;

- “Participant” means any person belonging to any of the following classes of participants:
- (a) any Eligible Employee;
  - (b) any non-executive director (including independent non-executive directors) of our Company, any of its Subsidiaries or any Invested Entity;
  - (c) any supplier of goods or services to any member of our Group or any Invested Entity;
  - (d) any customer of our Group or any Invested Entity;
  - (e) any person or entity that provides research, development or other technological support to our Group or any Invested Entity;
  - (f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
  - (g) any adviser (professional or otherwise) or consultant to any area of business or business development of our Group or any Invested Entity; and
  - (h) any other group or classes of participants who have contributed or may contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of our Group,
- and for the purposes of the Share Option Scheme, the Options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of Participants or any discretionary object of a Participant which is a discretionary trust; and
- “Scheme Period” means a period commencing on the Adoption Date and ending on the tenth anniversary of the Adoption Date (both dates inclusive).

**(a) Purpose of Share Option Scheme**

The purpose of the Share Option Scheme is to provide incentives or rewards to Participants for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group and any Invested Entity.

**(b) Who may join**

Subject to Share Option Scheme and the GEM Listing Rules, our Board shall be entitled at any time and from time to time within the Scheme Period to offer to grant to any Participant as our Board may in its absolute discretion select, and subject to such conditions as our Board may think fit, an Option to subscribe for such number of Shares as our Board may determine at a price calculated in accordance with sub-paragraph (d) below.

Upon acceptance of an offer for grant of Option(s), the Participant shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 21 days from the date of the grant.

**(c) Grant of option and acceptance of offer**

No offer of grant of Options shall be made where inside information has come to our Company's knowledge until an announcement of such inside information has been published in accordance with the GEM Listing Rules and/or Part XIVA of the SFO. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approval of the results of our Company for any year, half-year or quarter-year period (if applicable) or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for our Company to publish an announcement of the results for any year, half-year or quarterly (if applicable) or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the announcement of the results, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement. Our Board may not grant any option to a Participant who is a Director during the periods or times in which such Directors are prohibited from dealing in the Shares prescribed by Rules 5.48 to 5.67 of the GEM Listing Rules or any corresponding codes or securities dealing restrictions adopted by our Company.

No Participant shall be granted Options which if exercised in full would result in the total number of Shares already issued under all the Options granted to him which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of Shares in issue, provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting, our Company may make further grant of Options to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the total number of Shares already issued under all the Options granted to such Participant which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month period exceed 1% of the total number of Shares in issue. In such circumstances, we must send a circular to the Shareholders and the circular must disclose the identity of the Participant, the number and terms of the Options to be granted and Options previously granted to such Participant and all the information required under the GEM Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Participant must be fixed before the

Shareholders' approval and the date of the meeting of our Board for proposing such further grant of Option should be taken as the date of grant for the purpose of calculating the relevant subscription price.

Unless our Board otherwise determined and stated in the offer of the grant of Options to a Participant, a Grantee is not required to achieve any performance target before any Options granted under the Share Option Scheme can be exercised.

**(d) Price of Shares**

The subscription price for the Shares subject to any particular Option shall be such price as determined by our Board in its absolute discretion at the time of the grant of the relevant Option but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the Option, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant of the Option; and (iii) the nominal value of a Share.

For the purpose of determining the relevant subscription price where the Shares have been listed on the Stock Exchange for less than five trading days preceding the date of the grant of the Option, the issue price of the Shares shall be deemed to be the closing price of the Shares on the Listing Date for any trading day falling within the period before the Shares are listed on the Stock Exchange.

**(e) Maximum amount of Shares**

- (i) The total number of Shares which may be issued upon exercise of all Options (excluding for this purpose Options which have lapsed in accordance with the terms of the Share Option Scheme and any other schemes) to be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the Shares in issue on the Listing Date. On the basis of 670,000,000 Shares in issue on the Listing Date, the limit will be equivalent to 67,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.
- (ii) Our Company may refresh the 10% limit by seeking prior approval from Shareholders in a general meeting, provided that the total number of Shares which may be issued upon exercise of all Options and any other share option schemes of our Company, in aggregate, must not exceed 10% of the total number of Shares in issue as at the date of such Shareholders' approval of the refreshed limit. Options previously granted under the Share Option Scheme or any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option scheme) will not be counted for the purpose of calculating the refreshed limit.
- (iii) Our Company may also grant Options beyond the 10% limit by seeking Shareholders' approval in a general meeting, provided that the Grantee(s) of such Option(s) must be specifically identified by our Company before such approval is sought. In such event, our Company shall send a circular to its Shareholders containing a generic description

of the specified Grantees who may be granted such Options, the number and terms of such Options to be granted, the purpose of granting such Options, an explanation as to how the terms of the Options serve such purpose and the information required by the GEM Listing Rules.

- (iv) Notwithstanding the foregoing, our Company must not grant any options if the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company, exceed 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

**(f) Time of exercise of Option**

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by our Board absolutely, provided that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme. Our Board may, at its discretion, determine the minimum period for which the Option has to be held before the Option can be exercised.

The exercise of any Option shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of shares upon exercise of options.

**(g) Rights are personal to grantee**

An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Grantee shall entitle us to cancel any outstanding Option or part thereof granted to such Grantee (to the extent not already exercised) without incurring any liability on our Company.

**(h) Rights on death**

If a Grantee dies before exercising the Options in full, his legal personal representative(s) may exercise the Options in whole or in part (to the extent that it has become exercisable and not already exercised prior to such date of death) within a period of 12 months from the date of death, failing which such Option will lapse.

**(i) Changes in capital structure**

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction or similar reorganisation of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding alterations (if any) shall be made in:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or
- (ii) the subscription price; and/or
- (iii) the method of exercise of the Option; and/or
- (iv) the maximum number of Shares referred in sub-paragraph (e) above and the Further Grant referred in sub-paragraph (c) above.

Our Company's independent financial adviser or auditors shall certify in writing to our Board as to whether the corresponding alterations are in their opinion fair and reasonable. Any alteration shall be made on the basis that the proportion of the issued share capital of our Company to which a Grantee is entitled after such alteration shall remain the same as that to which he was entitled to before such alteration and that the aggregate subscription price payable by a Grantee on the full exercise of any Option shall remain as close as possible (but shall not be greater than) as it was before such event. No such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value and no such adjustment will be required in circumstances where there is an issue of Shares or other securities of our Group for cash or as consideration in a transaction.

The capacity of our Company's auditors and independent financial advisers is that of experts and not of arbitrators and their certification, in the absence of manifest error, shall be final and binding on our Company and the Grantees. The cost of our independent financial advisers and the auditors shall be borne by us.

**(j) Rights on take-over**

In the event of a general or partial offer (whether by way of take-over offer, merger, share repurchase offer, or privatisation proposed by scheme of arrangement or otherwise in like manner), is made to all Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert (as defined in the Takeovers Code) with the offeror, we shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders. If such offer becomes or is declared unconditional, the Grantee shall be entitled to exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to us in exercise of the Option at any time with 14 days after the date on which such offer becomes or is declared unconditional.



**(k) Rights on a compromise or arrangement**

- (i) In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, we shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all Grantees and thereupon, each Grantee, subject to the provisions of all applicable laws (or where permitted under sub-paragraph (h) above, and his legal personal 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 two Business Days prior to the proposed general meeting of our Company by giving notice in writing to us, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon we 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 our Company to participate in the distribution of assets of our Company available in liquidation.
- (ii) In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, we shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any Grantee (or where permitted under sub-paragraph (h) above his legal personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the 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. We 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 would have been the case had such Shares been subject to such compromise or arrangement.

**(l) Rights of Grantee ceasing to be a Participant**

In the event of the Grantee ceasing to be a Participant for any reason other than his death or termination of his employment on one or more of the grounds specified in the sub-paragraph (m)(iv) below, then, if the Option Period has not at the date of such cessation commenced, the Option shall lapse and if the Option Period has commenced, the Grantee may exercise the Option in accordance with the Share Option Scheme, 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) which date shall be the last actual working day with our Company or the relevant Subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not, or such longer period following the date of cessation as our Board may determine.

**(m) Lapse on option**

An Option shall lapse automatically and shall cease to be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period (subject to the provisions of the Share Option Scheme);
- (ii) the expiry of any periods referred to in paragraphs (h) and (l);
- (iii) the date on which the offer (or the case may be, revised offer) referred to in sub-paragraph (j) above closes;
- (iv) subject to sub-paragraph (k)(i) above, the date of the commencement of the winding-up of our Company;
- (v) the date on which the Grantee ceases to be a Participant by reason of the termination of his employment on any one or more of the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment summarily at common law or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant Subsidiary or the relevant Invested Entity. A resolution of our Board or the board of directors of the relevant Subsidiary or the board of directors of the relevant Invested Entity to the effect that employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the Grantee;
- (vi) subject to sub-paragraph (k)(ii) above, the date when the proposed compromise or arrangement becomes effective;
- (vii) the date on which the Grantee commits a breach of sub-paragraph (g) above; or
- (viii) if our Directors 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 our 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 creditors generally, our Directors shall determine that the outstanding Options granted to the Grantee (whether exercisable or not) shall lapse. In such event, his Options will lapse automatically and will not in any event be exercisable on or after the date on which our Directors have so determined.

**(n) Ranking of Shares**

Shares allotted and issued upon exercise of an Option will be subject to all provisions of our Company's articles of associations amended from time to time and will carry the same rights in all respects with the existing fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of our Company and accordingly will entitle the holder to participate in all dividends or other distributions paid or made on or after the date when the name of the Grantee is registered on the register of members of our Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the Grantee is registered on the register of members of our Company, provided always that when the date of exercise of the Option falls on a day upon which the register of members of our Company is closed then the exercise of the Option shall become effective on the first Business Day in Hong Kong on which the register of members of our Company is re-opened. A Share allotted upon exercise of an Option shall not carry any voting right until the completion of the registration of the Grantee as the holder thereof.

**(o) Cancellation of Options granted**

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be subject to the prior written consent of the relevant Grantee and approval of our Directors.

Where our Company elects to cancel Options and issue new ones to the same Grantee, the issue of such new Options may only be made under a scheme with available unissued Options (excluding cancelled Options) within the limit approved by the Shareholders.

**(p) The Scheme Period**

Subject to the termination of the Share Option Scheme, the Share Option Scheme will be valid and effective for the Scheme Period, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the Scheme Period and remain unexercised immediately prior to the end of the Scheme Period shall continue to be exercisable in accordance with their terms of grant, notwithstanding the expiry of the Share Option Scheme.

**(q) Alteration and termination of Share Option Scheme**

The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of participants except (i) with the approval of the Shareholders in general meeting; or (ii) where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of our Board in relation to any alteration to the term of the Share Option Scheme shall be approved by the Shareholders in general meeting except where the alteration take effect automatically under the existing terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules and 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 options granted under the Share Option Scheme and provided further that any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange.

Our 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.

Our Company, by ordinary resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered. On termination, the provision of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provision of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

**(r) Granting of option to a Director, chief executive of our Company or substantial Shareholder or any of their associates**

Where options are proposed to be granted to a Director, chief executive of our Company or substantial Shareholder, or any of their respective associates, the proposed grant must comply with the requirements of Rule 23.04(1) of the GEM Listing Rules and be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a substantial Shareholder or an independent non-executive Director or their respective associates will result in the Shares issued and to be issued upon exercise of all options granted and to be granted (whether exercised, cancelled or and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the relevant class of Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5.0 million,

then the proposed grant of options must be approved by the Shareholders in a general meeting. At such general meeting, the grantee, his associates and all core connected persons of our Company must abstain from voting, unless they intend to vote against the proposed grant and provided that

his intention to do so has been stated in the circular. Our Company will send a circular to our Shareholders containing all the information required under the GEM Listing Rules, including (i) details of the number and terms of the Options (including the Option period, performance targets (if any), basis of determination of subscription price and the rights attached to the Shares or the Option) to be granted to each substantial Shareholder or independent non-executive Director, or any of their respective associates, which must be fixed before the Shareholders meeting, and the date of our Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price; (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a Grantee of the Options) to the independent Shareholders as to voting; and (iii) all other information as required by the GEM Listing Rules.

In addition, any change in the terms of the Option granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates must also be approved by the Shareholders in a general meeting.

The requirements for the grant of an option to a Director or chief executive of our Company set out in Rules 23.04(1), (2) and (3) shall not apply where the proposed grantee is only a proposed Director or chief executive of our Company.

**(s) Conditions of Share Option Scheme**

The Share Option Scheme is conditional upon (i) the Stock Exchange granting approval of the listing of and permission to deal in the Shares which fall to be issued upon exercise of the Options granted under the Share Option Scheme; and (ii) the commencement of dealings in the Shares on the GEM of the Stock Exchange.

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the approval of the Share Option Scheme, the subsequent granting of Options under Share Option Scheme and listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options granted under the Share Option Scheme.

**E. OTHER INFORMATION**

**1. Tax and other indemnities**

Our Controlling Shareholders (the “**Indemnifiers**”) have entered into the Deed of Indemnity referred to in paragraph (i) of the paragraph headed “Summary of material contracts” in this appendix to provide indemnities on a joint and several basis in respect of, amongst others:

- (a) taxation falling on our Group in respect of or by reference to any income, profits or gains, transactions, events, matters or things earned, accrued, received, entered into or deemed or alleged to be so earned, accrued, received or entered into on or before the

date the conditions of the Placing becomes unconditional as specified under in the section headed “Structure and conditions of the Placing — Conditions of the Placing” in this prospectus (the “**Fulfilment Date**”);

- (b) taxation falling on our Group in respect of or in consequence of any transactions, acts, omission, matters, events or things entered into or occurring or deemed to enter into or occur on or before such date whether alone or in conjunction with any other events, acts or circumstances wherever, however or whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company, including any taxation resulting from the receipt by our Group of any amounts paid by the Indemnifiers under the Deed of Indemnity;
- (c) all or any, damages, losses, claims, fines, penalties to be imposed, charges, fees, costs, interests, expenses (including all legal costs and expenses), actions, proceedings, depletion of assets, loss of profit, loss of business, cost of rectification, costs of removal, costs of reinstatement of property and any other liabilities of whatever nature which:
  - (i) our Company and/or any of our Subsidiaries may sustain, suffer and incur as a result of directly or indirectly or in connection with any litigation, proceeding, investigation, enforcement proceeding, arbitrations, claims (including counter-claims), complaints, demands and/or process by any governmental, administrative or regulatory body which (1) our Group or our Directors and/or representatives is/are involved on or before the Fulfilment Date; and/or (2) arises due to some act or omission of, or transaction voluntarily effected by our Group (excluding any specific provision, reserve or allowance which has been made for such liabilities in the audited consolidated accounts of our Group during the Track Record Period);
  - (ii) our Company and/or any of our Subsidiaries may sustain, suffer, incur or be imposed by any regulatory authorities or courts in Hong Kong, the PRC or any applicable jurisdiction directly or indirectly as a result of any violation or non-compliance or alleged non-compliance by any members of our Group with any applicable laws, rules or regulations of any jurisdiction on or before the Fulfilment Date; and
  - (iii) our Company and/or any of our Subsidiaries may sustain, suffer and incur arising from or in connection with the title defects of the properties owned by our Group or breaches of any leases entered into our Group (either due to non-registration of the lease agreements or any other reasons) which were occurred on or before the Fulfilment Date.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation, among others to the extent that:

- (a) specific provision, reserve or allowance has been made for such taxation or taxation claim in the audited consolidated accounts of our Group for the Track Record Period;
- (b) such taxation arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the Fulfilment Date; or
- (c) such taxation arises in the ordinary course of business of our Group after 31 December 2015 up to and including the Fulfilment Date.

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. Our Directors have been advised that the estate duty under the laws of Hong Kong has been abolished.

## **2. Litigation**

Our Directors confirmed that save as disclosed in the section headed “Business — Litigation” of this prospectus, as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

## **3. Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the Listing Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus, including the New Shares and any Shares which may fall to be issued pursuant to the Capitalisation Issue and the exercise of the options which may be granted under the Share Option Scheme.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 6A.07 of the GEM Listing Rules.

### *Sponsor's fees*

The fee payable by our Company to the Sole Sponsor to act as sponsor in relation to the Listing is HK\$4.8 million, and the Sole Sponsor will be reimbursed for their expenses properly incurred in connection with the Placing.

## **4. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company are approximately HK\$34,000 and are payable by our Company.

## **5. Promoter**

Our Company has no promoter.

**6. Qualifications of experts**

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

<b>Name</b>	<b>Qualifications</b>
Convoy Capital Hong Kong Limited	a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities (as defined in the SFO)
BDO Limited	Certified Public Accountants
Appleby	Cayman Islands legal adviser to our Company
Shu Jin Law Firm	PRC legal advisers
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer
Baker Tilly Hong Kong Risk Assurance Limited	Internal control adviser
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

**7. Consents of experts**

Each of the experts named in the sub-paragraph headed “6. Qualifications of experts” in this appendix has given and has not withdrawn its written consent to the issue of this prospectus, with the inclusion of its letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or references to its name included herein in the form and context in which they respectively appear.

**8. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**9. Ordinance registration procedures**

The principal share register of our Company in the Cayman Islands will be maintained by Eстера Trust (Cayman) Limited and a branch share register of our Company will be maintained by Tricor Investor Services Limited, our Hong Kong Branch Share Registrar. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for



registration with, and registered by, our Hong Kong Branch Share Registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

#### **10. No material adverse change**

Save as disclosed in the section headed “Financial Information — Material adverse change” in this prospectus regarding the incurring of listing expenses, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or our subsidiaries since 31 December 2015 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the date of this prospectus.

#### **11. Taxation of holders of Shares**

##### *(a) Hong Kong*

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty.

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

##### *(b) Cayman Islands*

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.

##### *(c) Consultation with professional advisers*

Intending holders of the 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 the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Placing accepts 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.

#### **12. Miscellaneous**

Save as disclosed in this prospectus:

- (i) within the two years immediately preceding the date of this prospectus other than as disclosed in the section headed “History, reorganisation and corporate structure” and in this Appendix V to this prospectus:
  - (aa) no share or loan capital of our Company or any of its subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;

- (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and
- (cc) no commission has been paid or payable (except to sub-underwriters) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of its subsidiaries;
- (ii) no founders, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;
- (iii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (iv) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus;
- (v) none of the experts named in the sub-paragraph headed “6. Qualifications of experts” in this appendix:
  - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
  - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
- (vi) our Company and our subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (vii) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (viii) there are no arrangements in existence under which future dividends are to be or agreed to be waived; and
- (ix) our Group has no outstanding convertible debt securities.

**13. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). The English text of this prospectus shall prevail over the Chinese text in case of any discrepancy between the two versions.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- i. the written consents referred to in the paragraph headed “E. Other information — 7. Consents of experts” in Appendix V to this prospectus; and
- ii. a copy of each of the material contracts referred to in the paragraph headed “B. Further information about the business — 1. Summary of material contracts” in Appendix V to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Guantao & Chow at Suites 1604–6, 16th Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- i. the Memorandum and the Articles;
- ii. the accountants’ report and the report on unaudited pro forma financial information prepared by BDO Limited, the texts of which are set out in Appendices IA, IB and II to this prospectus;
- iii. the audited combined financial statements of the companies comprising the Group for the two years ended 31 December 2015;
- iv. the letter, summary of valuation and valuation certificates relating to the property interests of our Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the texts of which are set out in Appendix III of this prospectus;
- v. the letter of advice from Appleby, our Cayman Islands legal advisers, summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;
- vi. the legal advice prepared by our PRC Legal Advisers in respect of certain aspects of our Group in the PRC;
- vii. the report on internal control review prepared by Baker Tilly Hong Kong Risk Assurance Limited;
- viii. the material contracts referred to in the paragraph headed “B. Further information about the business — 1. Summary of material contracts” in Appendix V to this prospectus;
- ix. the written consents referred to in the paragraph headed “E. Other Information — 7. Consents of experts” in Appendix V to this prospectus;

- x. the service agreements and letters of appointment of each of our Directors referred to in the paragraph headed “C. Further information about substantial shareholders, directors and experts — 2. Particulars of service agreements” in Appendix V to this prospectus;
- xi. the Companies Law;
- xii. the rules of the Share Option Scheme; and
- xiii. the report on China’s Furniture Market Study prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.

**ZHI SHENG GROUP  
HOLDINGS LIMITED**  
智昇集團控股有限公司