



**China Puda High-Tech Holdings Limited**

ACN 154 050 656

# Information Memorandum



## Important Information

This is an important document that should be read in its entirety. If you do not understand any component of this Information Memorandum you should consult your professional advisors.





# Important Notice

## **Issue of this document**

This document has been prepared by China Puda High-Tech Holdings Limited (the Company) in connection with its application to the NSX for admission of its ordinary shares to listing. The Company does not seek to raise capital in connection with its proposed NSX listing, and is therefore proposing a compliance listing only.

This document is dated 13 September 2013. A copy of this document was lodged with the NSX on 13 September 2013. Neither the NSX nor any of its officers takes any responsibility for the content of this document.

## **Purpose of this document**

This document has been prepared solely for information purposes and to assist investors in evaluating the Company. Neither the Company nor any other person (not limited to any person named in this document) has independently verified any of the information or data contained in this document.

This document is not a prospectus or a disclosure document within chapter 6D of the Corporations Act.

## **Investment decisions**

This document is not, and should not be construed as, a recommendation or advice by the Company or by any other person (not limited to any person named in this document) to invest in the Company now or at any time in the future. Any prospective investor should conduct his or her own investigations and analysis of the Company, its financial condition, the assets and liabilities of the business and its affairs generally including without limitation the contents of this document.

This document does not take into consideration the individual investment objectives, financial situation or particular needs of any particular person. Any prospective investor should take into account his or her own situation and consider seeking independent advice from suitably qualified professional sources before deciding whether or not to invest in the Company.

**Application has been made for listing of the Company's securities offered by this disclosure document to the National Stock Exchange of Australia Limited.**

**The fact that the National Stock Exchange of Australia Limited may list the securities of the Company is not to be taken in any way as an indication of the merits of the Company or the listed securities.**

**The National Stock Exchange of Australia Limited takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.**

## **No liability for costs**

Neither the Company nor any other person (not limited to any person named in this document) accepts any responsibility for any costs incurred by any person in relation to that person's evaluation of the Company pursuant to this document or otherwise.

## **Forward-looking statements**

This document contains forward-looking statements. Those forward-looking statements reflect views held only as at the date of this document. Any such statement is subject to inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement, and such deviations are both normal and to be expected.

Neither the Company, nor any of its officers or any person named in this document with their consent or any person involved in the preparation of this document, makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement or any events or results expressed or implied in any forward-looking statement. Any intending investor in the Company is cautioned not to place undue reliance on any such statement.



### **Exclusion of Liability**

Nothing in this document is a promise or representation as to the future. Any prospective investor must make his or her own investigations and enquiries about the assumptions, uncertainties and contingencies which may affect the Company. Neither the Company nor any other person (not limited to persons named in this document) has authorised the making of any statement not expressly contained in this document.

### **Defined terms**

Defined terms used below and elsewhere in this document (indicated with initial capital letters) are explained in the glossary in Chapter 15 of this document.

### **Currency of information**

All information in this document is, unless otherwise specifically stated, current only as at the date of issue of this document and then only to the extent that relevant information is available at the time of compilation of this document.

The publication of this document does not create any implication that there will be, or has been, no change in the business or affairs of the Company the date of issue of this document. the Company may in its absolute discretion update or supplement this document but is under no obligation to do so.

### **Miscellaneous**

All financial information presented in this Information Memorandum is stated in Australian dollars (AUD) unless otherwise indicated. Unless otherwise stated, an exchange rate of RMB 1:A\$0.1546 has been used in this Information Memorandum for the purposes of converting all pro forma financial information expressed in Renminbi to Australian dollars.

For all other financial information in this Information Memorandum, year-end exchange rates for Calendar Financial Year information as at:

31 December 2012 of RMB 1:A\$0.1546;

31 December 2011 of RMB 1:A\$0.1560;

and average exchange rates for Calendar Financial Year information (such as a statement of income, revenue or NPAT) for the years ended:

31 December 2012 of RMB 1:A\$0.1530

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# Investors' Summary

We are undertaking a compliance listing of 150,000,000 issued ordinary shares, currently held by members of the Company on the National Stock Exchange of Australia Limited.

## Established Brands

We have achieved success in establishing our own proprietary brands - "HENNIU", "KEREN" and "e.bear" - covering clothing, shoes and apparel for children through to adults in the rapidly expanding Chinese market. We believe that our brands are integral to the success of our business operations in the PRC and overseas. Increased awareness of our brands has enabled us to expand our distribution network within China.

## Extensive Wholesale and Distribution Network

Leveraging on our brand image and recognition, we have established an extensive wholesale and retail distribution network across the PRC to sell our products to a wide domestic market. As at 30 June 2013, based on our Directors' knowledge and belief, our products were retailed across 21 provinces in the PRC at 1203 retail locations, of which 205 were brand stores and 998 were shop counters. Our extensive network of PRC wholesalers and licenced distributors have entrenched the market presence of our brands and positioned us well to capitalise on the increasing consumer spending power in the PRC.

Wholesalers and licenced distributors sell our products to domestic markets within China, and also wholesalers sell our products internationally into the Middle East, Southeast Asia, Europe and Africa.

# Investors' Summary - continued

## **Fast Growing Industry**

We are a fast growing fashion Company based in China focusing on the sales of children's and adult's footwear, clothing apparel and accessories. According to statistics compiled by Euromonitor International Limited,<sup>1</sup> retail sales of apparel in China increased by over 28% from 2009 to 2011, and it is estimated that the apparel market will increase a further 27% during the period of 2011 to 2013 backed by an expanding urban population.

## **Strong Earnings Growth**

Over our short operating history, we have delivered strongly on our financial results. Recording a small loss in 2010, being our first year of operations, we achieved revenue of \$48.0 million and net profit after tax of \$8.2 million in 2011. In 2012 we achieved revenue of \$58.4 million and net profit after tax of \$10.3 million.

## **Strong Management Background**

Mr Cheng Chin-Jung, the CEO and co-founder of China Puda has more than 20 years' experience in the apparel and footwear industry. The Company's key management team also have extensive experience in the industry.

1. Apparel Market in China, Euromonitor International Ltd, 22 November 2012, page 5.

# Key Risks of the Investment

The Company's business is located and conducted in China, such that its operations will be subject to the risk of political and economic instability in China.

The markets in which the Company sells its products are highly competitive and characterised by the existence of other competitors creating continuous pricing pressure.

The Company's future depends, in part, on the continued contributions of its executive management team and other key management and technical personnel, each of whom would be difficult to replace.

The Company is subject to the tax regimes of China and Australia.

The Company's three brands are of extreme importance in the Company's ability to trade

The Company's success depends upon its ability to deliver high quality products to its licenced distributors at an acceptable cost.

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market processes. The Company's future revenues and Share price may be affected by these factors.

The Company's success relies significantly on strategic relationships with other Companies, some of which are related parties.

## Chairman's Letter



Dear Investors,

On behalf of the Directors of China Puda High-Tech Holdings Limited, I have great pleasure in presenting this Information Memorandum.

We are a fast growing fashion Company focusing on the sales of children's and adult's footwear, clothing apparel and accessories.

According to statistics compiled by Euromonitor International Limited, retail sales of apparel in China increased by over 28% from 2009 to 2011, and it is estimated that the apparel market will increase a further 27% during the period of 2011 to 2013, providing further opportunities for our growth.

We have actively developed our brands namely "HENNIU", "KEREN" and "e.bear", which enjoyed tremendous success amongst consumers within and outside of China. We manage our brands through original and innovative apparel and footwear designs and actively monitor our extensive distribution network. We outsource our design and product manufacturing to reliable third party designers and manufacturers, some of which are related parties.

As at 30 June 2013 our products were retailed across 21 provinces in the PRC at 1203 retail locations, of which 205 were brand stores and 998 were shop counters as well as in the Middle East, Southeast Asia, Europe and Africa.

This Information Memorandum explains our products, operations and financial position. We are pleased to complete our listing on the National Stock Exchange of Australia.

I encourage you to read this Information Memorandum closely, so that you understand the nature and prospects of our business.

Yours faithfully,



Cheng Chin-Jung  
Chairman  
China Puda High-Tech Holdings Limited



## Investment Overview

Question	Answer
Who is issuing this Information Memorandum?	China Puda High-Tech Holdings Limited ACN 154 050 656 (China Puda or Company)  For more information see Chapter 5.
WHAT IS THE BUSINESS MODEL?	
How we generate income and promote capital growth.	We are a brand manager. We sell our own brands of children's and adult's footwear, clothing apparel and accessories via wholesalers and through product licensing agreements to PRC distributors. The wholesalers sell our products via 998 shop counters throughout PRC and into the Middle East, Southeast Asia, Europe and Africa although the specific locations of overseas sales are outside the Company's control. The licenced distributors sell the Company's branded products through 205 branded stores in 21 provinces in China.  We focus on brand recognition strategies. We market, promote and advertise our brands aggressively and in a targeted fashion. We use competent wholesalers and manufacturers and licence qualified, experienced distributors.  For more information see Chapter 5.
KEY RISKS	
What are the key risks associated with our business model?	We neither design nor manufacture our products. We sell our products through licencees so are reliant upon third parties for the design, manufacture and sales of our products.  For more information see Chapters 2 and 8
FINANCIAL INFORMATION	
Revenue	Revenue in CY2011 was \$48.0 million and \$58.4 million in CY2012  For more information see Chapter 10.
Net Profit After Tax	NPAT in CY2011 was \$8.2 million and in CY2012 NPAT was \$10.3 million.  For more information see Chapter 10.

## Investment Overview - continued

Question	Answer
DIRECTORS AND SENIOR MANAGERS	
Who will be the directors and senior managers of the Company?	<p><b>Directors</b></p> <p>Mr Cheng Chin-Jung – Chairman and CEO More than 20 years experience in the shoe and apparel industry.</p> <p>Mr Hu Chih-Cheng – Executive Director 18 years experience in business management.</p> <p>Mr Chua Ser Miang - Non-Executive Director 20 years experience in the finance industry.</p> <p>Lina Sun – Non-Executive Director 15 years in senior management roles.</p> <p>Ms Hongmiao (Tracey) Du – Non-Executive Director 5 years experience as a finance and investment professional.</p>
DIRECTORS AND SENIOR MANAGERS - continued	
	<p><b>Senior Management</b> <b>The senior management team comprises:</b></p> <p>Mr Jiang Ting (CFO) Qualified Certified Practicing Accountant (Aust)</p> <p>Mr Chen Jih-Kai (R&amp;D – Fujian Puda (WFOE)) Degree in Chemical Engineering 1970.</p> <p>Ms Ye Chengxiang (Supplier Control – Fujian Puda (WFOE)) Degree in Foreign Accounting 2000. Business Administration Degree 2011.</p> <p>Mr Cheng Weiyu (Logistics Centre – Fujian Puda(WFOE)) Degree in Business Administration (Taiwan) 1993.</p> <p>For more information see Chapter 6.</p>

Question	Answer
INTERESTS, BENEFITS AND RELATED PARTY TRANSACTIONS: WHO WILL BENEFIT?	
Explain any significant interests and benefits payable to directors and other persons connected with the issuer and any significant related party transactions.	Mr Cheng Ch in-Jung owns 57.14% of China Puda Investment Co.,Ltd. Mr Liu Yongjin holds the remaining 42.86% in China Puda Investment Co., Ltd. Mr Liu Yongjin and his family members are involved with key suppliers and customers of Fujian Puda (WFOE). China Puda Investment Co., Ltd owns 91,875,000 shares in the Company (currently 61.25% of the Shares). For more information see Chapters 6 and 11.
Are there any shareholders that will have voting power of 20% or more?	Yes, China Puda Investment Co Ltd has greater than 20% ownership of the Company. For more information see Chapter 13 below.

## Working capital adequacy

The Directors are satisfied that the Company will have sufficient funds to carry out its stated objectives.

## Enquiries

This document is important and should be read in its entirety. If you are in any doubt as to the course of action to be followed you should immediately consult with your stockbroker, lawyer, accountant or other professional advisor.

If you have questions about the Company, please contact the Company at +61 3 9935 5215.



## Business Overview

The Company is a brand manager. We sell our products to wholesalers and licenced distributors. We aggressively market our branded footwear, casual clothing apparel and accessories, for children, teenagers and adults under our proprietary brands, HENNIU, Keren and e.bear. The Company has a strong focus on brand management, product development and quality.

The Company engages third parties to undertake the design, manufacture and distribution of its casual clothing apparel and footwear products. Some of these third parties are related parties and are discussed in more detail in Chapter 11.

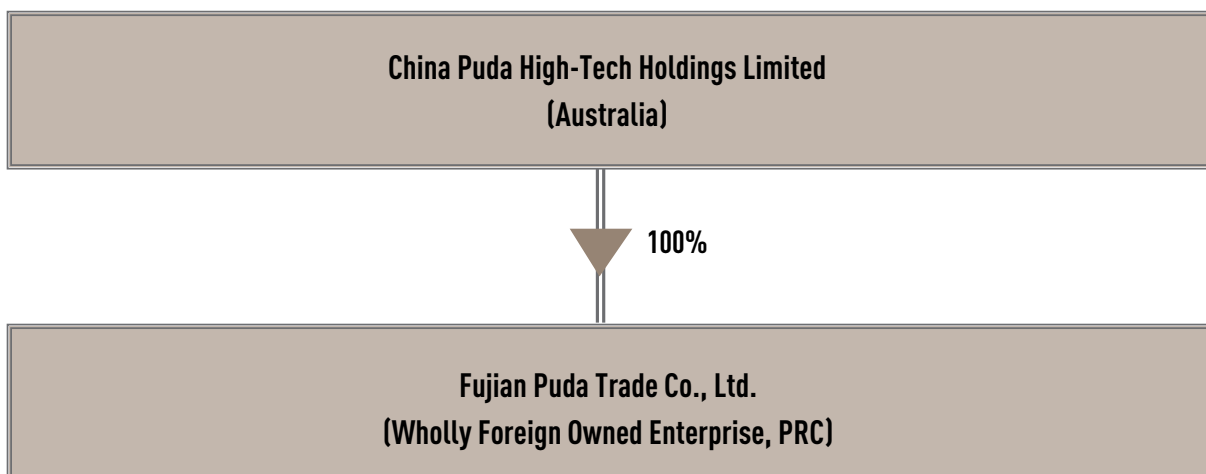
The distribution of the Company's products is primarily to wholesalers and through product licensing agreements to PRC distributors. The licenced distributors sell the Company's branded products through their branded stores. The wholesalers sell products to 998 shop counters in the PRC and sell products in the Middle East, Southeast Asia, Europe and Africa although the specific locations of overseas sales are outside the Company's control.

As at 30 June 2013 our products were retailed across 21 provinces in the PRC at 1203 retail locations, of which 205 were brand stores and 998 were shop counters.



## Corporate Structure

The Company's corporate structure



## Products

The Company's product range is outlined in the table below.

Brand Name	Products	Start Date	Brand Description
KEREN	Shoes and Apparel	1/8/2011	Appropriate for ages 2-9.
e.bear	Shoes	1/1/2010	Appropriate for ages 3-15, the brand is targeted at families with parental income of \$185 - \$928 per month.
HENNIU	Shoes and Apparel	1/12/2010	Appropriate for ages 25-40, the brand targets individuals with a personal income of \$279 - \$1,546 per month.

# Business Overview - continued

## Sales and Marketing

The Company has established a network of wholesalers and licenced domestic distributors who sell in 21 provinces to provide a sales presence in key geographic regions.

Map of PRC showing the Company's distribution network







## Intellectual Property

Fujian Puda (WFOE) has one registered patent and holds 28 registered trade marks.









### Patent











The Company holds a patent for its far infra-red technology. The details of this patent are set out below:

Type	Utility Model Patent Certificate
Publication Number	202007355U
Patent type:	Utility model patent
Patent name:	Processing equipment of far infrared clothes, shoes and hats.
Inventor:	Chen Jih -Kai (陈日开)
Patent holder:	Fujian Puda (WFOE)
Issuing unit:	China's State Intellectual Property Office (CSIPO)
Application Date	18/03/11
Publication Date	12/10/11
Valid term	18 March 2011 to 17 March 2021













## Business Overview - continued

No	Trade mark	Class and products/ services covered	Registration Number	Issuing Authority	Owner	Duration of right
1		Class 16 / Paper, disposable nappies, advertisement boards of paper or cardboard, books, graphic representations (painting and calligraphy), writing materials, pen, teaching aids (except experiment equipment), easel, ticket	8479030	China Trade Mark Office (CTMO)	Fujian Puda (WFOE)	28/07/11 -27/07/21
2		Class 25 / Clothing, baby wear, swimming suit, shoes, stockings, cap, glove (dress and personal adornment), tie, belt (dress and personal adornment), trekking shoes	8478988	CTMO	Fujian Puda (WFOE)	28/07/11 -27/07/21
3		Class 25 / clothing, baby wear, swimming suit, shoes, stockings, cap, glove (dress and personal adornment), tie, belt (dress and personal adornment), trekking shoes	8481896	CTMO	Fujian Puda (WFOE)	28/07/11 -27/07/21
4		Class 22 / Rope, net, sail, woven bag, filler, fibre textile raw material, vehicle cover(non-installation), waterproof canvas, tent, bottle with straw packaging	8481845	CTMO	Fujian Puda (WFOE)	28/09/11 -27/09/21
5		Class 23 / Yarn, line, wool and woollen yarn, artificial lines and yarn, rayon, cotton and cotton yarn, nylon line, wool, textile elastic yarn and thread, wool	8481848	CTMO	Fujian Puda (WFOE)	28/09/11 -27/09/21
6		Class 35 / Advertising, business management assistance, promotion for others, personal management consulting, business district migration(information), office machines and equipment rental, accounting, vending machine rental, the display of goods on communication media for retail purposes, organization commercial or advertising trade fair	8481858	CTMO	Fujian Puda (WFOE)	21/08/11 -20/08/21
7		Class 18 / Leather, wallet, hide(animal skin), umbrella, walking-sticks, saddlery, sausage casings, bags, sports bags, leather cushion	8481830	CTMO	Fujian Puda (WFOE)	14/11/11 -13/11/21
8		Class 24 / Cloth, non-woven fabrics, textile wall, felt, textile towels, paper bedspread, textile furniture covers, washing gloves, Hada, banner	8481852	CTMO	Fujian Puda (WFOE)	14/11/11 -13/11/21

9		Class 26 / Shoe laces, clothing accessories, buttons, wig, needle, artificial flowers, clothing shoulder pads, textiles decorated with a hot adhesive patch(sewing supplies), mark linen slip on with a combination of words, teapot warm sets	8481839	CTMO	Fujian Puda (WFOE)	14/11/11 -13/11/21
10		Class 28 / Game consoles, body-training apparatus, fishing tackle	8347813	CTMO	Fujian Puda (WFOE)	14/06/11 -13/06/21
11		Class 25 / Clothing, babies wear, gym outfit, trekking shoes, shoes, cap, stockings, glove (dress and personal adornment), tie, belt (dress and personal adornment)	8347711	CTMO	Fujian Puda (WFOE)	21/08/11-20/08/21
12		Class 25 / Clothing, knitwear, belt (dress and personal adornment), babies wear, shoes, boots, cap, stockings, tie, glove (dress and personal adornment)	4549406	CTMO	Fujian Puda (WFOE)	14/12/08 -13/12/18
13		Class 25 / Knitwear, babies wear, belt (dress and personal adornment), glove (dress and personal adornment), tie, cap, shoes, stockings, wedding dress	8730740	CTMO	Fujian Puda (WFOE)	07/07/13 - 07/06/23
14		Class 25 / Shoes	949567	CTMO	Fujian Puda (WFOE)	21/02/07 -20/02/17
15		Class 28 / Toy, sports ball, exercise appliances stationary bike, archery equipment, sports activities instrument, swimming pool(entertainment products), athletic gloves(sports instruments), racket absorbing sweat band, game consoles	8479048	CTMO	Fujian Puda (WFOE)	28/10/11 -27/10/21
16		Class 35 / Outdoor advertising, advertising, business inquiries, import and export agency, promotion for others, purchasing for others(purchasing goods and services for other enterprises), personnel recruitment, office machine and equipment rental, audit, searching for sponsorship(end)	8979182	CTMO	Fujian Puda (WFOE)	28/10/11 -27/10/21
17		Class 33 / Green Crème de Menthe, fruit wine(containing alcohol), bitter, arrack, flip, wine, brandy, whisky, rice wine, sake(end)	8979339	CTMO	Fujian Puda (WFOE)	14/02/12 -13/02/22
18		Class 32 / Beer, malt beer, almond syrup, fruit juice, mineral water(beverages), soft drinks, peanut milk(soft drinks), cola, milk tea(non-milk-based), beverages (end)	8979904	CTMO	Fujian Puda (WFOE)	14/02/12 -13/02/22



## Business Overview - continued

19		Class 30 / Coffee, tea, sugar, jelly(candy), honey, biscuits, rice pudding, flour for food, instant noodles, ice cream	8979949	CTMO	Fujian Puda (WFOE)	14/02/12 -13/02/22
20		Class 28 / Plastic sports track	8980070	CTMO	Fujian Puda (WFOE)	07/01/12 -06/01/22
21		Class 14 / Noble metal nail, unforged and unwrought silver, agate, bracelet (jewellery), brooch (jewellery), necklace (jewellery), ring (jewellery), clock, watch, electronic year calendar	8980147	CTMO	Fujian Puda (WFOE)	07/01/12 -06/01/22
22		Class 16 / paper, duplicator ink paper, toilet paper, printed publications, staple, stationery, ink, stationery or household adhesive(glue), whiteboard pen, duplicator	8980191	CTMO	Fujian Puda (WFOE)	07/01/12 -06/01/22
23		Class 18 / Cow hide, schoolbag, packsack, briefcase, travel bag(box), sports bag, fur, umbrella, alpenstock, animal collar	8982200	CTMO	Fujian Puda (WFOE)	07/01/12 -06/01/22
24		Class 20 / hogshhead for holding wine, plastic hook used by cable or pipe, bamboo craft, resin craft, non-metallic clothes-hook, rings for hanging curtains, furniture, mirrors(glass mirror), pillow, billboard	8982283	CTMO	Fujian Puda (WFOE)	07/01/12 -06/01/22
25		Class 25 / clothing, shoes, layettes, swimsuit, trekking shoes, cap, socks, ties, belts(dress and personal adornment), glove(clothing)	8982333	CTMO	Fujian Puda (WFOE)	07/04/12 -06/04/22
26		Class 28 / recreational machine, toy, chess, sports balls, climbing equipment, exercise equipment, fishing tackle, athletic gloves(moving device), neonychium(sets of sportswear parts), plastic runway	8982396	CTMO	Fujian Puda (WFOE)	07/01/12 -06/01/22
27		Class 30 / coffee, tea, sugar, jelly(candy), honey, biscuits, rice pudding, flour for food, instant noodles, ice cream	8982492	CTMO	Fujian Puda (WFOE)	07/01/12 -06/01/22
28		Class 38 / radio, broadcasting, telecast, news agency, news service, information transmission, telegraph transmission, telecommunication, telephone rental, voice mail service	8982707	CTMO	Fujian Puda (WFOE)	07/01/12 -06/01/22

Fujian Puda ( WFOE) has lodged with CTMO applications for 5 trade mark transfers (registration numbers 3227705, 5087693, 5087694,5087695, 5087692). CTMO is currently examining the applications.

## **Competitive strengths**

The Company has established an extensive distribution network across the PRC to sell its products to a wide domestic and international market. As at 30 June 2012, based on the Directors' knowledge and belief, the Company's products were retailed in the Middle East, Southeast Asia, Europe and Africa as well as 21 provinces in the PRC at 1203 retail locations, of which 205 were brand stores and 998 were shop counters.

Fujian Puda (WFOE)'s extensive network of PRC licenced distributors and their respective regional retail networks have entrenched the market presence of the Company's various brands and positioned the Company well to capitalise on the increasing consumer spending power in the PRC.

## **Experienced Management**

China Puda has an experienced management team which has extensive experience in the industry. The Company's operation is headed by its CEO, Mr Cheng Chin-Jung who has over 20 years of experience in the apparel and footwear industry.

## **Research and development**

While the focus of the Company's operations involve brand management of shoe and clothing lines the Company maintains an active research and development department.

Mr Chen Jih-Kai is the general consultant of the Environmental Science and Technology Laboratory of Taiwan Development Institute and provides significant contributions to the Company's research and development activities.

The Company's core research and development relates to the transfer of non-destructive far-infrared energy (heat). While unproven in Australia, this process is marketed in China as being able to help to improve the microcirculatory system, promote a better metabolism and remove toxins from the body.

Fujian Puda (WFOE) is party to a joint research project with Beijing's Tsinghua University via a technology co-operation contract to design small molecule water filters incorporating infrared technology. The project focuses on expanding the Company's production of far-infrared products and further industrializing far-infrared production.

## Directors & Senior Management



### **Mr Cheng Chin-Jung – Chairman and CEO**

Mr Cheng is the Chairman and CEO of the Company. He has more than 20 years experience in the shoe and apparel industry. He is the founder of the Company, the major shareholder and also oversees the entire operation.

Mr Cheng graduated from the National Cheng Kung University of Taiwan in Business Management. He has been a CPC (China Productivity Centre) consultant in the Taiwan China Manufacturing Centre. He has guided and coached companies including Lilang, Joe One, Jordan Sports Shoes, Wuhan Huaheng Group, Spark Rino Shoes, Daphne, Yantai Sam Woo Group, Fujian Jinjiang Brother Crocodile Co., Ltd and JGW Shoes and Clothes Co.

From 1990 - 1995 Mr Cheng was the Chairman of Bao Likang International Co. Ltd. He was then the General Manager of Jin Quantai Industry Co. Ltd. until 1997.

He is a Chair Professor in the MBA Education Centre and is a part-time Professor in the School of Economics & Finance of China Hua Qiao University.

Mr Cheng is 57 years of age and a resident of China.



### **Mr Hu Chih-Cheng – Executive Director**

Mr Hu is currently an Executive Director as well as being the Company's Director of Sales and Marketing and is responsible for the Company's marketing campaigns and production and development of marketing materials.

From 1996 – 2005 Mr Hu was the Business Manager and Vice General Manager of Adding Associate Inc where he was responsible for transferring businesses from Taiwan to Mainland China and setting up subsidiaries in Hong Kong for retail growth and expansion. In 2006 and 2007 Mr Hu was in the position of General Manager of Taiwan Taikai Co. Ltd.

Mr Hu is a graduate of Taipei Soochow University and holds a Bachelor of Science Degree.

Mr Hu is a resident of China and is 42 years of age.



**Mr Chua Ser Miang – Non-Executive Director**

Mr Chua has more than 20 years experience in the finance industry in Singapore. He started his career with the Monetary Authority of Singapore in a regulatory role, before moving into the investment banking industry as an equity analyst initially and later as a corporate finance practitioner. He has been actively involved in M&A and IPO activities, in particular on the listing of PRC companies on overseas stock exchanges. He spent the past six years in DMG & Partners Securities, and last held the position of Director in the Corporate Finance Department.

Mr Chua holds a Bachelor of Business Administration degree from the National University of Singapore, and the Chartered Financial Analyst designation from The CFA Institute, USA.

He is bilingual in English and Chinese (Mandarin), is a resident of Singapore and is 44 years of age.



**Ms Lina Sun – Non-Executive Director**

Ms Sun has 15 years of experience in senior management roles. Over the past 9 years Ms Sun has been the CEO of Nanjing Gold Ant Co Ltd, a Chinese food and furniture distribution company. Since 2009 Ms Du has also run the Golden Ant Company Pty Ltd, a food retail business in Melbourne.

In 2003 Lina Sun graduated from a Master of Business Administration from Dongnan University. Ms Sun also holds a Bachelor of Land Resource Development and Management from Anhui Agricultural University.

Ms Sun is a resident of Australia and is 33 years of age.



## Directors & Senior Management - continued



### **Ms Hongmiao (Tracey) Du – Non-Executive Director**

Ms Du is a director at TRAMC Pty Ltd and also is an independent consultant to AFS Capital Limited. Ms Du has been involved in offshore market development and has worked on capital raising for local projects in the Asian markets. Ms Du has been a finance and investment professional for 5 years.

In 2007 Ms Du graduated from a Masters of Applied Finance from Monash University. Ms Du also holds a Bachelor of Business-Banking and Finance from Monash University. She is an associate member of CPA Australia.

Ms Du is bilingual in English and Chinese (Mandarin), is a resident of Australia and is 31 years of age.



### **Mr Jiang Ting – Company Secretary and CFO**

Mr Jiang is a qualified CPA Australia and has 5 years of corporate and financial advisory experience. He has completed a range of capital market transactions in Australia and China and has expertise in the practical application of Australian Corporations Act, NSX listing rules, corporate governance, international accounting standards, and Chinese Corporations Law.

Mr Jiang has completed the Chartered Financial Analyst Level I, holds a Master of Accounting and Finance from the University of Adelaide, a Master of Business (Research) from the University of Adelaide, a Bachelor of Laws, CUST, China, and has passed the Chinese Bar Exam.

Mr Jiang is bilingual in English and Chinese (Mandarin), is a resident of Australia and is 33 years of age.



## Senior Management

The senior management team comprises:

### Mr Chen Jih-Kai (R&D)

Mr Chen graduated from Taipei Technical Institute in 1970, majoring in chemical engineering.

Mr Chen worked in the Union Process Research Institution from 1970, and then in 1976 he began acting as the head of the Development Centre in Taiwan Plastic Co, Ltd. From 1988 until 2001 he worked as the head of Development Centre in the Far Eastern Chemical Fiber Co, Ltd. Mr Chen acted as a consultant of the Science and Technology Applications Laboratory of Taiwan Development Institute, becoming the General Consultant of Environmental Science and Technology in 2006.

He is currently the head of research and development centre in Fujian Puda (WFOE) and as well as the general consultant for the Environmental Science and Technology Laboratory of Taiwan Development Institute.

Mr Chen's achievements include receiving the Peoples Republic of China Consumers Gold Medal, recognition from the Department of Industries and the Taiwan Health Office Environmental Management Award.

### Ms Ye Chengxiang (Supplier Control)

Ms Ye graduated from Anhui commercial college, majoring in foreign accounting in 2000 and Fujian Normal University, majoring in Business Administration in 2011. From 2000-2005, she was a production planner in China XTEP Co., Ltd. In 2005-2011, she served as the manager of Production Control Centre in China XTEP Co., LTD where she was responsible for the planning and operation of orders involving coordination between the Company's various departments.

Ms Ye is now the Head of the Supplier Control Department where she is responsible for coordinating the Company's resources, maintaining supplies, monitoring product quality and negotiating with suppliers.

### Mr Chen Weiyu (Logistics Centre)

Mr Chen Weiyu is the head of the logistics centre where he is primarily responsible for logistics cost control and supervision and adjusting the logistics model in accordance with market demand. Mr Chen is also responsible for process planning and system promotion, analysing regional sales data, and liaising with other departments to provide them with data they require.

In 1993 Mr Chen graduated from Taiwan Wanneng Business University, majoring in Business Administration.

From 2002 until 2003 he was the Logistics Manager in Laide Science & Technology holdings Co., Ltd. where he was responsible for the management of finished and semi-finished products and raw materials in and out of the warehouse.

## Directors & Senior Management - continued

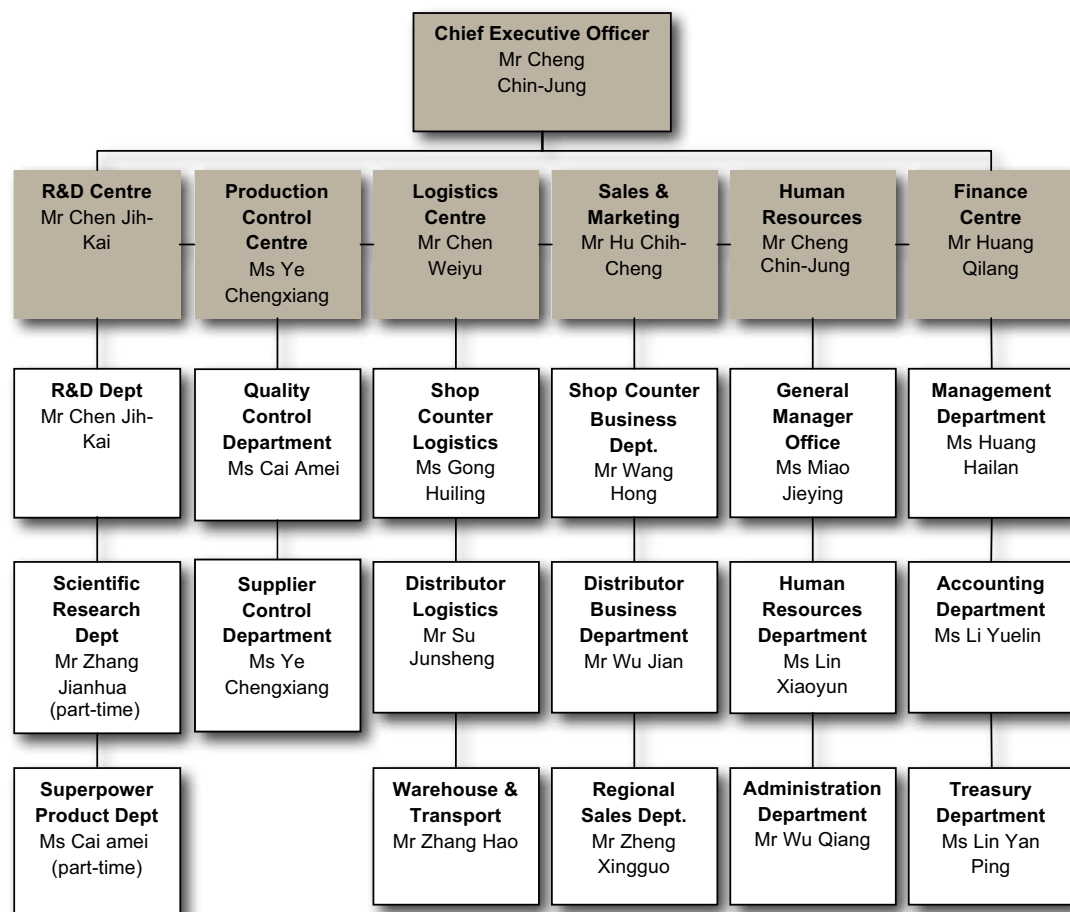
From 2004 until 2009 he was the manager in Taiwan Xinzhu Logistics Centre where he was responsible for managing shipping, including follow-up cargo tracking and related customer service, and analysis of statistics and market dynamics.

### Employees

The Company and its subsidiary employed 64 people as at 30 June 2013.

### Management Structure

The management structure of Fujian Puda (WFOE) is shown in the following chart.



# Corporate Governance

## Background

The Board is dedicated to maximising performance and generating appropriate levels of Shareholder value and financial return.

In conducting business within these objectives, the Board is concerned to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and employees operate in an appropriate manner.

The Board is committed to principles of best practice in Corporate Governance and is ultimately responsible to the shareholders of the Company. The Board has relied on the Revised Principles of Corporate Governance Principles and Recommendations with 2010 Amendments (2nd edition), developed by the ASX Corporate Governance Council, in formulating its corporate governance policies and practices. The Board seeks, where appropriate, to adopt without modification, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

## Board Committees

The board has established an Audit and Risk Management Committee and a Remuneration and Nomination Committee. The charters for each of these committees are available on the Company's website [www.chinapuda.com.au](http://www.chinapuda.com.au).

### Audit and Risk Management Committee

The board has adopted an Audit and Risk Management Committee Charter. This charter comprehensively outlines the composition, meeting requirements, authority, reporting, duties and responsibilities of the committee.

The committee must have a majority of independent directors and include at least 3 non executive directors. The chairperson also must be independent and cannot be the chairperson of the board. The committee is to meet at least four times a year.

The current members of the committee are: Chua Ser Miang (Chair), Tracey Du and Lina Du.

The primary objectives of the Committee are to ensure:

- effective management of financial and other material business risks
- reliable management and financial reporting, including accounts
- compliance with laws and regulations
- Maintenance of an independent, effective and efficient audit.

### Nomination and Remuneration Committee

The board has adopted a Nomination and Remuneration Committee Charter. This document sets out the committee's responsibilities, composition, access to resources and issues to consider in nomination and deciding remuneration for executive directors and senior executives and non executive directors.

The committee must have a majority of independent directors and include at least 3 non executive directors.

The current members of the committee are: Tracey Du (Chair), Chua Ser Miang and Lina Du.

It is the responsibility of the Committee to review and make recommendations to the board on:

1. procedures for the selection and recommendation of candidates suitable for appointment to the Board.
2. Appointment, evaluation and removal of the Chief Executive Officer, Board members and senior executives.
3. the Company's remuneration, recruitment, retention and termination policies and procedures for senior executives
4. senior executives' remuneration and incentives
5. superannuation arrangements
6. the remuneration framework for directors
7. remuneration by gender



## Corporate Governance - continued

### Corporate governance documents of the Company

Set out below are summaries of the corporate governance documents of the Company which are available on the Company's website at [www.chinapuda.com.au](http://www.chinapuda.com.au).

#### Summary of Board Charter

The Board's Charter sets out the functions, authority and responsibilities for the Board. The Charter states the Board's primary role is to represent and serve shareholders interests by appraising the Company's strategies, policies, and performance. The document also explains the relationship between the Board and management.

#### Summary of Code of Conduct

The purpose of the Code of Conduct is to outline the Company's philosophy and corporate values. The code is a framework for conducting business and is applicable to all employees in the Company including its subsidiary.

The code directs personnel relating to how to act in the case of a conflict of interest, business hospitality, issues in the workplace and media. No personnel at the Company or its subsidiary are to offer or accept bribes. The code also deals with diversity in the workplace and social and environmental awareness.

#### Summary of Share Trading Policy

The Share Trading Policy reinforces the legal prohibitions of dealing in the Company's securities by Directors, Officers and employees when these people are in possession of inside information. The policy restricts trading to certain window periods or in accordance with permission obtained under the policy. The policy also sets out the process for reporting breaches of this policy.

#### Summary of Continuous Disclosure Policy

The focus of the Continuous Disclosure Policy is compliance with the disclosure requirements of the Corporations Act 2001(Cth) and the NSX listing Rules. The policy has been adopted to establish procedures and protocols to ensure that Directors and management are aware of and fulfil their obligation in relation to the timely disclosure of information.

#### Summary of Shareholder Communication Policy

This policy promotes effective communication with shareholders by setting out the information to be disclosed to shareholders and the manner in which it is to be released.

#### Summary of Related Party Transactions Policy

The Company recognises that Related Party transactions can present potential or actual conflicts of interest and may raise questions about whether they are in the best interests of the Company. The Company is committed to ensuring that all decisions are made in the best interests of the Company as well as ensuring compliance with the law.

The Related Party Transactions Policy provides definitions for key terms such as Related Party and Financial Benefit and specifies the basis for allowing such related party transactions. The policy requires each related party transaction be at arm's length, transparent and fully documented and provides a process for monitoring and approval.

## If not, why not report

Set out below is the 'If Not, Why Not' report of the Board. Where the Company's Corporate Governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices currently depart from a recommendation, the Board has disclosed the reason for the adoption of an alternative practice. Reasons to depart from the recommendations reflect the Company's size, nature and scope.

NSX principle and recommendation	Summary of position of the Company
<b>Recommendation 1.2 - Companies should disclose the process for evaluating the performance of senior executives.</b>	The Board is charged with the responsibility of reviewing and evaluating senior management. This will take place in informal meetings, at least once a year. The evaluation of the CEO will be supervised closely by the Principal Independent Director, Mr Chua, as the role of Chair and CEO is held by Mr Cheng Chin-Jung.
<b>Recommendation 2.2 The Chair should be an Independent Director.</b>	The Board does not consider the Chair Mr Cheng Chin-Jung as an independent director, as he is the CEO and the majority shareholder. However the Board is of the opinion that Mr Cheng Chin-Jung is the most appropriate person to act as Chair given his knowledge and experience.
<b>Recommendation 2.3 The roles of Chair and Chief Executive Officer should not be exercised by the same individual.</b>	The Chair Mr Cheng Chin-Jung is also the CEO of the Company. Consequently, the Company has appointed a Principal Independent Director. The role of the Principal Independent Director is to work closely with the Chair and raise points that have been brought to attention from other independent members. This structure offers independent appraisal of Board and management processes.
<b>Recommendation 7.2 The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.</b>	The Board has delegated the role of developing and evaluating risk management policies to the Audit and Risk Management Committee. The Board is of the view that this specialist Committee has the appropriate skills and knowledge to formulate effective policies.

## Risks of Investing

There are a number of factors which might represent significant risks associated with holding shares in the Company. The following section outlines some of the key risks.

<b>Reliance on Senior Management</b>	The Company's future depends, in part, on the continued contributions of its executive management team and other key management and technical personnel, each of whom would be difficult to replace. The loss of service from these or other executive officers or key personnel or the inability to continue to attract qualified personnel may have a material, adverse effect on the Company's business.
<b>Adverse changes in foreign exchange rates</b>	The Company's businesses will operate in various countries, thereby exposing it to adverse movements in foreign exchange rates, most particularly in relation to the translation of financial results into Australian dollars and the potential movement of funds between countries for purposes such as paying dividends, repaying debt, acquiring new businesses and/or supporting the capital needs of the business. The proportion of the Company's sales and profits generated in China may change in the future based on relative sales performance, growth initiatives and business acquisitions, and hence the Company's relative exposure to different foreign exchange rates may change in the future.
<b>Foreign Currency Risks</b>	The Company's costs and expenses are denominated in the Chinese currency Renminbi. Accordingly, the depreciation and/or appreciation of Renminbi relative to Australian currency may result in a translation gain or loss on consolidation which is taken directly to shareholder equity. In addition, the reporting currency of the Company's financial reports is denominated in Australian currency. Any depreciation of Renminbi relative to Australian currency may result in lower than anticipated revenue, profit and earnings.
<b>Competition</b>	The markets in which the Company sells its products are highly competitive, characterised by the existence of other competitors creating continuous pricing pressure. The Company faces competition from established domestic and international companies. The industry includes companies with significantly greater financial, technical, human, research and development and marketing resources than the Company. Competitors may commercialise products which compete directly or indirectly with the Company's products. Present competition, compounded by the threat of possible future competition from new and emerging companies may affect the overall profit capability of the Company. This will especially be the case if competitors develop products that are more cost-competitive than the Company's current or future products, which may become obsolete and uncompetitive.

<b>Trade Secrets</b>	In addition to its patent and licensing activities, the Company also relies on its trade secrets. The protective measures that the Company employs may not always be sufficient to protect its trade secrets. This could erode the Company's competitive advantage. The Company cannot be certain that others will not independently develop the same or similar technologies on their own, or gain access to trade secrets or disclose such technology, or that the Company will otherwise be able to meaningfully protect its trade secrets and unpatented know-how, or that the Company will otherwise be able to meaningfully protect its trade secrets and unpatented know-how and keep them secret.
<b>Supplier Risk</b>	The Company's contracts with key suppliers are standard in nature within the Chinese business context. The Company exclusively relies on third party suppliers, the majority of whom are related parties, for all its manufactured products. It has no manufacturing capability of its own. A disruption at one of its key suppliers could cause a substantial delay in the availability of the Company's products, leading to a potential loss of sales.
<b>Contractual Risks</b>	The Company operates, and will continue to operate, through a series of contractual relationships with wholesalers, licensed distributors and suppliers. All contracts, including those entered into by the Company, carry a risk that the respective parties will not adequately or fully comply with their respective contractual rights and obligations, or that these contractual relationships may be terminated. In certain instances, it may be costly for the Company to enforce its contractual rights.



## Risks of Investing - continued

<b>Intellectual Property Rights</b>	<p>Various risks are associated with the protection of the Company's intellectual property rights and proprietary technology, including:</p> <ul style="list-style-type: none"> <li>(a) reliance on patent laws and restrictions to protect the Company's intellectual property rights;</li> <li>(b) the risk that the Company's patents may be challenged by third parties, or that other parties may independently develop similar or competing technology or design around any patents issued to the Company;</li> <li>(c) potential difficulties in obtaining third party licenses which may be required to develop new products and product enhancements on commercially reasonable terms;</li> <li>(d) risk of becoming subject to litigation as a result of an alleged infringement of others' intellectual property rights causing the Company to incur significant costs, regardless of the outcome, and if the Company is unsuccessful, subjecting the Company to significant liability for damages and invalidation of proprietary rights;</li> <li>(e) the Company may also initiate action against third parties for infringement of its proprietary rights which could easily result in costly litigation; and</li> <li>(f) potential for misappropriation of the Company's intellectual property, particularly in countries such as China where laws may not protect the Company's proprietary rights as fully as in other jurisdictions such as Australia.</li> </ul>
<b>Retention of Key Business</b>	<p>Although the Company is pursuing a diversification strategy, its existing business is reliant on a number of key suppliers and purchasers, some of which are related parties. The failure of the Company to maintain these key relationships would adversely and materially impact upon the performance of the Company.</p>
<b>Operating risks</b>	<p>The Company's overall operations may be adversely affected by various factors, including but not limited to:</p> <ul style="list-style-type: none"> <li>(a) failure to sell its products;</li> <li>(b) failure to achieve production;</li> <li>(c) mechanical failure or plant breakdown;</li> <li>(d) unanticipated manufacturing problems;</li> <li>(e) infrastructure availability and unexpected shortages or increases in the cost of consumables, spare parts, labour, plant and equipment</li> <li>(f) unanticipated sourcing problems, including delays, disruptions or quality control problems;</li> <li>(g) industrial and environmental accidents;</li> <li>(h) industrial disputes; and</li> <li>(i) delays due to government actions.</li> </ul>

<b>Country Risks</b>	<p>The Company's business is conducted and located mainly in China, such that its operations may be subject to:</p> <ul style="list-style-type: none"> <li>(a) risk of political and economic instability in China;</li> <li>(b) the possible imposition of restrictive trade regulations and tariffs;</li> <li>(c) reduced protection for intellectual property rights under Chinese law;</li> <li>(d) reduced legal protection and remedies under Chinese commercial laws;</li> <li>(e) risks of foreign exchange currency fluctuations;</li> <li>(f) potential unexpected changes in regulatory requirements (such as those relating to taxation, import and export tariffs, environmental obligations and other matters).</li> </ul>
<b>Tax Risks</b>	<p>The Company is subject to the tax regimes of China and Australia. However, more generally, changes in the tax laws and regulations or their interpretation and application could adversely affect the tax liabilities of the Company. There is also no assurance that current concessions or incentives or exemptions of the Company will be reviewed upon their expiry date. Industry profitability can be affected by changes in government taxation policies or in the interpretation or application of those policies.</p>
<b>Changes to input costs and supply chain</b>	<p>The Company is exposed to risks relating to the costs and certainty of supply of critical inputs relating to raw materials for its shoe and clothing products and interruption of the manufacturing process of its suppliers due to equipment failure or labour issues. These risks could affect the Company's ability to complete customer orders and control costs, either of which could have an adverse impact on the Company's financial performance.</p>
<b>Credit risk</b>	<p>The Company could be adversely impacted if one or more major wholesalers or licenced distributors were to default on payment for products supplied by the Company.</p>

# Industry Overview of the Apparel Market in China

The statements made, and the various graphs contained in this Chapter, are based on the Independent Market Research Report dated November 2012. The following report has been prepared by Euromonitor International Limited, as an Industry Consultant, for the inclusion in this Information Memorandum. Euromonitor has advised that although it has made every reasonable effort to ensure that the information in the following section of this Information Memorandum is accurate, Euromonitor International Limited, its agents, officers and employees do not accept liability (save as may be required by applicable laws and regulations) for any loss suffered in consequence of reliance on such information or in any other manner. While we believe that the information and data are reliable, we cannot ensure the accuracy of the information or data, and neither our Company, Euromonitor, nor any of our respective affiliates or advisers have independently verified this information or data. You should not assume that the information and data contained in this section of this offering document is accurate as of any date other than the date of this Information Memorandum except as otherwise indicated. You



November 2012

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should also be aware that since the date of this Information Memorandum, there may have been changes in our industry which could affect the accuracy or completeness of the information in this section of this Information Memorandum.

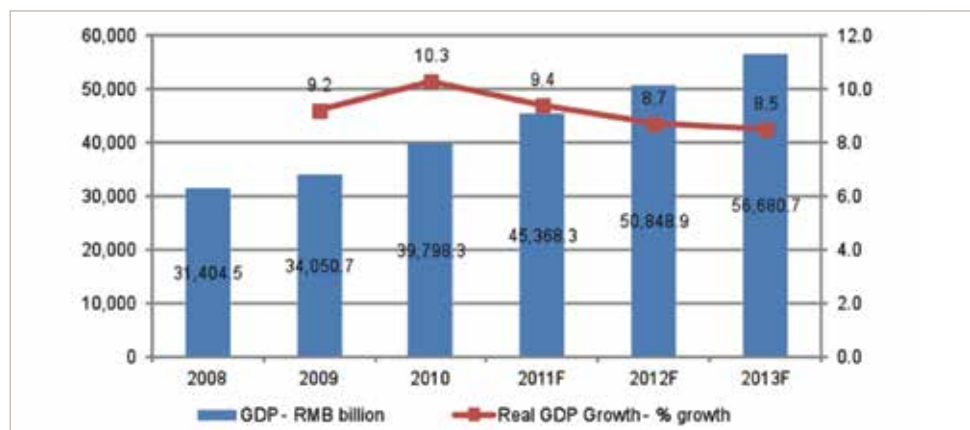
## Macro economic background

### Robust growth of China's economy

China's economy enjoyed fast growth since the government launched the reform and opening up policy. According to preliminary data published by the National Bureau of Statistics of China, China's Nominal Gross Domestic Product (GDP) reached RMB 39,798 billion in 2010, which pushed China ahead of Japan and placed it as the second largest economy in the world. The real GDP growth was 10.3% in 2010, higher than that of 2008 and 2009 when the real GDP growth was crippled by the global financial crisis.

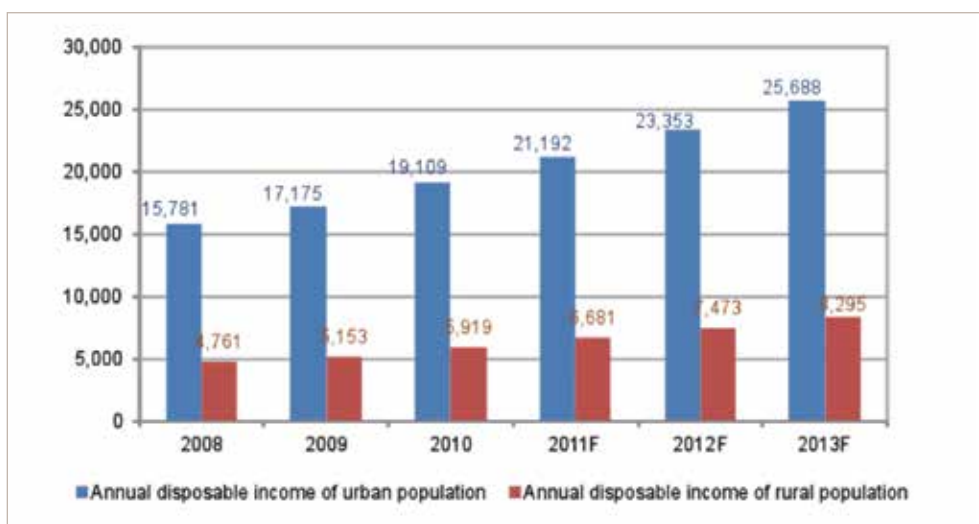
Thanks to the booming economy, the per capita annual disposable income of both the rural population and urban population recorded impressive growth in recent years. Data from the National Bureau of Statistics of China indicate that the per capita annual disposable income of the urban population increased from RMB 15,781 in 2008 to RMB 19,109 in 2010, while that of the rural population climbed from RMB 4,761 in 2007 to RMB 5,919 in 2010. It is expected that the per capita annual disposable income of Chinese people will continue its robust growth and reach RMB 25,688 for the urban population and RMB 8,295 for the rural population by 2013.

### Nominal gross domestic production (GDP) of China, 2008-2013



Source: National Bureau of Statistics of China, Euromonitor International

### Per capita annual disposable income of Chinese urban and rural population, 2008-2013

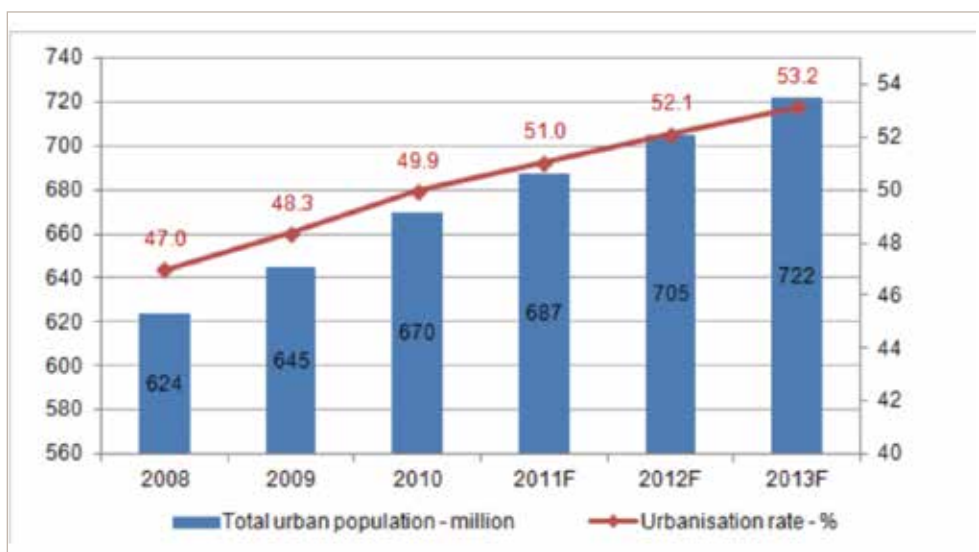


Source: National Bureau of Statistics of China, Euromonitor International

### Urbanization is accelerating

With sustainable economic growth and the government's related policies, China's urbanization is in a stage of acceleration. Data released by the Euromonitor International indicate China's urban population reached 670 million with an urbanization rate of 49.9% in 2010. Experts forecast that this profound urbanization process will continue over the next few years. Euromonitor expects that the urban population will increase to 722 million by 2013, accounting for 53.2% of the total population.

### Urbanization level of China, 2008-2013



Source: Euromonitor International



## Industry Overview of the Apparel Market in China - continued

### Middle-aged people held the majority part of the population

The population is concentrated within the age-range of 20 to 59. This age-range made up 62.2% of the total population in 2010. The population between the ages of 40-49 is the highest amongst the different age ranges and accounted for 19.5% of the total in 2010, followed by the age range of 20-29 and 50-59 which respectively took up 14.8% and 14.1% of the total in 2010.

### Breakdown of population by age group, 2008-2013

	2008	2009	2010	2011F	2012F	2013F
Total population	1,328	1,335	1,341	1,347	1,353	1,359
0-9	138	136	135	135	135	135
10-19	185	174	167	161	155	152
20-29	184	194	199	201	205	207
30-39	205	193	185	180	174	170
40-49	233	247	261	264	258	255
50-59	193	192	189	193	204	208
60-69	109	114	119	127	134	143
69+	82	83	85	87	87	89
Share						
0-9	10.4%	10.2%	10.1%	10.0%	10.0%	9.9%
10-19	13.9%	13.0%	12.5%	11.9%	11.5%	11.2%
20-29	13.9%	14.6%	14.8%	14.9%	15.1%	15.3%
30-39	15.4%	14.5%	13.8%	13.4%	12.9%	12.5%
40-49	17.5%	18.5%	19.5%	19.6%	19.1%	18.8%
50-59	14.5%	14.4%	14.1%	14.3%	15.0%	15.3%
60-69	8.2%	8.6%	8.9%	9.4%	9.9%	10.5%
69+	6.1%	6.2%	6.3%	6.4%	6.5%	6.5%

Source: Euromonitor International

### Booming economy brings a fast growth in consumer expenditure on clothing and footwear

China's booming economy has brought fast growth to the high-income population, especially the middle-class group which is defined as people with an annual household income of between RMB 60,000 to RMB 500,000 according to the definition from the National Bureau of Statistics of China. The high-income population is in constant pursuit of a better life, and thus is willing to pay more for high quality products.

According to data of Euromonitor International, China's consumer expenditure on clothing and footwear reached RMB1,003,627 million in 2010, increasing from RMB 857,166 million in 2008, and the data is estimated to reach RMB 1,331,754 million in 2013.



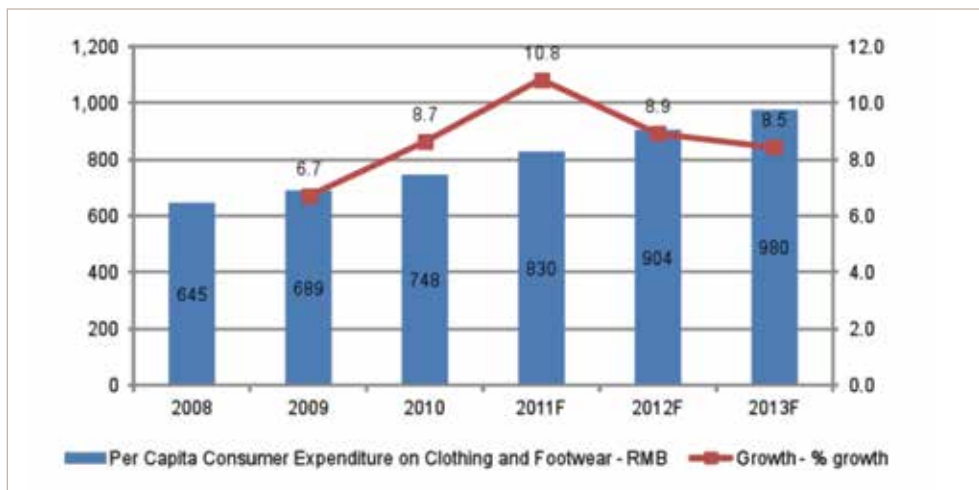
Accordingly, the per capita consumer expenditure on clothing and footwear increased from RMB645 in 2008 to RMB748 in 2010. It is expected that the per capita consumer expenditure on clothing and footwear will continue its growth and reach RMB980 by 2013.

#### China's consumer expenditure on clothing and footwear, 2008-2013



Source: Euromonitor International

#### Per capita consumer expenditure on clothing and footwear, 2008-2013



Source: Euromonitor International



# Industry Overview of the Apparel Market in China - continued

## Apparel market overview

### Apparel market size

China's retail sales of apparel increased from RMB 1,205,753.3 million in 2009 to RMB 1,547,092.5 million in 2011, representing a CAGR of 13% from 2008 to 2011. In 2011, China's apparel market realized double-digit current value growth; this was higher growth than in 2010.

The apparel market is expected to grow further over the forecast period. Accompanied by rising incomes and an upgrading consumption structure, Chinese consumers are likely to spend more on their quality of life, in which apparel has a certain position. It is estimated that the apparel market will increase to RMB 1,971,062.9 million in 2013, with a value CAGR of 12.9% over 2011/2013.

The chart below illustrates the historical (2009-2011) and projected (2012-2013) size, and year-on-year growth rate of the China apparel market:

**Historical and projected size and year-on-year growth rate of the China apparel market, 2009-2013**



Source: Euromonitor International

## Drivers and Constraints

### Urbanisation and other demographic changes

In recent years, as those who were born in the 1980s entered the marriage peak, another baby boom was seen, boosting the demand for children's wear. As a result, many companies specializing in children's apparel, such as Semir Group, made massive progress in sales and share. In addition, some companies, such as Adidas, which did not perform well in other categories, also recognized the vibrant growth in children's wear, and made efforts in this category.

Factors such as the increasing number of children, parents with growing incomes and rising expectations for a better life can be attributed to the strong growth of children's wear.

According to statistics from the Sixth National Population Survey in 2010, the elderly population in China accounts for 13% of the entire population, growing by 3% over 2000. The number of urban dwellers reached 666 million, up by 14% over 2000.

The elderly society has already come into being in China, boosting some related industries, such as health and wellness. The apparel market, however, has not yet focused on this trend. The majority



of companies, both domestic and international, still focus on young consumers and children, overlooking the needs of the middle-aged and elderly.

The booming urban population, represented by young people, is also an important driving force for the apparel market. These consumers prefer fashionable clothes with lower prices, benefiting the middle of the market.

### **Cost pressures are on the rise**

Raw materials prices and labor costs increased in recent years, with no signs of them going down. China's clothing manufacturers have been seriously impacted by this pressure.

With the globalization of the world economy, price rises have become a global issue. Cotton prices, for example, tripled in 2010, due to the poor yields resulting from climatic anomalies, significantly hitting apparel producers. However, the retail price rise was outperformed by the rise in raw materials costs. Therefore, the profits for many market players were shaved to a great extent.

The transfer of costs to consumers is not easy, especially in the low-end and middle of the market. Due to intense price competition, many players, such as H&M, chose to retain their original prices in competition with their rivals. By contrast, other companies, such as Nike, are planning further price increases in 2011, since their products target the high-end of the market, which is not as sensitive to price.

Another important trend is the rise in labor costs. As China's economy comes to the Lewisian turning point, the supply of labor is no longer unlimited. Manufacturers will have to offer higher wages to employ workers, which will add to their cost burden.

China's rapid economic growth and the inflow of foreign capital are promoting inflation in the country. As a result, consumers are becoming more sensitive to price increases. With a wide range of choices, they are likely to choose more affordable clothing, and stick to such brands for a certain period, which is a threat to those companies which try to raise prices to cover increasing costs.

### **Intense competition**

The competition within the apparel market became more intense in 2011, leading to fragmented shares. International groups have adopted a localization strategy to a greater extent, by setting up research and development centers to meet local demand. They are also seeking to expand further into third- and fourth-tier cities, which have great potential for sales growth. Domestic groups are trying to keep pace with the international apparel market. They are expanding further in first- and second-tier cities, whilst retaining a presence in lower-tier cities.



# Industry Overview of the Apparel Market in China - continued

## Distribution channels of retail apparel market

37.3% of the apparel is sold through department stores in retail market in 2011, which is the traditional sales channels for apparel market and can be regarded as the most important retail distribution channel. According to the trade interview, all of the leading and large apparel players pay special attention to the department channels.

Besides, clothing and footwear specialist retailers also develop fast in recent years. Clothing and footwear specialist retailers help the apparel brand owners to increase its brand awareness and strength their distribution controls in retail market. In 2011, clothing and footwear specialist retailers represents 27.3% market share.

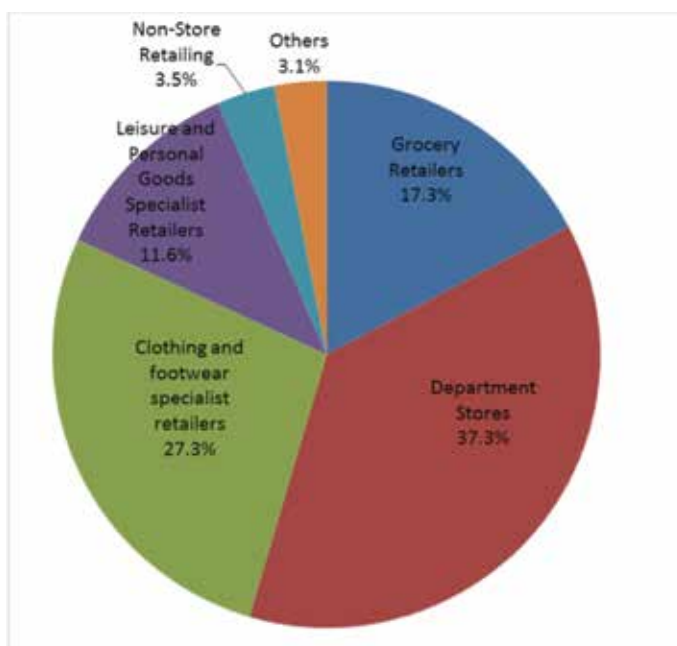
In recent years, e-commerce has become an inevitable trend for the entire apparel market. Online shopping malls are the new battlefields for domestic and international apparel companies.

By the end of 2010, according to China Internet Network Information Center (CNNIC), the number of netizens in China had expanded to 457 million. More importantly, online shoppers increased by 49% over 2009 to 2010, the fastest amongst all online applications.

According to Euromonitor International statistics, internet retailing of apparel sales grew by over 300% in 2011 compared with 2010, emerging as the fastest growth distribution channel. Many apparel companies have cooperated with Taobao Mall, the most popular online business-to-consumer shopping centre, to boost their sales. Some opened their own online stores. The internet has also seen the launch of new brands, such as VANCL, a casual brand which is particularly popular amongst students and young consumers.

The chart below illustrates the retail channel share in 2011.

**Distribution channels and share, 2011**





# Financial Information

A summary of earnings, on a consolidated basis, is outlined below for the last two financial years, as at 31 December in each year.

	2012 \$	2011 \$
Revenue	59,017,862	47,955,923
Profit before income tax expense	14,206,508	11,157,674
Net profit from continuing operation	10,323,933	8,190,732
Other comprehensive income for the year	(1,390)	402,995
Total comprehensive income	10,322,543	8,593,727

A tabulation of the Company's balance sheet for the last three (3) financial years is outlined below.

	2012 \$	2011 \$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	12,521,356	6,281,566
Trade and other receivables	12,617,242	7,663,093
Loans	10,450,940	-
Inventories	443,222	199,693
Other assets	27,999,343	21,223,226
<b>TOTAL CURRENT ASSETS</b>	<b>64,032,103</b>	<b>35,367,578</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	518,537	796,967
<b>TOTAL NON-CURRENT ASSETS</b>	<b>518,537</b>	<b>796,967</b>
<b>TOTAL ASSETS</b>	<b>64,550,640</b>	<b>36,164,545</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	13,313,675	7,481,142
Borrowings	30,688,100	17,941,837
Provisions	505,139	187,863
Other liabilities	195,983	1,028,603
<b>TOTAL CURRENT LIABILITIES</b>	<b>44,702,897</b>	<b>26,639,445</b>
<b>TOTAL LIABILITIES</b>	<b>44,702,897</b>	<b>26,639,445</b>
<b>NET ASSETS</b>	<b>19,847,743</b>	<b>9,525,100</b>
<b>EQUITY</b>		
Issued capital	968,541	968,441
Reserve	398,062	399,452
Retained earnings	18,481,140	8,157,207
<b>TOTAL EQUITY</b>	<b>19,847,743</b>	<b>9,525,100</b>

NOTE: 2011 audited financial information above represent results and position of Fujian Puda (WFOE) on a stand-alone basis. China Puda High-Tech Holdings Limited is an Australian public company, limited by shares and was registered in Victoria, Australia, under Corporations Act 2001 (Cth) on 14 November 2011. China Puda High-Tech Holdings Limited acquired the subsidiary Fujian Puda (WFOE) on 31 August 2012. 2012 audited financial statements are consolidated to include those of China Puda High-Tech Holdings Limited and its Controlled Entity, Fujian Puda (WFOE). As the business combination is a capital reorganisation not a common control transaction, the consolidated financial statements include the Fujian Puda (WFOE)'s full year results. In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

## Material Agreements and Related Party Transactions

The Directors consider that certain agreements are material to the Company (Material Agreements).

The standard provisions of the Material Agreements are summarised below. As this Part only contains a summary, the provisions of each agreement are not fully described. To understand fully all rights and obligations pertaining to the Material Agreements, it would be necessary to read them in full.

The Material Agreements are:

- Loan agreement between Mr Cheng Chin-Jung and Fujian Puda (WFOE)
- Director agreements
- Restricted securities agreements
- Notes Payable
- Related Party Transactions

### **Loan from Mr Cheng Chin-Jung to Fujian Puda (WFOE)**

On 2 July 2013 Fujian Puda (WFOE) entered into a Deed of Loan with Mr Cheng Chin-Jung for RMB 26,237,966.03 (\$4,056,389.55 assuming an exchange rate of RMB1:\$AUD0.1546) ('the current loan'). The current loan was a replacement for an earlier Deed of Loan entered into between Fujian Puda (WFOE) and Mr Cheng Chin-Jung on 28 February 2013 ('the second loan'). A verbal agreement for the loan existed between 28 February 2010 to 28 February 2013 ('the original loan'). The current loan from Mr Cheng Chin-Jung to the Company is to be repaid on 1 January 2014. However, this loan has been classified as a current liability in the Company's Annual Report for 2012.

## **Director agreements**

### **Summary of Managing Director Service Agreement**

Under an Executive Service Agreement dated 2 July 2012 between Mr Cheng Chin-Jung and the Company, Mr Cheng Chin-Jung was appointed as Managing Director and Chief Executive Officer of the Company, with effect from 2 July 2012. The Agreement has a term of three years from the Commencement Date, unless terminated earlier in accordance with the agreement. Mr Cheng Chin-Jung's base remuneration is \$60,000 and will be reviewed by the Board on an annual basis. The Managing Director and Chief Executive Officer of the Company is based in the Fujian Province in China.

### **Summary of Executive Director Service Agreement**

Under an Executive Service Agreement dated 2 July 2012 entered into between Mr Hu Chih-Cheng and China Puda, Mr Hu Chih-Cheng is appointed as Executive Director of China Puda, with effect from signing (Commencement Date). The Agreement has a term of three years from the Commencement Date, unless terminated earlier in accordance with the agreement. Mr Hu Chih-Cheng's base remuneration is \$50,000 and will be reviewed by the Board on an annual basis. Mr Hu Chih-Cheng will be based in Fujian Province in China.

### **Non Executive Directors Letters of engagement**

The aggregate remuneration of the Non Executive Directors has been fixed at a maximum of \$350,000 per annum (allowing the appointment of future directors) to be apportioned among the Non Executive Directors in such manner as they determine. Each Non Executive Director will receive the Director's fee pursuant to their respective Engagement Letters.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

## Material Agreements and Related Party Transactions - continued

### Summary of Director Agreements

Name	Annual remuneration	Term of agreement	Remuneration assessed
<b>Executive Directors</b>			
Cheng Chin-Jung	\$60,000	3 years	Annually
Hu Chih-Cheng	\$50,000	3 years	Annually
<b>Non Executive Directors</b>			
Chua Ser Miang	\$40,000 (including GST)	Until the AGM	Upon renegotiation of contract
Lina Sun	\$40,000 (including GST)	Until the AGM	Upon renegotiation of contract
Tracey Du	\$40,000 (including GST)	Until the AGM	Upon renegotiation of contract

### Restricted Securities

The Existing Shareholders have entered into voluntary restriction agreements over their Shares for such periods as set out below.

Shareholder	Restriction Period	Number of Shares
China Puda Investment Co Ltd (owned by Mr Cheng Chin-Jung and Mr Liu Yongjin)	24 months from allotment of shares	91,875,000
China Zhenwang Industry Co., Ltd	12 months from allotment of shares	10,495,000
Mr Chen Jih-Kai	6 months from allotment of shares	5,250,000
Kingbest Capital Limited	12 months from allotment of shares	4,500,000

Mr Cheng Chin-Jung is an Executive Director of the Company. Fujian Puda (WFOE) was founded in 2009 by Mr Cheng Chin-Jung and Fujian Jinjiang Brother Crocodile Co., Ltd (a company of which Mr Liu Yongjin was a major shareholder).

China Puda Investment Co., Ltd is an investment holding Company incorporated in the British Virgin Islands (BVI) and is owned by Mr Cheng Chin-Jung (57.14%) and Mr Liu Yongjin (42.86%).

China Zhenwang Industry Co., Ltd is an investment holding Company incorporated in the BVI and is owned by Mr Cheng Chun-Wei. Mr Cheng Chun-Wei, was an initial investor in Fujian Jinjiang Brother Crocodile Co., Ltd.

Mr Chen Jih-Kai is the head of the Research and Development section of Fujian Puda (WFOE). Kingbest Capital Limited (Kingbest) is an investment holding Company incorporated in the BVI, owned by Tsoi Tsun Lou (65%) and Huang Qingzhen (35%) and is associated with the Company's Corporate Advisors Richkey Capital Limited.

## Notes Payable

The Company has 7 notes payable totalling \$22,975,000 as at 22 August 2013. The debt has largely been applied against the working capital of the business including material loans and prepayments to related parties.

The notes payable are with the following three Chinese Banks: Bank of Communications-Quanzhou Branch, Bank of Quanzhou- Huian Branch and Industrial Bank Co Ltd- Quianxiu Branch.

## Related Party Transactions

Fujian Puzhao Industry Co., Ltd is a supplier of goods to Fujian Puda (WFOE). Mr Cheng Chin-Jung's wife is the shareholder of Fujian Puzhao Industry Co., Ltd. Mr Cheng Chin-Jung was previously a supervisor of this Company but resigned on 29 November 2012. Consequently every agreement between Fujian Puda (WFOE) and Fujian Puzhao Industry Co., Ltd is a related party transaction. For the Financial Years ending 31 December 2011, and 31 December 2012 Fujian Puda (WFOE)'s transactions with Fujian Puzhao Industry Co., Ltd amounted to A\$1,429,000 and A\$54,000 respectively.

Fujian Jinjiang Brother Crocodile Co., Ltd and Shangzheng Industry Development Co., Ltd are suppliers of Fujian Puda (WFOE). Fujian Shangzheng Brand Operation Co., Ltd is a wholesaler of Fujian Puda (WFOE). Mr Liu Yongjin, his brother and his father are involved with each of these companies, either as a shareholder, a supervisor or a director. Consequently, each of the agreements between Fujian Puda (WFOE) and these entities is a related party transaction.

For the Financial Years ending 31 December 2011 and 31 December 2012, Fujian Puda (WFOE)'s transactions with Fujian Jinjiang Brother Crocodile Co., Ltd amounted to A\$28,082,000 and A\$13,707,000 respectively.

For the Financial Years ending 31 December 2011 and 31 December 2012, Fujian Puda (WFOE)'s transactions with Shangzheng Industry

Development Co., Ltd amounted to A\$3,708,000 and A\$17,454,000 respectively.

For the Financial Year ending 31 December 2012, Fujian Puda (WFOE)'s transaction with Fujian Shangzheng Brand Operation Co., Ltd amounted to A\$6,063,000.

The Board has adopted a related party transaction policy in order to minimise the risks associated with related party transactions and to establish an appropriate framework within which it can enter into such related party transactions. This policy is summarised in Chapter 7 of this Information Memorandum.

## Summary of Relevant Chinese Laws & Regulations

Since the Company's operating businesses are located in the PRC, the Company outlines in this Part 12, a summary of relevant PRC laws and regulations affecting its operations. This summary has been provided by the PRC legal counsel, King & Wood Mallesons.

### PRC legal system

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents.

The National People's Congress of the PRC (the "NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the state. The NPC has the power to amend the PRC Constitution and to enact and amend primary laws governing the state organs, civil affairs and criminal offences and other matters. The Standing Committee of the NPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC.

The State Council of the PRC is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council of the PRC are also vested with the power to issue orders, directives and rules within the jurisdiction of their respective departments. Administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must not be in conflict with the PRC Constitution or the national laws and, in the event that any conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules and regulations enacted by the State Council and the State Council has the power to annul such directives, orders and rules issued by its ministries and commissions.

At the regional level, the people's congresses of provinces and municipalities and their standing committees may enact local rules and regulations and the people's government may

promulgate administrative rules and directives applicable to their own administrative area. These local rules and regulations may not be in conflict with the PRC Constitution, any national laws or any administrative rules and regulations promulgated by the State Council.

Some rules, regulations or directives may be enacted or issued at the provincial or municipal level or by the State Council of the PRC or its ministries and commissions in the first instance for experimental purposes. After sufficient experience has been gained, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

### Judicial system

The People's Courts are the judicial organs of the PRC. Under the PRC Constitution and the *Law of Organisation of the People's Courts of the PRC*, the People's Courts comprise the Supreme People's Court, the local people's courts, military courts and other special courts. The local people's courts are divided into three levels, namely, the basic people's courts, intermediate people's courts and higher people's courts. The judicial functions of people's courts at lower levels are subject to supervision of people's courts at higher levels. The people's procurators also have the right to exercise legal supervision over the proceedings of people's courts of the same and lower levels. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the people's courts of all levels.

The people's courts adopt a two-tier final appeal system. A party may before the taking effect of a judgment or verdict appeal against the judgment or verdict of the first instance of a local people's court to the people's court at the next higher level. Judgments or verdicts of the second instance at the next higher level are final and binding. Judgments or verdicts of the first instance of the Supreme People's



Court are also final and binding. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a final and binding judgment or verdict which has taken effect in any people's court at a lower level, a retrial of the case may be conducted according to the judicial supervision procedures. Or if the official in charge of a people's court at any level finds a definite error in a legally effective judgment or verdict of his court and deems it necessary to have the case retried, he shall refer it to the judicial committee for discussion and decision.

The PRC civil procedures are governed by the Civil Procedure Law of the PRC (the "Civil Procedure Law") adopted on 9 April 1991, as amended on 28 October 2007 and 31 August 2012. The Civil Procedure Law contains stipulations on the institution of a civil action, the jurisdiction of the people's courts, the procedures in conducting a civil action, trial procedures and procedures for the enforcement of a civil judgment or verdict. All parties to a civil action conducted within the territory of the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant's place of domicile. The jurisdiction may also be selected by express agreement by the parties to a contract provided that the jurisdiction of the people's court selected has some actual connection with the dispute, that is to say, the plaintiff or the defendant is located or domiciled, or the contract was executed or implemented in the jurisdiction selected, or the subject-matter of the proceedings is located in the jurisdiction selected. A foreign national or foreign enterprise is granted the same litigation rights and obligations as a citizen or legal person of the PRC. If any party to a civil action refuses to comply with a judgment or verdict made by a people's court or an award made by an arbitration body in the PRC, the aggrieved party may apply to the people's court to enforce the judgment, verdict or award.

A party seeking to enforce a judgment or verdict of a people's court against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for

recognition and enforcement of such judgment or verdict. A foreign judgment or verdict may also be recognised and enforced according to the PRC enforcement procedures by the people's courts in accordance with the principle of reciprocity or if there exists an international or bilateral treaty with or acceded to by the foreign country that provides for such recognition and enforcement, unless the people's court considers that the recognition or enforcement of the judgment or verdict will violate fundamental legal principles of the PRC or its sovereignty, security or social or public interest.

## **Arbitration and enforcement of arbitral awards**

*The Arbitration Law of the PRC* (the "Arbitration Law") was promulgated by the Standing Committee of the NPC on 31st August 1994 and came into effect on 1 September 1995. It is applicable to, among other matters, contract disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Where the parties have by an agreement provided arbitration as a method for dispute resolution, the parties are not permitted to institute legal proceedings in a people's court.

Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration committee if there were mistakes, an absence of material evidence or irregularities concerning the arbitration proceedings, the jurisdiction or the constitution of the arbitration committee.

In respect of contractual and non-contractual commercial-law-related disputes which are recognised as such for the purposes of the PRC law, the PRC has acceded to the Convention on the Recognition and Enforcement of Foreign

## Summary of Relevant Chinese Laws & Regulations - continued

Arbitral Award (the “New York Convention”) adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC at the time of the accession of the PRC that (1) the PRC would only recognise and enforce foreign arbitral awards on the principle of reciprocity and (2) the PRC would only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and non-contractual commercial matters.

### Taxation

#### Enterprise income tax

On 16 March 2007, the NPC promulgated *the PRC Enterprise Income Tax Law* (the “EIT Law”). *The State Council promulgated the Implementation Regulations to the PRC Enterprise Income Tax Law* on 6 December 2007 (the “EIT Law Implementation Regulations”).

Under the EIT Law and the EIT Law Implementation Regulations, (i) PRC resident enterprises are generally subject to enterprise income tax at the rate of 25% on their worldwide income, (ii) non-PRC resident enterprises with presence in the PRC are generally subject to enterprise income tax at the rate of 25% on their income sourced from such presence in the PRC and (iii) non-PRC resident enterprises with no presence in the PRC are generally subject to enterprise income tax at the rate of 10% for their PRC-sourced income.

Under the EIT Law, enterprises organized under the laws of jurisdictions outside China with “de facto management bodies” that are located within China may be considered PRC resident enterprises and therefore be subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The EIT Law Implementation Regulations define the term “de facto management body” as a management body that exercises full or substantial control and management authority over the production, operation, personnel, accounts and assets of an enterprise. The State Administration of Taxation (the “SAT”), issued *the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies* (the “Circular 82”) on 22 April 2009.

Circular 82 provides specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore enterprise is located in China, which include the presence in the PRC of the following locations: (1) the location where senior management members responsible for an enterprise’s

daily operations discharge their duties; (2) the location where financial and human resource decisions are made or approved by organizations or persons; (3) the location where the major assets and corporate documents are kept; and (4) the location where more than half (inclusive) of all directors with voting rights or senior management have their habitual residence.

On 27 July 2011, the SAT issued *Administrative Measures of Enterprise Income Tax of Chinese-controlled Offshore Incorporated Resident Enterprises (Trial)* (the “Bulletin 45”), which became effective on 1 September 2011, to provide further guidance on the implementation of Circular 82.

Bulletin 45 clarifies certain issues related to determining PRC resident enterprise status, post-determination administration and which competent tax authorities are responsible for determining for offshore incorporated PRC resident enterprise status. Bulletin 45 specifies that when provided with a copy of a Chinese tax resident determination certificate issued by the competent tax authorities from an offshore incorporated PRC resident enterprise, the payer should not withhold 10% income tax when paying PRC-sourced dividends, interest and royalties to the offshore incorporated PRC resident enterprise.

Although Circular 82 applies only to offshore enterprises controlled by PRC enterprises or PRC corporate groups and not those controlled by PRC individuals, the determining criteria set forth in Circular 82 may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax residency status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals or foreign enterprises.

There are currently no detailed rules or precedents governing the procedures and specific criteria for determining whether a given entity constitutes a “de facto management body,” and a final confirmation by the SAT as to the “residency” status of offshore enterprises is generally necessary. Therefore, it remains unclear whether the PRC tax authorities

would classify the Company as a PRC resident enterprise. Because substantially all of its operations and senior management are located within the PRC and are expected to remain so for the foreseeable future, the Company may be considered a PRC resident enterprise for enterprise income tax purposes and therefore subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. If the Company were treated as a PRC resident enterprise, although under the EIT Law and the EIT Law Implementing Regulations dividends paid to the Company from its PRC subsidiary, it should qualify as tax-exempt income, there is no assurance that the Company would enjoy such tax-exempt treatment on dividends paid to it from its PRC subsidiary as offshore incorporated PRC resident enterprises controlled by PRC enterprises or PRC corporate groups enjoy under Bulletin 45.

In addition, the EIT Law Implementation Regulations provide that, (i) if an enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends or gains are treated as PRC-sourced income. It is not yet clear how the term “domicile” will be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where an enterprise is a tax resident. As a result, if the Company were deemed to be a PRC resident enterprise, any dividends that the Company pay to its non-resident enterprise shareholders, as well as gains realized by such shareholders from the transfer of the Shares, may be regarded as PRC-sourced income and thus subject to a 10% PRC tax, unless a reduced rate is provided under any applicable tax treaty.

Under the *PRC Individual Income Tax Law* (the “IITL”), if the Company were treated as a PRC resident enterprise, it is possible that non-resident individual investors may be subject to PRC individual income tax at a rate of 20% on any dividends paid to such investors and any capital gains realized from the transfer of the Shares if such dividends or capital gains are deemed income derived from sources within the PRC,

## Summary of Relevant Chinese Laws & Regulations - continued

unless such individuals qualify for a lower rate under a tax treaty. A non-resident individual is an individual who has no domicile in the PRC and does not stay within the PRC or has stayed within the PRC for less than one year. Pursuant to the IITL and its implementation rules, for purposes of the PRC capital gains tax, the taxable income will be based on the total income obtained from the transfer of the Shares minus all the costs and expenses that are permitted under PRC tax laws to be deducted from the income.

In connection with the EIT Law, the Ministry of Finance (the "MOF"), and the SAT jointly issued, on 30 April 2009, *the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business* (the "Circular 59"). On 10 December 2009, the SAT issued *the Notice Concerning the Strengthening of Enterprise Income Tax Administration with Respect to Equity Transfers by Non-resident Enterprises* (the "Circular 698"). Both Circular 59 and Circular 698 became effective retroactively as of 1 January 2008. By promulgating and implementing these circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-PRC resident enterprise. The PRC tax authorities have the discretion under Circular 698 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment.

Under Circular 698, if a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly via disposing of the equity interests of an overseas holding Company other than through public markets, such as the NSX where the Company is expected to be listed (the "Indirect Transfer") and such overseas holding Company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor is required to report this Indirect Transfer to the competent PRC tax authorities.

Using a "substance over form" principle, the PRC tax authorities may disregard the existence of the overseas holding Company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived by a shareholder from such Indirect Transfer may be subject to PRC tax at the rate of up to 10%.

### Value added tax

*The Provisional Regulations of the PRC concerning Value Added Tax* were promulgated by the State Council on 13 December 1993 and amended on 5 November 2008. Under these Regulations and *the Implementing Rules of the Provisional Regulations of the People's Republic of China Concerning Value Added Tax*, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

Value added tax payable in the PRC is charged on an aggregated basis at a rate of 13% or 17% (depending on the type of goods involved) on the full price collected for the goods sold or, in the case of taxable services provided, at a rate of 17% on the charges for the taxable services provided but excluding, in respect of both goods and services, any amount paid in respect of value added tax included in the price or charges, and less any deductible value added tax already paid by the taxpayer on purchases of goods and services in the same financial year.

### **Business tax**

Under the *Provisional Regulations on Business Tax*, as amended on 5 November 2008, businesses that provide services, assign intangible assets or sell immovable property are subject to business tax at a rate ranging from 3% to 20% of the income for services rendered, intangible assets assigned or immovable property sold.

### **Wholly foreign-owned enterprises**

Wholly foreign-owned enterprises are governed by the *Law of the PRC Concerning Enterprises with Sole Foreign Investments* (which was promulgated on 12 April 1986, as amended on 31 October 2000, and its Implementation Regulations promulgated on 12 December 1990, as amended on 12 April 2001 (together the “Foreign Enterprises Law”). The establishment of a wholly foreign-owned enterprise will have to be approved by Ministry of Commerce of the PRC (or its local counterparts). A wholly foreign-owned enterprise must also obtain a business licence from Administration for Industry and Commerce Authority before it can commence business.

A wholly foreign-owned enterprise is a limited liability Company under the Foreign Enterprise Law. It is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of registered capital contributed. A foreign investor may make its contributions by instalments and the registered capital must be contributed within the period as approved by Ministry of Commerce of the PRC (or its local counterparts) in accordance with relevant regulations.

### **Regulations relating to dividend distribution**

The principal regulations governing distributions of dividends by foreign-invested companies include the *PRC Companies Law* and the *Foreign Enterprise Law*.

Under these laws and regulations, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign-invested enterprises are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain statutory reserve funds until these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

### **Regulations relating to foreign currency exchange**

#### **Foreign currency exchange**

The principal regulation governing foreign currency exchange in the PRC is the *Regulations of the PRC on Foreign Exchange Administration* (the “Foreign Exchange Regulations”), as amended in August 2008. Under the Foreign Exchange Regulations and other relevant regulations and rules, Renminbi are freely convertible for current account transactions, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. In order to convert Renminbi for capital account transactions, such as capital injections, loans, repatriation of investments and investments in securities outside the PRC, the prior approval of, or registration with, the State Administration of Foreign Exchange (“SAFE”) or its competent local branches is required.

On 29 August 2008, the SAFE promulgated the *Circular on Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises* (the “Circular

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142”), pursuant to which the registered capital of a foreign-invested Company settled in Renminbi and converted from foreign currencies can only be used for purposes within the approved business scope and cannot be used for equity investments made by such foreign-invested Company within the PRC, unless otherwise provided. In addition, a foreign-invested Company may not change the use of its Renminbi-denominated registered capital without the SAFE or its competent local branch’s approval, and may not in any case use such capital to repay Renminbi-denominated loans if the proceeds of such loans have not been used within the permitted scope. Violations of Circular 142 could result in severe penalties, including heavy fines. In addition, the SAFE promulgated the Notice on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses in November 2010, which requires the authenticity of settlement of the funds raised from offshore offerings to be closely examined and the settlement of funds should conform to their intended use as listed in the Offering document. For the settlement of funds in excess of those intended by the Offering document or for a purpose other than that listed in the Offering document, a board of director’s resolution relating to the use of funds shall be submitted as a separate application document.

## **Investment in offshore special purpose vehicles**

On 21 October 2005, the SAFE issued the *Notice on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Corporate Financing and Roundtrip Investment through Offshore Special Purpose Vehicles* (the “Circular 75”), which became effective on 1 November 2005. Under Circular 75, PRC residents are required to register with the local SAFE branch prior to establishing, or acquiring control of, an offshore Company for the purpose of financing that offshore Company with equity interests in, or assets of, an onshore enterprise. In addition, PRC residents are required to amend their registrations with the local SAFE branch after contributing equity interests in, or assets of, an onshore enterprise to the offshore Company, or making any other material change in the capital of the offshore Company. Furthermore, according to the relevant rules and regulations issued by the SAFE, the shareholders, beneficial owners and/or the PRC operating subsidiaries who apply for remedial SAFE registrations under the Circular 75 shall first be subject to various administrative sanctions, in accordance with the Foreign Currency Administration Regulations, before they can be granted a remedial SAFE registration.

Failure to comply with the registration procedures of Circular 75 may result in restrictions on the foreign exchange activities of the onshore Company, including increases in its registered capital, payments of dividends and other distributions to its offshore parent or affiliate, and may also subject the relevant PRC residents and onshore entities to penalties under foreign exchange administration regulations.



## New M&A rules and regulations relating to overseas listing

On 8 August 2006, six PRC regulatory agencies, including the Ministry of Commerce (the “MOFCOM”), the State-owned Assets Supervision and Administration Commission, the SAT, the State Administration for Industry and Commerce (the “SAIC”), the China Securities Regulatory Commission (“CSRC”) and the SAFE, jointly issued *the Rules for Merger with and Acquisition of Domestic Enterprises by Foreign Investors* (the “New M&A Rules”), which became effective 8 September 2006 and were amended 22 June 2009. The New M&A Rules regulate transactions relating to (i) foreign investors’ acquisition of equity interests of PRC non-foreign-invested domestic enterprises and subscription for the capital increase of PRC non-foreign-invested domestic enterprises, (ii) foreign investors’ purchase and operation of assets of PRC domestic enterprises via their established foreign-invested enterprises, and (iii) foreign investors’ acquisition of assets of PRC domestic enterprises which would subsequently be used for the establishment and operation of foreign-invested enterprises.

The New M&A Rules require offshore special purpose vehicles controlled directly or indirectly by PRC companies or individuals and formed for the purpose of listing equity interests in PRC companies on overseas exchanges to obtain CSRC approval prior to such listing. On 21 September 2006, the CSRC published procedures for its approval of overseas listings by special purpose vehicles. The CSRC approval procedures require filing documents with the CSRC and take several months to complete. In addition, as of the date of this Information Memorandum, the CSRC and other PRC regulatory authorities have not issued any definitive rule or interpretation concerning whether transactions such as this offering are subject to the new M&A Rules and the CSRC approval procedures.

## Regulations relating to labour laws

The principal labour laws and regulations in the PRC include the *PRC Labour Law*, the *PRC Labour Contract Law* and the *Implementation Regulations of the PRC Labour Contract Law*. Pursuant to the *PRC Labour Law* and the *PRC Labour Contract Law*, employers must enter into written labour contracts with employees. Employers must pay their employees’ wages equal to or above local minimum wage standards, establish labour safety and workplace sanitation systems, comply with government labour rules and standards and provide employees with appropriate training regarding workplace safety. In addition, the *PRC Labour Contract Law* imposes more stringent requirements on employers with regard to, among others, severance payment and non-fixed-term employment contracts, time limits for probation periods, as well as the duration and the times that an employee can be placed on a fixed-term employment contract. Violations of the *PRC Labour Contract Law* and the *PRC Labour Law* may result in liabilities to employees and subject employer to administrative sanctions including fines or, in the case of serious violations, criminal liability.

The PRC regulatory authorities have passed a variety of laws and regulations regarding statutory social welfare benefits, including, among others, the *PRC Social Insurance Law* effective in July 2011, the *Regulations of Insurance for Occupational Injury*, the *Regulations of Insurance for Unemployment*, the *Provisional Insurance Measures for Maternal Employees*, and the *Interim Provisions on Registration of Social Insurance*. Pursuant to these laws and regulations, companies in China have to make sufficient contributions of statutory social welfare benefits for their employees, including medical care insurance, occupational injury insurance, unemployment insurance, maternity insurance, pension benefits and housing funds. Failure to comply with such laws and regulations may result in supplementary payments, surcharges or fines.

## Summary of Relevant Chinese Laws & Regulations - continued

### Regulations relating to intellectual properties

China has enacted various laws and regulations relating to the protection of intellectual property rights, including copyrights, software, trademarks, patents, domain names and other forms of intellectual property. China is a signatory to some main international conventions on protection of intellectual property rights and became a member of the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

#### Trademark

In accordance with the *PRC Trademark Law*, first promulgated on 23 August 1982, as amended by the Standing Committee of the NPC on 22 February 1993 and 27 October 2001, the Trademark Office of the SAIC is responsible for the registration and administration of trademarks in China. The SAIC has established a Trademark Review and Adjudication Board for resolving trademark disputes.

China has adopted a “first-to-file” principle for trademarks. If two or more applicants apply for registration of identical or similar trademarks for the same or similar commodities, the application that was filed first will receive preliminary approval and will be publicly announced. For applications filed on the same day, the trademark that was first used will receive preliminary approval and will be publicly announced.

Registered trademarks remain valid for ten years from the date that registration is approved. A registrant may apply to renew a registration within six months prior to the expiration date of the registration. If the registrant fails to apply in a timely manner, a grace period of six additional months may be granted. If the registrant fails to apply before the grace period expires, the registered trademark will be deregistered. Renewed registrations remain valid for ten years.

Under the *PRC Trademark Law*, a registered trademark may be transferred between parties upon execution of a transfer agreement and approval and publication by the Trademark Office of the SAIC.

#### Patent

In accordance with the *PRC Patent Law*, first promulgated on 12 March 1984, as amended by the Standing Committee of the NPC on 4 September 1992, 25 August 2000 and 27 December 2009, the State Intellectual Property Office is responsible for administering patents in the PRC. The patent administration departments at the provincial or municipal level are responsible for administering patents within their respective jurisdictions.

Under the *PRC Patent Law*, patents are grouped into three categories: inventions, utility models and designs. The PRC patent system adopts a “first-to-file” principle, which means that, where more than one person files a patent application for the same invention, a patent will be granted to the person who filed the application first. In addition, the PRC requires absolute novelty in order for an invention to be patentable. Under this requirement, any relevant written or oral publication, demonstration or use prior to filing a patent application may prevent an invention from being patented in the PRC. Patents for inventions remain valid for twenty years, and patents for utility models and designs remain valid for ten years, in each case from the filing date of the patent application.

In accordance with the *PRC Patent Law*, a patent application or patent right may be transferred between parties upon execution of a written agreement between the parties, which becomes effective upon registration with the State Intellectual Property Office.

## Copyright

*The PRC Copyright Law*, promulgated in September 1990 and amended in October 2001 and February 2010, and its implementing rules, set forth the basic legal system for the protection of copyright in the PRC. *The Regulations on Computer Software Protection* ("the Software Regulations"), promulgated in December 2001 by the State Council as amended on 30 January 2013, and the Measures on the Registration of Computer Software Copyright, promulgated in February 2002, were formulated in accordance with the *PRC Copyright Law*. In accordance with the Software Regulations, a software copyright owner may apply for the registration of software at software registration organs recognized by the National Copyright Administration. A registration certificate may serve as preliminary proof of the copyright ownership of registrant. A software copyright of a legal person remains valid for a period of fifty years from the date the publication of such copyright.

## Regulation relating to franchise

Pursuant to the *Administrative Measures on Filings for Commercial Franchise* promulgated by the Ministry of Commerce on 30 April 2007 and effective as of 1 May 2007 as amended on 12 December 2011, franchisors are required to file with the MOFCOM for its cross-province franchising business. One of precondition for conducting franchising business and make such filings is that franchisors should have at least 2 direct operating stores with operation period no less than 1 year. Legal consequences for such noncompliance include a fine up to RMB 10,000 or RMB 50,000 in worse circumstances.

# Additional Information

## Leases

The Company leases premises for its operations. The following table sets out the information from each lease.

Name	Lessor	Lessee	Address	Size m <sup>2</sup>	Lease Period	Monthly Rent RMB (AUD) assuming an exchange rate of RMB1: AUD \$0.1546
COMPANY HEADQUARTERS Quanzhou Company	Xu Jianxing	Fujian Puda (WFOE)	No 45 Luyuan, Fengshan, Donghu, Fengze District Quanzhou	3360	15 June 2010 to 14 June 2015	6,752.93
WAREHOUSE Beifeng industrial zone warehouse	Quanzhou Yixing Crafts Co.,Ltd	Fujian Puda (WFOE)	3rd Floor, No.A Building, Hongxing Crafts Building, No.8 Fengshun Road, Beifeng Industrial Area, Quanzhou City, Fujian Province	500	1 June 2012 to 31 May 2014	618.40

## Research project agreement

Puda (WFOE) is party to a joint research project with Beijing's Tsinghua University via a technology co-operation contract to design small molecule water filters incorporating infrared technology. The project focuses on expanding the Company's production of far-infrared products and further industrializing far-infrared production. Fujian Puda (WFOE) paid RMB 500,000 (\$77,300 assuming an exchange rate of RMB1: AUD\$0.1546) to maintain intellectual property rights from the project.

## Deeds of Access, Insurance and Indemnity

The Company has entered into an Indemnity, Insurance and Access Deed with each Officer.

Pursuant to the Deed:

- The Officer is continually indemnified by the Company against liability for an act or omission by the Officer incurred in that capacity as an officer of the Company subject to certain exclusions.
- The Company must allow access to the Officer to inspect and take copies of any information relating to the Company's affairs.
- Once the Officer ceases to be an Officer of the Company, the Officer has access for seven years after ceasing that role to access documents relating to a circumstance, claim or proceeding against the Officer in the capacity of the Officer of the Company. The Company must maintain an insurance policy insuring the Officer against liability as an officer of the Company while the Officer is an officer of the Company and until the date which is seven (7) years after the Officer ceases to be an officer of the Company. However the Company may cease to maintain insurance for any or all of the special liabilities where this cover is not reasonably available at reasonable cost during that time.

## Interests of Directors

Other than as set out below or elsewhere in this Information Memorandum:

- no Director or proposed Director holds at the date of this Information Memorandum, or held at any time during the last two years before the date of lodgement of this Information Memorandum with the NSX, any interest in:
- the formation or promotion of the Company; or
- any property acquired or proposed to be acquired by the Company in connection with its formation or in connection with the Offer; and
- no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:
  - to a Director or proposed Director to induce him to become, or to qualify as, a Director; or
  - for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or in connection with the Offer.

## Holdings of Directors

Directors (and their related entities) hold the following Shares:

**Table 6 Holdings of Directors**

	SHARES
China Puda Investment Co., Ltd. (CPI)	91,875,000

Cheng Chin-Jing holds 4 of the 7 shares in CPI (BVI) and consequently his economic interest in the Company is 52,500,000 Shares.

## Additional Information - continued

### Consents

Each of the parties referred to in this Part:

- other than as specified in this Information Memorandum, does not make, or purport to make, any statement that is included in this Information Memorandum, or a statement on which a statement made in this Information Memorandum is based, other than as specified in this Part 13; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Information Memorandum other than a reference to its name and a statement included in the Information Memorandum with the consent of the party as specified in this Information Memorandum.

### PRC Legal Adviser

King & Wood Mallesons has given its written consent to be named as the PRC Legal Adviser of the Company in this Information Memorandum, and any electronic version of this Information Memorandum, and has not withdrawn its consent prior to lodgement of this Information Memorandum with the NSX.

### Auditor

Pitcher Partners SA Pty Ltd has given its written consent to be named as the Auditor of the Company in this Information Memorandum and any electronic version of this Information Memorandum, and has not withdrawn its consent prior to lodgement of this Information Memorandum with the NSX.

### Industry Analyst

Euromonitor International Limited has given its written consent to be named as the Industry Analyst, and to all references to it, and all statements referring to the Independent Market Research Report dated November 2012 prepared by Euromonitor International Limited in the form and context in which they appear, in this Information Memorandum, and any electronic version of this Information Memorandum, and has not withdrawn its consent prior to lodgement of this Information Memorandum with the NSX.

### Australian Legal Adviser

Connell Lawyers has given its written consent to be named as the Australian Legal Adviser of the Company in this Information Memorandum, and any electronic version of this Information Memorandum, and has not withdrawn its consent prior to lodgement of this Information Memorandum with the NSX.

### Share Registrar

Computershare Investor Services Pty Limited has given, and at the time of lodgement of this Information Memorandum, has not withdrawn its written consent to be named in this Information Memorandum, and any electronic version of this Information Memorandum, as the Share Registrar, and has not withdrawn its consent prior to lodgement of this Information Memorandum with the NSX.

Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Information Memorandum other than being named as the Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Information Memorandum.



**Corporate Adviser**

Richkey International Capital Pte Ltd has given its written consent to be named as the Corporate Adviser of the Company in this Information Memorandum, and any electronic version of this Information Memorandum, and has not withdrawn its consent prior to lodgement of this Information Memorandum with the NSX. Richkey International Capital Pte Ltd does not have an Australian Financial Services Licence.

**Litigation**

The Company is not engaged in any litigation or arbitration as at the date of this Information Memorandum, and as far as the Directors are aware, no litigation or arbitration involving the Company is pending or threatened.

## Directors' Statement

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements by the Directors in this Information Memorandum are not misleading or deceptive and that with respect to any other statements made in this Information Memorandum by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making those other statements were competent to make such statements and each of those persons have given their consent to the issue of this Information Memorandum and have not withdrawn that consent, before lodgement of this Information Memorandum with the NSX. The Information Memorandum is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

This Information Memorandum is issued by China Puda High-Tech Holdings Limited. The issue of this Information Memorandum has been authorised by the Directors and this Information Memorandum is signed by the Chairman on behalf of the Directors. Each Director has consented to the lodgement of this Information Memorandum with the NSX and has not withdrawn that consent.

Signed for and on behalf of China Puda High-Tech Holdings Limited



**Cheng Chin-Jung**

Chairman and CEO

# Glossary

The following terms used in this Information Memorandum have the following meanings unless the context otherwise requires.

TERM	MEANING
\$, AUD\$, A\$	dollars of the currency of Australia, and all amounts in this Information Memorandum are in Australian dollars unless otherwise stated
Auditor	Pitcher Partners SA Pty Ltd
Board	the Board of Directors as constituted from time to time
CAGR	Compound Annual Growth Rate
China	People's Republic of China
Company or the Company	China Puda High-Tech Holdings Limited ACN 154 050 656 and where applicable its wholly owned subsidiaries.
Constitution	the constitution of the Company
Corporations Act	Corporations Act 2001' to Italics
CTMO	China Trademark Office
CY	financial year ending 31 December (Calendar Year)
Directors	the directors of the Company
Distributors	licenced buyers of wholesale product sold through branded retail stores within the PRC
Euromonitor or Euromonitor International	Euromonitor International Limited
Existing Shareholders	holders of Shares
Financial Information	Financial Information as described in chapter 10

# Glossary - continued

Financial Year or FY	financial year ending 31 December
Fujian Puda (WFOE)	Fujian Puda Trade Co., Ltd incorporated in the PRC and wholly owned by China Puda High-Tech Holdings Limited
Group	China Puda High-Tech Holdings Limited and Fujian Puda Trade Co., Ltd.
Information Memorandum	this Information Memorandum dated 13 September 2013
Information Memorandum Date	the date of this Information Memorandum being 13 September 2013
Industry Analyst	Euromonitor International Limited
NPAT	Net Profit After Tax
NSX	NSX Limited ACN 000 902 063
NSX Listing Rules or Listing Rules	the official listing rules of NSX and any other rules of NSX which apply while the Company is a listed Company, each as amended or replaced from time to time except to the extent of any express written waiver by NSX
Official List	the official list of NSX
PRC	People's Republic of China
Restriction Agreement	restriction agreement as described in chapter 11
RMB	Chinese Renminbi, the legal currency of the PRC
Securities	Shares
Share	a fully paid ordinary share in the capital of the Company
Shareholder	the holder of a Share in the Company

Share Registrar	Computershare Investor Services Pty Limited ACN 078 279 277
USD\$	dollars of the currency of the United States of America
WFOE	wholly foreign owned enterprise, a PRC investment vehicle wholly owned by a foreign individual or company
Wholesaler	a buyer of the company's products who sells to shop counters in the PRC and sells overseas

## Corporate Directory

<b>Company's Registered Office</b> Normanby Chambers 430 Little Collins Street Melbourne Victoria 3000 Telephone: +61 3 9935 5215	<b>Company's Overseas Office</b> No 45 Luyuan, Fengshan Shequ Donghu Office, Fengze District Quanzhou City Fujian Province The People's Republic of China
<b>Directors</b> Cheng Chin-Jung Hu Chih-Cheng Chua Ser Miang Hongmiao (Tracey) Du Lina Sun	<b>Australian Legal Adviser</b> Connell Lawyers 242 Angas Street Adelaide SA 5000 Australia
<b>Company Secretary/Public Officer</b> Jiang Ting CPA	<b>PRC Legal Adviser</b> King & Wood Mallesons 40th Floor Tower A Beijing Fortune Plaza 7 Dongsanhuan Zhonglu Chaoyang Beijing 100020 PRC
<b>Stock Exchange</b> The Company will apply for its securities to be quoted on the Official List of NSX Limited under the following code: CHE	<b>Share Registrar</b> Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street Abbotsford, Victoria, Australia 3000 Ph +61 3 9415 5000 <a href="http://www.computershare.com.au">www.computershare.com.au</a>
<b>Corporate Adviser</b> Richkey International Capital Pte Ltd 30 Raffles Place #23-00 Chevron House Singapore 048622	<b>Industry Analyst</b> Euromonitor International Limited 3 Lim Teck Kim Road #08-01 Singapore Genting Centre Singapore 088934
<b>Auditor</b> Pitcher Partners SA Pty Ltd 160 Greenhill Road Parkside SA 5063	





  
CHINA PUDA



**Company's Registered Office**

Normanby Chambers  
430 Little Collins Street  
Melbourne Victoria 3000

Telephone: +61 3 9935 5215



**China Puda High-Tech Holdings Limited**

ACN 154 050 656