

AUSTRALIA SANTIA JINNAI CULTURE DEVELOPMENT HOLDINGS GROUP LIMITED

AUSTRALIA SANTIA JINNAI CULTURE DEVELOPMENT HOLDINGS GROUP LIMITED

(ACN 600 569 042)

Replacement Prospectus

For the offer of up to 40 million New Shares by Australia Santia at an Issue Price of A\$0.39 each to raise up to A\$15,600,000 and the admission of the Company to the Official List of Asia Pacific Stock Exchange Limited.

APX Disclaimer

An application has been made for listing by the Asia Pacific Stock Exchange Limited of the securities offered by this Prospectus.

Listing of the securities by the Asia Pacific Stock Exchange Limited is in no way an indication of the merits of the Australia Santia Jinnai Culture Development Holdings Group Limited or the securities.

Asia Pacific Stock Exchange Limited takes no responsibility for the contents of this Prospectus, and makes no representations as to its accuracy or completeness and expressly disclaims any liability for any loss arising from or in reliance upon any part of the contents of this Prospectus.

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Important information

This is an important document which should be read in its entirety before making any investment decision. You should obtain independent advice if you have any questions about any of the matters contained in this Prospectus.

The Offer

The Offer is an invitation by Australia Santia Jinnai Culture Development Holdings Group Limited (ACN 600 569 042) to apply for fully paid ordinary shares in the Company at an Issue Price of A\$0.39 each to raise up to A\$15,600,000. Australia Santia may, in its discretion, accept subscriptions above this amount.

Lodgement with ASIC

This replacement Prospectus is dated 16 January 2015. It replaces the Replacement Prospectus dated 13 January 2015. A copy of this Prospectus was lodged with ASIC on 16 January 2014. None of ASIC, APX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus pertains.

The Replacement Prospectus dated 13 January 2015 has been issued to provide additional disclosure in relation to the corporate structure and key business functions of Guangdong Santia's subsidiaries (Section 3.1.4), additional commentary on business trade (Section 4.4.1), clarification on audit qualifications on cash sales (Section 5), risks pertaining to subsidiaries and qualifications on cash sales (Section 6), identification of APX sponsor (Section 7.3.1) and use of funds (Section 8.1.3).

This replacement Prospectus has been issued to provide accurate disclosures of the compounded growth in the Group's consolidated revenue and EBITDA from FY12 to FY14 ("Chairman's letter" Section and Section 3.1.3) and the key financial ratios (Part C of Section 1).

Overview of the material changes from Original Prospectus

The Replacement Prospectus dated 13 January 2015 has been issued to provide additional disclosure in relation to the following material matters, being the material changes to the Original Prospectus:

- Further details have been provided in relation to the businesses and importance of Guangdong Santia's four subsidiaries to the Group and potential risks that are associated with these entities.
- Clarification on the nature of the audit qualification on cash sales (see Qualified audit opinions on historical financial information in this Section).
- The reasons for insufficient financial controls and recording and receipting of

cash sales, associated risks and steps to be taken for the Group to mitigate such risks.

- Additional information and clarification on risks associated with approvals, permits and licences.
- Identification of the APX sponsor in the Prospectus.
- The important dates have been updated.

This replacement Prospectus has been issued to provide accurate disclosure in relation to the following material matters, being the material changes to the Replacement Prospectus:

- The compounded growth in the Group's consolidated revenue and EBITDA from FY12 to FY14 as stated in the Chairman's letter and Section 3.1.3 have been updated.
- The key financial ratios have been updated (Part C of Section 1).
- The important dates have been further updated.

Expiry date

No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Exposure period

The *Corporations Act* prohibits the Company from processing applications for the subscription of Shares under this Prospectus in the seven-day period after the lodgement of this Prospectus.

The Exposure Period may be extended by ASIC by up to a further seven days. The Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any application may need to be dealt with in accordance with Section 724 of the *Corporations Act*. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on applications received during the Exposure Period.

ASIC issued an interim stop-order on 24 December 2014 which was revoked following the lodgement of the Replacement Prospectus which addressed ASIC's concerns.

ASIC Class Order 00/169 means that there is no additional exposure period under the Corporations Act for this Prospectus.

This Prospectus does not provide investment advice

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of any prospective investor. It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company.

In particular, in considering this Prospectus, you should consider the risk factors that could affect the financial performance of the Company. You should carefully consider these factors in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest. Some of the risk factors that should be considered by prospective investors are set out in Section 6. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Foreign jurisdictions

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Shares or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia. The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The distribution of this Prospectus outside Australia may be restricted by law. If you come into possession of this Prospectus, you should observe any such restrictions and seek your own advice on such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. This Prospectus may not be released or distributed in the United States. This Prospectus does not constitute an offer to any person in the United States.

The Shares described in this Prospectus have not been, and will not be, registered under the US Securities Act or the securities law of any state of the United States, and may not be offered or sold directly or indirectly, in the United States. See Section 8.2 for further details.

Disclaimer and forward-looking statements

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the Shares. No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company or its Directors.

This Prospectus contains forward-looking statements which are identified by words such as

"may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the date of this Prospectus, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its Directors and management. Forward-looking statements should be read in conjunction with, and are qualified by reference to, risk factors as set out in Section 7 and other information in the Prospectus.

Except as required by law, the Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. The Company has no intention of updating or revising forward-looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

Exchange rate

Unless otherwise specified, all amounts disclosed in this Prospectus are presented in Australian dollars (converted on **15 December 2014** using the Reserve Bank of Australia's foreign currency exchange rates: A\$ **1** = RMB **5.0994** = **US\$ 0.8236** = **HK\$ 6.385**, unless otherwise noted, are rounded to the nearest dollar).

Statements of past performance

This Prospectus includes information regarding the past performance of the Group. Past performance should not be relied upon as being indicative of future performance.

Presentation of Financial Information

All references to FY12, FY13 or FY14 appearing in this Prospectus refer to the financial year which ended on 30 June 2012, 30 June 2013 or 30 June 2014 respectively, unless otherwise indicated.

Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Section 4 sets out in detail the Financial Information referred to in the Prospectus. The basis of preparation of the Financial Information is set out in Section 4.

The Financial Information has been prepared in accordance with the measurement requirements, but not all disclosure requirements, of Australian Accounting Standards and Accounting Interpretations. In the view of the Directors of the Company the omitted disclosures are not materially adverse to potential investors or inconsistent with any information contained elsewhere in the Prospectus.

Qualified audit opinions on the historical financial information

Cash sales form part of the overall revenue of the Group as disclosed in the historical statement of profit or loss and other comprehensive income for the 3 financial years ended 30 June 2014. Due to the limited evidence of cash sales, the figures of sales and revenues within the historical financial information are subject to qualifications within the Investigating Accountant's Report in Section 5. However, all non-cash sales recorded were verifiable and have been agreed to relevant supporting documents.

In view of the cash sales qualifications, the figures of sales and revenue are potentially understated and may be a conservative presentation of financial information of the Group for the past three financial years ending on 30 June 2014.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only. Unless otherwise stated, all data contained in graphs and tables is based on information available at the date of this Prospectus.

Company Website

Any references to documents included on the Company's website at en.santia.cn are for convenience only, and none of the documents or other information available on the website is incorporated by reference in this Prospectus.

Changes to the information in this **Prospectus**

Information in this Prospectus may change from time to time. If changes are not materially adverse to investors, the Company will provide updated information online on Australia Santia's website en.santia.cn. Otherwise, the Company will issue a supplementary or replacement Prospectus.

Privacy

Refer to Section 9.9 for further information regarding the provision of personal information upon applying for the Shares.

Defined words and expressions

Capitalised terms and abbreviations used in this Prospectus are defined in the Glossary in Section 10. All financial amounts contained in this Prospectus are expressed in Australian currency, unless otherwise stated.

Unless otherwise stated or implied, references to times and dates in this Prospectus are in AEST.

References to Australia Santia, the Company, Santia and the Group

For ease of reference in this Prospectus, except where the content otherwise indicates, references to "Australia Santia" and the "Company" are to Australia Santia Jinnai Culture Development Holdings Group Limited and its subsidiaries and references to "Santia" or the "Group" are to the consolidated group.

Obtaining a copy of this Prospectus and Application Form

A hard copy of the Prospectus is available free of charge to any Applicant in Australia by calling 0469334093 (within Australia) or +8675488168286 (outside Australia) from 8:30 a.m. to 5:30 p.m. (AEST) during the Offer Period.

The Prospectus is available on the Company's website en.santia.cn to residents in Australia. By making an Application, you declare that you were given access to the Prospectus attached to or accompanied by an Application Form. The *Corporations Act* prohibits any person from passing on to another person the Application Form unless it is attached to or accompanies a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applications can only be made by completing the printed Application Form in full, in accordance with instructions contained on the reverse of the Application Form.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under the Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Questions

Instructions on how to apply for the Shares are set out in Section 8 of this Prospectus and on the back of the Application Form.

If you have any questions in relation to the Offer please contact the Australia Santia Share Offer Hotline on 0469334093 (within Australia) or +8675488168286 (outside Australia) between 8:30 a.m. to 5:30 p.m. (AEST) Monday to Friday.

This Prospectus is important and should be read carefully and in its entirety.

Chairman's letter

16 January 2015

Dear investors,

On behalf of the Directors of Australia Santia Jinnai Culture Development Holdings Group Limited, I am pleased to present this Prospectus to you. The Prospectus has been issued for the purpose of:

- qualifying Australia Santia for admission to the Official List of APX; and
- offering 40,000,000 New Shares at A\$0.39 each to raise up to A\$15,600,000.

The Group is a leading Chinese manufacturer of Teochew embroidery craft and artistic boutique fashion products. Australia Santia conducts its main operations through the Group's wholly-owned subsidiary, Guangdong Santia Fashion Co. Ltd. Guangdong Santia was established in 1997 as Shantou Santia Textiles Factory Co. Ltd. Guangdong Santia's main business is the research and development, training, manufacturing and sales of embroidery crafts and Teochew artistic fashion products which are based on culturally significant and traditional Chinese artistic styles and design.

Guangdong Santia has grown rapidly during the past few years. In 2005, the Santia brand was certified as a "China Famous Brand" by the Chinese International Brand Association. The Santia brand has been awarded the "Guangzhou Famous Brand" certification by the Guangdong Province Administration for Industry and Commerce six times since 2006.

The Group has a strong financial track record and has achieved compounded annual growth in consolidated revenue and EBITDA from FY12 to FY14 of 37% and 99% respectively. The Group operates in a growing market in China where demand for "lifestyle" products is underpinned by long-term demographical and social trends.

As part of the next phase of Australia Santia's growth as an organisation, it is now seeking admission to the Official List of the APX. Admission to the Official List of the APX will enable Australia Santia to increase its access to capital to fund future growth, increase its investment profile and broaden its shareholder base.

This Prospectus contains detailed information about the Offer, the industry in which Australia Santia operates and its financial and operating performance. As with other companies, Australia Santia is subject to a range of risks. The risks of investing in Australia Santia are fully detailed in Section 6. I encourage you to read this document carefully and in its entirety before making your investment decision.

The Directors are confident that Australia Santia's business, in conjunction with the growth profile of the industry and the expertise of the Board and management team, provides a strong platform for growth.

On behalf of the Directors, I invite you to subscribe for Shares in the Company and look forward to welcoming you as a shareholder of Australia Santia.

Yours sincerely,

Zhanwu Yao Australia Santia Jinnai Culture Development Holdings Group Limited

The Offer⁽¹⁾

Key Offer Statistics	Maximum Subscription	Minimum Subscription
Offer price	A\$0.39/share	A\$0.39/share
Total number of New Shares to be issued	40,000,000	10,000,000
Number of Shares held by Existing Shareholders ⁽²⁾	120,000,000	120,000,000
Total number of Shares on issue at Completion of the Offer	160,000,000	130,000,000
Total cash proceeds to the Company from the Offer	A\$15,600,000	A\$3,900,000
Market Capitalisation at Completion of the Offer ⁽³⁾	A\$62,400,000	A\$50,700,000

(1) The Offer is subject to minimum spread requirements by having 25% of its main class of securities held by security holders who are not related parties of the applicants, as governed by Rule 4.28 of the APX Listing Rules. The Offer will not proceed if the minimum spread requirements are not met.

(2) At the date of lodgement of this Prospectus, the Existing Share structure has been lodged with ASIC. These Existing Shares will be subject to voluntary escrow arrangements. At the date of lodgement of this Prospectus, a request for inprinciple confirmation has been lodged with APX. See Section 9.4 for further details of these voluntary escrow arrangements.

(3) Calculated as the total number of Shares on issue on Completion of the Offer multiplied by the Offer Price.

Event	Date and Time (Australian Eastern Standard Time)
Lodgement of Original Prospectus with ASIC	19 December 2014
Lodgement of formal APX listing application	23 December 2014
Lodgement of Replacement Prospectus	13 January 2015
Lodgement of this Prospectus	16 January 2015
Opening Date	19 January 2015
Closing Date	20 March 2015
Issue of New Shares	27 March 2015
Expected dispatch of holding statements	27 March 2015
Shares expected to begin trading on APX	30 March 2015

Important dates

These dates are indicative only and may change. The Company reserves the right to vary the dates and times set out above subject to Corporations Act and other applicable laws. In particular, the Company reserves the right to shorten or close the Offer early or extend the Closing Date without notice. You are encouraged to submit your Applications as soon as possible after the Opening Date.

Dates may change

The dates above are indicative only and may change without notice.

The Company reserves the right to vary the times and dates of the Offer including to close the Offer early, extend the Offer or to accept late Applications, either generally or in particular cases, without notification. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

Investors are, therefore, encouraged to submit their Application Forms as early as possible after the Offer opens.

How to invest

Applications for New Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus. Instructions on how to apply for Shares are set out in Section 8 of this Prospectus and on the back of the Application Form.

Admission to Official List of APX

The Prospectus is also issued for the purpose of qualifying the Company for admission to the Official List of APX. The Company has applied to APX for listing and quotation of its Shares, including the Shares, within seven days after the date of the Prospectus being 23 December 2014. A copy of the Original Prospectus was lodged with APX on 23 December 2014. A copy of the Replacement Prospectus was lodged with APX on 14 January 2015. A copy of this replacement Prospectus will be lodged with the APX.

If APX does not grant permission for Official Quotation of its Shares within three months after the date of this Prospectus, or such longer period permitted by the *Corporations Act*, none of the Shares offered for subscription under this Prospectus will be allotted or issued and Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.

1 Investment overview

Торіс	Summary	For more information
A. Introduction		
What does Australia Santia do?	The Group is a leading manufacturer in the Teochew embroidery arts and crafts and artistic fashion sector. The Group is principally engaged in the design, development, research, manufacture and distribution of clothing, textiles and artistic ornaments that are designed with traditional Chinese cultural features and with artistic qualities of Chinese Teochew embroidery.	Sections 2.1 and 3.1.4
	Australia Santia's key operational unit is operated through the Group's founding company, Guangdong Santia, which was founded in 2007. Australia Santia holds 100% in Hong Kong Santia. Hong Kong Santia in turn holds 100% in Guangdong Santia. Guangdong Santia holds four wholly-owned subsidiaries in China:	
	• Huishang Import & Export Co is incorporated in 2014. Its main business includes imports and exports of Teochew artistic and cultural fashion, embroidery crafts and other cultural products. This subsidiary is not yet operational; however it will be an important part in the Group's business strategy as a support to the business and operations of Guangdong Santia.	
	• Huishang Trading Co is incorporated in 2014. Its main business includes the sale of Teochew embroidery products targeted for the western regions of China. This subsidiary is not yet operational; however it will be an important part in the Group's business strategy to support the growth of sales.	
	• Gansu Santia is incorporated in 2014. The purpose for establishing this subsidiary in Gansu is to develop Santia's presence in central western and northern regions of China, as an important part of the Group's business strategy to strengthen retail growth in the "Silk Road economic zone" of China.	
	• Cultural Exchange Centre is incorporated in 2014. Its operation scope is to exhibit cultural products and activities in order to promote public appreciation of cultural assets and encourage sales of items displayed at the Cultural Exchange Centre. This is an important part of Group's marketing and branding strategy.	
	These four subsidiaries and their respective business and operation aim to operate in tandem to support the functions and key business of Guangdong Santia, increase branding awareness and competitiveness, and are important parts of the future direction and business strategy of the Group.	
Why is the admission of the Company to the Official List of APX being	 The Company is seeking admission to the Official List of APX to: provide it with increased access to equity capital markets to pursue further growth and development opportunities; 	Section 8.1.3
sought?	• gain exposure to international equity markets through a respected stock exchange in a similar time zone;	

Торіс	Summary	For more information
	 strengthen the Company's ability to attract and retain high quality personnel and provide additional remuneration instruments for the Company's directors, executives and employees; raise its profile with investors; and 	
B. Kev features	diversify its shareholder base. of the Australia Santia business model	
How does Australia Santia generate its income?	The Group generates income by selling its fashion and cultural products at the retail price (less any discount to the retail price at the relevant distribution terminals and dealers) less the cost of the product. The Group sells fashion and cultural products via a diverse range of sales platforms. At present, Guangdong Santia's products are sold through traditional marketing models and retail contracts. Guangdong Santia has signed agency contracts with a number of agents based in different provinces. The Group also engages in conference marketing models and exhibits artistic products at display halls, including the Cultural Exchange Centre, Fashion Lifestyle Gallery of Teochew embroidery as well as other domestic exhibitions to achieve higher sales revenue. The Group utilises its subsidiary company in Hong Kong to promote Teochew Embroidery internationally and at international exhibitions. The Group uses online distribution and marketing platforms including the largest e-commerce platforms in China to generate revenue. The Group intends to develop e-commerce distribution channels, including mobile purchasing applications such as WeiStore to attract mobile user customers and for ease of purchasing.	Sections 3.7 and 2.6
What are Australia Santia's material and related party contracts?	 The Group's material contracts are summarised as follows. Purchase and Sale Contract with the Preparatory Committee of the 18th Annual Meeting of the Teochew International Federation dated 28 July 2014 for the sale of embroidery products including 3000 Teochew embroidery gift items, 1000 articles of clothing (including men's apparel, Cheongsam, men's and women's formal wear), 5000 articles of exhibition supplies (including napkins, table cloths, information kits) to be delivered before 30 June 2015, totalling to RMB 8.313 million (approximately A\$1.63 million). Cooperation Agreement with Mr Qingxian Sun dated 18 June 2014 for the transfer of seven embroidery works in consideration of RMB 10 million (approximately A\$1.961 million) subject to the valuation price listed in the valuation report issued by a qualified valuation organisation in Hong Kong. The seven works are: <i>Prosperous Nine Provinces</i> 《鼎盛 九州图》, <i>Fuchun Mountains</i> 《富春山居图》, <i>Springtime Blossom</i> 《报春图》, <i>Peony</i> 《牡丹图》, <i>Golden Dragon Fish</i> 《金龙鱼图》, <i>Bathing Lady</i> 《浴女图》, <i>Red Lotus</i> 《红荷依 依图》. 	Section 3.10

Торіс	Summary	For more information
	 Transfer Agreement between Hong Kong Santia and Mr Zhanwu Yao dated 25 June 2014 for the transfer of the seven embroidery works: <i>Prosperous Nine Provinces</i>《鼎盛九州 图》, <i>Fuchun Mountains</i>《富春山居图》, <i>Springtime Blossom</i> 《报春图》, <i>Peony</i>《牡丹图》, <i>Golden Dragon Fish</i>《金龙 鱼图》, <i>Bathing Lady</i>《浴女图》, <i>Red Lotus</i>《红荷依依图》, valued at RMB 12.633 million (approximately A\$2.4773 million) (in accordance with a Valuation Report issued by ROMA Group on 25 November 2014) to Hong Kong Santia for nil consideration on the date of signing. 	
	• Standard Agency Contracts with top distributors that expire between two to seven years from the date of signing. The distributors agree to purchase Guangdong Santia's branded products, with the price of each product calculated in accordance with the Group's pricing policy. The relevant Agency Contract specifies the relevant geographic area of sale of the Guangdong Santia's products. The distributor cannot sell Guangdong Santia's products outside the specified place of sale. Guangdong Santia is entitled to sign additional Agency Contracts with other distributors for areas within any of the specified areas that are not yet developed by the existing distributor.	
	• Standard Supply Contracts with top suppliers that expires one year from the date of signing. The supplier agrees to supply to Guangdong Santia the agreed products. The price of the supplies will be calculated in accordance with the supplier's pricing policy and negotiations with Guangdong Santia. Guangdong Santia will pay 30% of the total cost of the supply products as a deposit, with the balance payable after receipt and verification of the supplied product.	
	• Processing contract with Chaozhou Jinhuan Dyeing Factory that expires two years from the date of signing. Chaozhou Jinhuan Dyeing Factory agrees to purchase the required textiles, as per the directions of Guangdong Santia, and to dye the textiles according to specifications. The price of each order is determined by agreement between the two parties. 30% of the price for each order is paid prior to the performance of service, the balance of which is paid at the end of the month that the goods were accepted.	
	• Loan agreement between Guangdong Santia and China Bank of Communications Co Ltd. signed on 18 March 2014 for an amount of RMB 10 million (approximately A\$1.961 million) payable by 24 March 2015 at a floating interest rate with an upper bound of 30%, repayable by 24 March 2015.	
	 Guarantee agreement with China Bank of Communications Co Ltd. signed on 18 March 2014 whereby Zhanwu Yao and Xiaoru Chen agreed to provide RMB 20 million (approximately A\$3.922 million) as guarantee for Guangdong Santia's repayment of the full amount of the principal and interest (among other loan related penalties and expenses) on the loan agreement between Guangdong Santia and China Bank of Communications Co Ltd. 	

Торіс	Summary	For more information
	• Mortgage guarantee contracts signed on 18 March 2014 whereby Xiaoru Chen agreed to be the guarantor for Guangdong Santia in respect of the repayment of the full amount of the principal and interest (among other loan related penalties and expenses) on the loan under the loan agreement between Guangdong Santia and China Bank of Communications Co Ltd.	
	• Director loan agreements signed on 1 May 2014 between Zhanwu Yao and Guangdong Santia. Under the agreement Zhanwu Yao advanced an amount of RMB 2,400,833.17 (approximately A\$470,807) to Guangdong Santia based on the People's Bank of China's benchmark lending floating interest rate of up to 30%. The amounts under each loan agreement are payable on 23 October 2014, 17 January 2016, 24 June 2017.	
	• Lease agreement for the period of 1 January 2014 to 31 December 2016. The registered office premises and operational facilities of Guangdong Santia (2/F West Wing, and 3/F to 5/F, H15 Industrial Building, No. 20, Lianjiang Road, Shantou, Guangdong, PRC) are currently leased from Ms Xiaoru Chen (being the owner of the property) on normal commercial terms. The amount payable to Ms Chen is RMB 85,000 per month (approximately A\$16,669 per month). The rent for the lease is payable at the end of the lease period.	
	 Sub-lease signed jointly by Guangdong Santia (as lessee), Huishang Import & Export Co (as sub-lessee), and Ms Chen (as lessor). The registered office premises of Huishang Import & Export Co (Room 1, 2/F West Wing, H15 Industrial Building, No. 20, Lianjiang Road, Shantou, Guangdong, PRC) are leased from Guangdong Santia for a term from 15 April 2014 to 14 April 2016 for nil consideration. 	
	 Sub-lease signed jointly by Guangdong Santia (as lessee), Huishang Trading Co (as sub-lessee), and Ms Chen (as lessor). The registered office premises of Huishang Trading Co (Room 2, 2/F West Wing, H15 Industrial Building, No. 20, Lianjiang Road, Shantou, Guangdong, PRC) are leased from Guangdong Santia for a term from 15 April 2014 to 14 April 2016 for nil consideration. 	
	• Trademark Transfer Contract between Guangdong Santia and Xiaoru Chen dated 2 January 2014 whereby Ms Chen transferred Guangdong Santia the right to use the PRC trademark (No. 1300914) that is registered under Ms Chen's name for nil consideration.	
	• Trademark Transfer Contract between Guangdong Santia and Zhanwu Yao dated 2 January 2014 where by Mr Yao transferred Guangdong Santia the right to use the listed PRC trademarks that are registered under Mr Yao's name for nil consideration.	
What are Australia Santia's key	 The Group's strategies for growth are set out below. Expansion of Sales Channels: Australia Santia believes that the Group can distribute and market its products to reach more 	Section 3.8

Торіс	Summary	For more information
strategies for growth?	 customers by setting up Santia's own sales channels. The Group plans to establish flagship stores named Santia Teochew Embroidery Culture Centre (tentative name) in Xi'an and Shenzhen, China - both significant cities on the Silk Road economic zone. The Group intends to open up Santia's own "Brand Image" store - by opening up Santia's own retail store that sells Santia products exclusively as well as set up e-commerce platforms including WeiStore (a mobile application platform for purchasing goods) so to cater for younger customers who are drawn more towards online shopping, especially using "smart" mobile phones. Building the Brand by Participating in Community Activities to Promote Traditional Culture: Santia is dedicated to incorporating elements of the traditional Teochew Embroidery art into the modern products. The Group intends to invest in establishing a cultural industry quarters for Teochew Embroidery. This involves the setting up its headquarter in Australia to promote Chinese traditional culture as the core of the Group's image, the setting up of facilities for the exhibition of exception embroidery artworks, as well as for the research and education of the traditional techniques. Attracting Talented Embroiderers by Setting up an Embroidery Training Centre: The Group needs to ensure a continuous inflow of new talent for the continuation of Santia's business and intends to invest in setting up an Embroidery Training Centre in Shantou, PRC, for the training of younger generations to be talent artisans. 	
What is the corporate structure of Australia Santia?	A summary of the Group structure is set out in Section 3.1.4. The Group also has a number of locally incorporated subsidiaries in the countries it does business.	Section 3.1.4
How does Australia Santia expect to fund its operations?	Historically, the Group's operations have been funded by a combination of operating cash flow, director loans and bank loans to Group entities. The Company intends to raise funds through the Offer of Shares, to provide additional working capital to progress with the Company's business activities as outlined in the Prospectus. Assuming the Offer is successful, the Group's operations and growth plans will also be funded by a combination of operating cashflow and funds from the issue of New Shares.	Sections 3.9 and 3.11
Who are Australia Santia's main competitors?	The Group operates within one of the four most renowned embroidery styles. They are the Suzhou, Hunan, Sichuan and Teochew embroideries. The Group's products are based on the Teochew embroidery style. It is a leading manufacturer of cultural products in this sector.	Section 2.4
What is the capital management policy of Australia	Management administers the Company's capital by assessing the Company's financial risks and cash flow forecasting, and adjusting the capital structure and seeking additional capital when required. No dividend will be paid after Listing in respect of the financial year	Section 3.11

Торіс	Summary			For more information
Santia?	ending 30 June 2015. The level of pa between periods depending on factors including the Group's earnings, finance and capital requirements.			
	The ability to pay dividends depends paid out of profits generated outside of Directors do not provide any assurance the extent to which they are franked, a dividends are not paid.	of Australia will be be of the future lev	e unfranked. The vel of dividends or	
C. Key Offer st	atistics			
What is the Offer?	Australia Santia offers subscription f an Offer Price of A\$0.39 each to raise			Section 8.1
What are the key Offer	The table below sets out the key Offe	er statistics:		"The Offer" Section
statistics?	Key Offer Statistics	Minimum Subscription	Maximum Subscription	
	Offer Price	A\$0.39	A\$0.39	
	Total number of New Shares to be issued	10,000,000	40,000,000	
	Number of Shares held by Existing Shareholders (¹)	120,000,000	120,000,000	
	Total number of Shares on issue at Completion of the Offer	130,000,000	160,000,000	
	Total cash proceeds to the Company from the Offer	A\$3,900,000	A\$15,600,000	
	Market Capitalisation at Completion of the Offer ⁽²⁾	A\$50,700,000	A\$62,400,000	
	(1) At the date of lodgement of this Prosp been lodged with ASIC. These Existing S arrangements. At the date of lodgement of confirmation has been lodged with APX. So voluntary escrow arrangements.	Shares will be subject this Prospectus, a re	ct to voluntary escrow equest for in-principle	
	(2) Calculated as the total number of Shares of by the Offer Price.	of the Offer multiplied		
What is the purpose of the Offer and use of Funds?	The Offer is to raise a maximum of raising of at least A\$12,946,002 net Subscription and A\$1,618,292 net Subscription.	et of Offer expen	nses at Maximum	Section 8.1.3 and Section 9.8
	Please note that in the case of Minin net of the expenses of the offer is A\$ A\$3,900,000, as 58.5% of the fund	51,618,292 from t	he total amount of	

Торіс	Summary			For more information
	would go towards the exp	penses of the offer.		
		g proportions if an	expenses, the funds will be amount within the range of cription is achieved:	
	Use of funds	Si Su	Dortion if any amount within the range of Maximum ubscription and Minimum bscription is achieved (as a ntage of total use of funds net of costs of the offer)	
	Marketing and brand investment activi		10%	
	Channel expansion inv building of chain st in Sydney, Xi'an, Si Hong Kong in the c Maximum Subscrip in Sydney only in th Minimum Subscrip	ores*: henzhen and case of otion; or he case of	35%	
	Research and developmen (includes laboratory cor equipment procurement recruitment)	nstruction,	8%	
	Liquidity funds - for pure materials for production at		33%	
	Liquidity funds - for cas during retail perio		14%	
	Total		100%	
What are key final	the	-	the amount raised, with Sydney insion investment funds.	
ratios?		Pre Offer	Post Offer (Maximum Subscription)	
	Earnings per Share ⁽¹⁾	A\$ 0.021	A\$0.016	
	P/E multiple ⁽²⁾	18.75	25.00	
	EBITDA multiple ⁽³⁾	12.21	16.62	
	Current ratio ⁽⁴⁾	148%	291%	
	NTA ⁽⁵⁾	A\$7,578,155	A\$20,850,527	
	Return on equity ⁽⁶⁾	32.93%	11.97%	
	Definitions: 1. EPS= NPAT for Shares on issue for		30 June 2014 / total number of	

Торіс	Summary						For more information
	2. P/E multiple = M months ended 30		alisation u	pon listing	/ NPAT for	the 12	mormation
	3. EBITDA multipl net debt at 30 Ju 2014	e = (Market					
	4. Current ratio = C June 2014	urrent assets	at 30 Jur	ne 2014 /cu	rrent liabilitie	es at 30	
	5. NTA = Pro forma 30 June 2014	a net assets a	t 30 June 2	2014 + defe	erred tax liabi	ilities at	
	6. Return on Equity Total shareholder				ded 30 June	2014 /	
What is the key financial information?	The following tables pr which has been derived 4 and should be read tog on the Financial Informat The Financial Informat measurement requirem Australian Accounting S view of the Directors of materially adverse to information contained el Cash sales form part of the historical statement for the 3 financial years of cash sales, the figur financial information are Accountant's Report in S The financial statements Company's presentation Kong Santia is Hong	from the Fi gether with t ition as set of ion has be ents, but in Standards a of the Comp potential is sewhere in the overall of profit or ended 30 Ju res of sales e subject to Section 5.	nancial In the Invest out in Sec en prepa not all o nd Accou- pany the investors the Prosp revenue loss and rev qualificat ted in Au The fun	nformation tigating Ad- tion 5. red in acc disclosure unting Inte omitted d or incor ectus. of the Gro other comp Due to th yenues with ions withi	a set out in S ccountant's cordance w requiremen erpretations. lisclosures a sistent with oup as discle prehensive i the limited ev thin the his n the Invest	Section Report ith the nts, of In the are not h any osed in ncome ridence storical igating n is the Hong	Section 4
	Guangdong Santia is Ch preparation of this Section	inese Renn	ninbi. Th			•	
		RMB	B:A\$	НК	\$:A\$		
		Average	Spot	Average	Spot		
	Yearended 30 June 2012	0.1528	0.1560	N/A	N/A		
	Year ended 30 June 2013	0.1552	0.1774	N/A	N/A		
	Year ended 30 June 2014	0.1774	0.1725	0.1370	0.1370		
	Historical Statements of Pro Guangdong Santia	fit or Loss and	d other Co	mprehensive	Income of		
		30 June 2014	30	June 2013	30 June	2012	
		A\$		A\$	A\$		
	Revenue – sales of goods	7,795,9	976	5,836,96	0 4,	181,012	

opic	Summary				For more
					information
	Cost of sales	(3,497,805)	(3,948,360)	(2,725,814)	
	Gross profit	4,298,171	1,888,600	1,455,198	
	Sales and marketing	(118,763)	(59,466)	(75,795)	
	Administration	(741,381)	(533,193)	(533,940)	
	Finance costs	(157,542)	(184,869)	(185,661)	
	Profit before Income				
	Tax from continuing operations	3,280,485	1,111,072	659,802	
	Income Tax Expense	(784,641)	(277,768)	· · · · · · · · · · · · · · · · · · ·	
	Profit after income	(784,041)	(277,708)	(120,211)	
	tax expense for the	• • • • • • • • •		500 501	
	year Other comprehensive	2,495,844	833,304	539,591	
	income	(268,936)	875,511	330,302	
	Total comprehensive		·		
	income for the year	2,226,908	1,708,815	869,893	
	Subscription capital rais as if those transactions The Notional Historica prepared on the basis	sing transactions had taken place of al and pro-formation of the significant	on 30 June 2014). a financial inform t accounting poli	ma transactions nation has been cies adopted by	
	Subscription capital rais as if those transactions The Notional Historica	sing transactions had taken place of al and pro-forma of the significan n Section 4.6 an notes. dated Statement of I	and other pro-for on 30 June 2014). a financial inform t accounting poli d should be read	ma transactions nation has been cies adopted by in conjunction	
	Subscription capital rais as if those transactions if The Notional Historica prepared on the basis of the Company set out if with the accompanying Notional Historical Consoli	sing transactions had taken place of al and pro-forma of the significan n Section 4.6 an notes. dated Statement of I	and other pro-for on 30 June 2014). a financial inform t accounting poli d should be read	ma transactions nation has been cies adopted by in conjunction	
	Subscription capital rais as if those transactions if The Notional Historica prepared on the basis of the Company set out if with the accompanying Notional Historical Consolid Consolidated Statements of	sing transactions had taken place of al and pro-forma of the significan n Section 4.6 an notes. dated Statement of I Financial Position Notional Historical Consolidated 30 Jun 2014	and other pro-for on 30 June 2014). a financial inform t accounting poli d should be read Financial Position an Minimum Subscription Pro- Forma Consolidated 30 Jun 2014	ma transactions nation has been cies adopted by in conjunction d Pro-Forma Maximum Subscription Pro-Forma Consolidated 30 Jun 2014	
	Subscription capital rais as if those transactions if The Notional Historica prepared on the basis of the Company set out if with the accompanying Notional Historical Consolid Consolidated Statements of	sing transactions had taken place of al and pro-forma of the significan n Section 4.6 an notes. dated Statement of I Financial Position Notional Historical Consolidated 30 Jun 2014 A\$	and other pro-for on 30 June 2014). a financial inform t accounting poli d should be read Financial Position an Minimum Subscription Pro- Forma Consolidated 30 Jun 2014 AS	ma transactions hation has been cies adopted by in conjunction d Pro-Forma Maximum Subscription Pro-Forma Consolidated 30 Jun 2014 A\$	
	Subscription capital rais as if those transactions if The Notional Historica prepared on the basis of the Company set out if with the accompanying Notional Historical Consolid Consolidated Statements of Current ASSETS Cash and cash equivalents	sing transactions had taken place of al and pro-forma of the significan n Section 4.6 an notes. dated Statement of I Financial Position Notional Historical Consolidated 30 Jun 2014	and other pro-for on 30 June 2014). a financial inform t accounting poli d should be read Financial Position an Minimum Subscription Pro- Forma Consolidated 30 Jun 2014	ma transactions nation has been cies adopted by in conjunction d Pro-Forma Maximum Subscription Pro-Forma Consolidated 30 Jun 2014	
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	Subscription capital rais as if those transactions if The Notional Historica prepared on the basis of the Company set out if with the accompanying Notional Historical Consolid Consolidated Statements of CURRENT ASSETS Cash and cash equivalents Trade and other	sing transactions had taken place of al and pro-forma of the significan n Section 4.6 an notes. dated Statement of I Financial Position Notional Historical Consolidated 30 Jun 2014 A\$	and other pro-for on 30 June 2014). a financial inform t accounting poli d should be read Financial Position an Minimum Subscription Pro- Forma Consolidated 30 Jun 2014 A\$ 2,793,232	ma transactions hation has been cies adopted by in conjunction d Pro-Forma Maximum Subscription Pro-Forma Consolidated 30 Jun 2014 A\$ 14,025,232	
	Subscription capital rais as if those transactions if The Notional Historical prepared on the basis of the Company set out if with the accompanying Notional Historical Consolid Consolidated Statements of Consolidated Statements of Cash and cash equivalents Trade and other receivables Inventories Prepayments	sing transactions had taken place of al and pro-forma of the significan n Section 4.6 an notes. dated Statement of I Financial Position Notional Historical Consolidated 30 Jun 2014 A\$ 614,877 5,205,112	and other pro-for on 30 June 2014). a financial inform t accounting poli d should be read Financial Position an Minimum Subscription Pro- Forma Consolidated 30 Jun 2014 AS 2,793,232 5,205,112	ma transactions nation has been cies adopted by l in conjunction d Pro-Forma Maximum Subscription Pro-Forma Consolidated 30 Jun 2014 A\$ 14,025,232 5,205,112	
	Subscription capital rais as if those transactions if The Notional Historica prepared on the basis of the Company set out if with the accompanying Notional Historical Consolid Consolidated Statements of Consolidated Statements of Cash and cash equivalents Trade and other receivables Inventories	sing transactions had taken place of al and pro-forma of the significan n Section 4.6 an notes. dated Statement of I Financial Position Notional Historical Consolidated 30 Jun 2014 A\$ 614,877 5,205,112 3,397,331	and other pro-for on 30 June 2014). a financial inform t accounting poli d should be read Financial Position an Minimum Subscription Pro- Forma Consolidated 30 Jun 2014 AS 2,793,232 5,205,112 3,397,331	ma transactions nation has been cies adopted by l in conjunction d Pro-Forma Maximum Subscription Pro-Forma Consolidated 30 Jun 2014 A\$ 14,025,232 5,205,112 3,397,331	
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	Subscription capital rais as if those transactions if The Notional Historical prepared on the basis of the Company set out if with the accompanying Notional Historical Consolid Consolidated Statements of Consolidated Statements of Consolidated Statements of Cash and cash equivalents Trade and other receivables Inventories Prepayments TOTAL CURRENT ASSETS NON CURRENT ASSETS Property, plant &	sing transactions had taken place of al and pro-forma of the significan n Section 4.6 an notes. dated Statement of I Financial Position Notional Historical Consolidated 30 Jun 2014 A\$ 614,877 5,205,112 3,397,331 4,474,060	and other pro-for on 30 June 2014). a financial inform t accounting poli d should be read Financial Position an Minimum Subscription Pro- Forma Consolidated 30 Jun 2014 A\$ 2,793,232 5,205,112 3,397,331 4,336,077	ma transactions nation has been cies adopted by in conjunction d Pro-Forma Maximum Subscription Pro-Forma Consolidated 30 Jun 2014 A\$ 14,025,232 5,205,112 3,397,331 4,336,077	
	Subscription capital rais as if those transactions if The Notional Historical prepared on the basis of the Company set out if with the accompanying Notional Historical Consolid Consolidated Statements of Consolidated Statements of Cash and cash equivalents Trade and other receivables Inventories Prepayments TOTAL CURRENT ASSETS NON CURRENT ASSETS	sing transactions had taken place of al and pro-forma of the significan n Section 4.6 an notes. dated Statement of I Financial Position Notional Historical Consolidated 30 Jun 2014 A\$ 614,877 5,205,112 3,397,331 4,474,060 13,691,380	and other pro-for on 30 June 2014). a financial inform t accounting poli d should be read Financial Position an Minimum Subscription Pro- Forma Consolidated 30 Jun 2014 AS 2,793,232 5,205,112 3,397,331 4,336,077 15,731,752	ma transactions nation has been cies adopted by l in conjunction d Pro-Forma Consolidated 30 Jun 2014 A\$ 14,025,232 5,205,112 3,397,331 4,336,077 26,963,752	

Торіс	Summary				For more information	
	CURRENT LIABILITIES					
	Trade and other payables	5,234,149	5,234,149	5,234,149		
	Borrowings	4,045,872	4,045,872	4,045,872		
	TOTAL CURRENT LIABILITIES	9,280,021	9,280,021	9,280,021		
	NON CURRENT LIABILITIES					
	Borrowings	158,351	158,351	158,351		
	TOTAL NON CURRENT LIABILITIES	158,351	158,351	158,351		
	TOTAL LIABILITIES	9,438,372	9,438,372	9,438,372		
	NET ASSETS	7,578,155	9,618,527	20,850,527		
	FOUTV					
	EQUITY Issued capital	60,000	2,100,372	13,332,372		
	Reserves	3,160,212	3,160,212	3,160,212		
	Retained profits	4,357,943	4,357,943	4,357,943		
	TOTAL EQUITY	7,578,155	9,618,527	20,850,527		
D. Strengths of	the business					
Incorporation of Teochew	Guangdong Santia is situa region where the Teochew as the torchbearer of the tr	v style school of e caditional culture	mbroidery origin that has been pas	ates. Santia, sed down for	Section 3.5	
Embroidery elements	This sets Santia apart from	centuries, incorporates elements of Teochew Embroidery in its products. This sets Santia apart from competitors of the textiles sector and is a contributing factor to the growth of the Group's business.				
Joint training programs with fashion schools to promote Teochew Embroidery and the Santia brand	In 2007, Santia entered in Institute of Fashion Techr and Research Practice Bas Fashion Technology with research on textile technol techniques. Through prov programs, Santia is estable traditional art.	Section 3.5				
System of raw material quality control	Santia has, in place, a system of raw material control measures that ensure that suppliers are held accountable for providing suitable raw materials. Santia also has in place strict procedures for inspecting raw materials upon arrival, careful selecting suppliers and tracking the raw materials for easier detection of problems with the raw materials used.				Section 3.3.2	
System of quality	Guangdong Santia strictly caution to ensure that qua standards are met and that	Section 3.3.3				
production	production process. Santia maintenance of production operation standards of ma step of the production pro	a adheres to high h n machinery, deta chines and ensurin	iled instructions of	on the		
control during the production process System of quality control of final products and	production process. Santia maintenance of production operation standards of ma	a adheres to high h n machinery, deta chines and ensurin cess. ty Control departs	iled instructions of ng quality inspection ment conducts a second	on the tion at every final quality	Sections 3.3.4 and 3.3.5	

Торіс	Summary	For more information
	the reasons for the complaint, inspects the alleged defects and determines the relevant department responsible for the fixing defect. In addition to self-testing, Santia's products are sent to the Guangdong Textile and Garment Supervision Inspection Station (Shantou) annually for regulatory product testing.	
Cooperation with master artisans	Santia has invited artisans who are considered masters in their respective fields to further strengthen the creative prowess of Santia's design team. Santia's Art Director, Mr Qingxian Sun, has been appointed as committee or board member for multiple major art institutes in China. Since 1983, Mr Sun's work has been chosen by the PRC Ministry of Foreign Affairs as gifts to foreign government officials, including to former Prime Minister of Canada, Mr Paul Martin, and former UN Secretary- General, Mr Kofi Annan.	Section 3.5
Experienced senior management team	Santia is led by a strong management team under the vision of Santia's Chairman, Mr Zhanwu Yao, who is one of the most influential CEOs in China. More information about the Directors and senior management team of the Group is set out in Section 7.	Sections 3.5 and 7
Highly talented employees	Santia's design team creates high-quality clothing designs under the leadership of Design Director, Ms Meijuan Yuan, and Chief Designer, Mr Qianjin Fan. Both Ms Yuan and Mr Fan have had rich experiences in the textiles and Teochew Embroidery sectors. Ms Yuan's artwork, "Peony", has been declared by the Shantou government as an intangible cultural heritage masterpiece; Mr Fan's designs have been featured on the red carpet of the Festival de Cannes, as well as at a fashion week in France in 2013.	Section 3.5
E. Key risks of	the business	
Approvals, permits and licences risks	The Group insists on ensuring that all necessary regulatory and industry approvals, permits and licences, where required by law, are obtained. Approvals, permits and licences may be required for construction of new manufacturing plants, development of cultural assets exchange and research centres, and any new retail stores that may be part of the Group's future business strategy. The delay in applying for approvals, permits and/or licences relevant to these projects may cause delay in the business of the Group, thus, impeding the progress of Santia's operations.	Section 6.1.1
Standards and internal control risks	The Group's operating unit, Guangdong Santia, implements strict quality control systems and good quality control manufacturing practices to adhere to standards and certification such as the Acceptable Quality Level standard. Guangdong Santia (and its wholly owned subsidiaries) has set up stringent management policies to assess and control such risk as well as setting up policies to try to reduce unexpected risks. Although the Group strictly adheres to standards such as the Acceptable Quality Level standard, omission or errors may occur during the procurement, production and/or sales process may result if there is a lack of control of quality or due to other reasons beyond the control of Guangdong Santia. The risk of lack of internal control may result in lower quality product, increased costs, reputational damage and even potential loss of customers.	Section 6.1.2
Competition Risk	The Group operates in a competitive cultural assets industry which has grown since Guangdong Santia entered the market in 1997. In recent	Section 6.1.3

Торіс	Summary	For more information
	years, competition in the cultural assets industry has intensified along with growth, with different competitors focusing on different areas including branding, sales, channels, product differentiation and service.	
	An increase in competition or deterioration in the competitive position of Guangdong Santia may have a material adverse impact on the Group's market share and profitability, as well as sustainability.	
Risks associated with subsidiaries of Guangdong Santia	An important part of the Group's future business strategy, retail and marketing is dependent on the four subsidiary companies of Guangdong Santia as detailed in Section 3.1.4. The Group has developed strong operational and organisational controls over these subsidiaries to support the business of the group; however performance of any one of these subsidiaries may adversely impact on the Group's growth and future direction. The Group intends to mitigate these risks through implementing clear and effective management policies, reporting and review policies and systems of organisational control.	Section 6.1.4
Risks associated with distributors and dealers	The Group relies on dealers and agents to sell its products across China. The Group has built strong relationships with many dealers and agents over the years. However, the Group's dealers may cease selling the Group's merchandise or merchandise altogether, fail to deliver or train their staff to deliver high quality customer service, encounter financial difficulties, fail to expand their stores or distribution capacities to meet the Group's growing needs, terminate Santia's relationship or enter into agreements with the Group's competitors. The occurrence of any of these events, alone or together, may have a material adverse effect on the business' cash flow and profitability.	Section 6.1.5
Risks associated with suppliers	The Group sources materials and products from selected third-party suppliers. Santia's continued growth will increase its demands for materials and products which, in turn, will result in a requirement to increase its ability to source ingredients and products of commercial quality on reasonable terms. Should Santia's suppliers cease selling materials, encounter financial difficulties, terminate their relationships, enter into agreements with competitors, or encounter raw material or labour shortages, Santia's costs may be impacted and may, consequently, lead to an adverse effect on Santia's business, financial condition and result of operations.	Section 6.1.6
Chinese regulatory environment and associated risks	The Group's operations in China are or will be subject to the laws and regulations of general application governing production safety, product quality, industrial relations, industry relations, work place health and safety, trade and export, competition, access to infrastructure, and taxation. These regulations are implemented by various government authorities.	Section 6.1.7
	Any adverse changes to the regulations and laws affecting production of cultural textiles and traditional assets may have adverse impacts on the financial performance, market position and future prospects of the Group.	
Risks associated with PRC regulations relating to offshore	The Company's existing shareholders or beneficial owners who are PRC residents have not completed initial registrations with a local SAFE branch as required under SAFE Circular 37. It is uncertain that they can successfully comply with registration requirements under SAFE Circular 37 and subsequent implementation rules in a timely fashion or at all. Failure to comply with the SAFE regulations may subject them to fines	Section 6.1.8

Торіс	Summary	For more information
investment activities by PRC resident	or other legal sanctions, restrict our cross-border investment activities, limit Santia's PRC subsidiaries' ability to make distributions or pay dividends or otherwise affect the business of the Group.	
Reliance on key personnel	The Group is substantially reliant on the expertise and abilities of its key management personnel and factory personnel in overseeing the day-to- day operations of the Group's subsidiaries. In addition, the Company considers that its well regarded research and development as core power of its growth and development. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees, contractors or researchers cease their relationship with the Group's subsidiary companies.	Section 6.1.9
Risks associated with the human resource capacity as the Group grows	The Group entities have established a stable and efficient management team and operational teams. The Group's key team members have extensive experience in arts, crafts and textiles production, design, technical craft and specialised embroidery techniques, and are involved in the strategic and day-to-day decision making for the various aspects of the businesses, including marketing and operations. However, as the Group expands and grows in the next few years (including increasing the scale of production, the expansion of marketing network and raise funds for new projects), there is a risk that the Group may face risks of insufficient human resource capacity in the short term.	Section 6.1.10
Risks associated with insufficient financial control and record keeping	As the jurisdictional retail practice and culture differs significantly from that of Australia's, there is a common lack of consistent recording and receipting of cash sales of low cost items at a retail level for businesses such as the Group's. The controls over the recording and receipting of cash sales at Guangzhou outlet were limited and insufficient as there is no proper invoicing system. The insufficient financial control and record keeping of the cash sales may impact on the Group's operational growth and level of liquidity. As a result, the Group may be exposed to certain risks, including but not limited to potential misappropriation of funds, tax consequences and misstatement of financial accounts.	Section 6.1.11
	In order to mitigate such risks, the Group understands the significance of implementing strong internal controls to ensure the completeness of recording and receipting of cash sales. The Group is in the process of implementing the internal financial controls at the retail agencies and stores level, including the adoption of a proper, secure and reliable invoicing system to ensure the completeness of recording and receipting of cash sales at the local outlets.	
Risk of significant control by Existing Shareholders	Immediately after the Offer, the Existing Shareholders will beneficially own approximately 75% of the Company's issued capital assuming 40 million New Shares are issued under the Offer. As a result, these Existing Shareholders, if they act together, would be able to exert a significant degree of influence over the Company's management affairs and over matters requiring Shareholder approval.	Section 6.1.12
Operational risks	The operations of the Group may be affected by various factors, including failure to achieve predicted production flow rates, operational and technical difficulties encountered during production, difficulties in commissioning and operating plant and equipment, mechanical failure or factory plant breakdown, adverse weather conditions, industrial and	Section 6.1.13

Торіс	Summary			
	environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.			
Liquidity risk	Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.	Section 6.1.14		
Potential low liquidity of Shares	Given that the Company is one of the first companies to be listed on APX, it is possible that Shareholders could become Shareholders in a listed but relatively illiquid company.	Section 6.1.15		
Related party risks	As set out in Section 3.10, Mr Zhanwu Yao and Guangdong Santia are parties to a number of related party transactions and contracts including Mr Yao providing loans to Guangdong Santia, personal guarantee loans in respect of China Bank of Communications loan lent to Guangdong Santia, and the usage of trademarks for nil consideration. In addition, as outlined in Section 3.10, Mr Yao's wife Ms Xiaoru Chen currently leases her personally owned properties to Guangdong Santia and its subsidiaries' usage in Guangdong. Therefore, the Group entities in Guangdong are largely dependent on Mr Yao and Xiaoru Chen in respect to such items that are essential to the Group entities' business operations and financial obligations.	Section 6.1.16		
	There is no guarantee that Mr Yao will continue to provide loans to the Group entities after the end term of the loans or to provide personal guarantees to Guangdong Santia under the China Bank of Communications loan agreement after the end of the term of that agreement. There can be no assurance that Xiaoru Chen will continue to lease their properties as office premises for Guangdong Santia on the same commercial terms.			
	The withdrawal of support from Mr Yao and Xiaoru Chen in respect of the abovementioned matters may have an adverse impact on the Group entities' ability to continue to operate smoothly such that the business activities may be materially disrupted. Any material breaches of the terms of the contracts described above may trigger termination rights by Mr Yao in which case may have an adverse impact on the relevant contracting Group entity's business. In addition, any material breaches of the terms of the related party contracts may impact on the likelihood of any further financing or similar support provided by Xiaoru Chen under the lease agreement, which would have a material adverse effect on the business operations.			
Risks associated with short term material contracts	As set out in Section 3.10, Guangdong Santia has a number of material contracts (including material agency contracts, supply contracts and a processing contract) that have expiry dates ending on 31 December 2014, between two to seven years of signing and two years of signing (respectively). Whilst it is anticipated that Guangdong Santia will enter into new agreements with its material agents, suppliers and processor on the same terms prior to the end of the term of such material agents, suppliers or processors have exercised early termination rights or refused	Section 6.1.17		

Торіс	Summary	For more information	
	to extend the term of the contracts, there can be no assurance that its material agents, suppliers and processors will not exercise these rights or refuse to enter into new or extended contracts which could result in Guangdong Santia's revenues declining and its operating results being materially and adversely affected.		
Risks associated with the ability to remit dividends and profits back to Australia Santia	Guangdong Santia has a number of material contracts (including material agency contracts, supply contracts and a processing contract) that have expiry dates ending on 31 December 2014. Whilst it is anticipated that Guangdong Santia will enter into new agreements with its material agents, suppliers and processors on the same terms prior to the end of the term of such material contracts and, historically, none of Guangdong Santia's material agents, suppliers or processors have exercised early termination rights or refused to extend the term of the contracts, there can be no assurance that the material agents, suppliers and processors will not exercise these rights, refuse to enter into new or extend contracts. These occurrences could result in Guangdong Santia's revenues declining and its operating results being materially and adversely affected.	Section 6.1.18	
Additional capital for funding and dilution	The Board believes that the Group's cash and cash equivalents following the Offer will be sufficient to meet its anticipated cash needs in the short term. The Group may, however, require additional cash resources to finance its medium term growth or new business opportunities, or to undertake an identified acquisition opportunity. The amount and timing of such additional financing needs will vary principally on the opportunities available to the Group as well as the internal resources of the Group. The funding of any future ongoing capital requirements beyond the requirements as set out in this Prospectus will depend upon many factors, including the extent of the Company's ability to generate any income from activities, which the company cannot forecast with any certainty. Any additional equity financing will be dilutive to the shareholders and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing from financial institutions or the shareholders as needed, it may not be able to take advantage of business opportunities and may be required to reduce the scope of its operations or anticipated expansion.	Section 6.1.19	
Other general risks	 An investment in Australia Santia also involves a number of general risks, including risks associated with the following: requirement for additional capital from time to time; potential acquisitions and investment related risks; and economical, political and market conditions. More information on risk factors are set out in Section 6 of this Prospectus and you are urged to consider these and other risks applicable to investment (and, if necessary, consult your professional adviser) before deciding whether to invest in the Company.	Section 6.2	

Торіс	Summary	For more information	
Who are the directors of Australia		sembled a well credentialed and balanced Board n with extensive experience in the cultural assets	Section 7.1
Santia?	Name Position	Experience	
	Zhanwu Yao Executive Director and Chairman	As founder of the Group, Mr Zhanwu Yao has over 28 years of experience in the artistic textiles industry and is a renowned entrepreneur in China. Mr Yao has founded Yao's Fashion Co in 1986, Guan Gang Fashion Co in 1989, and Guangdong Santia in 1997. Mr Yao graduated from Harbin University and holds a degree in finance. Mr Yao is responsible for the overall management and decision making of the operations of the Group. In the development of his business, Mr Yao is committed to incorporating the art of Teochew embroidery into fashion. Undertaking the responsibility of promoting the traditional art of Teochew embroidery, Mr Yao arranges for the training of talented embroidery artisans, and aims to bring the traditional art to the daily lives of customers in China and overseas. Mr Yao has extensive experience and application of sound judgment to issues falling within the scope of the role of Chairman. Under Mr Yao's leadership, the Group has grown to become one of the most famous fashion brands in Southern China. In 2005, Mr Yao was shortlisted as one of the 10 "Most Influential Chinese CEOs" at the prestigious Chinese Corporate Managers "Charisma" Awards jointly held in Beijing by the Chinese Association for Promotion of Private Sci-Tech Enterprises, University of Beijing and China Professional Managers Association. At the same occasion, Santia was awarded Best Pioneering Force.	
	Xiaolu Deng Executive Director, Company Secretary and Public Officer	Ms Xiaolu Deng is the Director of Australia Santia, and has been appointed as the Group's Company Secretary and Public Officer since 7 July 2014. Ms Deng holds a Bachelor of Law from the University of Shenzhen, PRC, and a Masters	
		of Accounting from Macquarie University and a Graduate Diploma of Management from Central Queensland University.	
		Ms Deng has two years of experience in the sales consultancy field. Ms Deng has worked	

Торіс	Summary		For more information
		 in Mesh Marketing where she acted as demonstrator for Nespresso. She has also worked in D2C as brand ambassador for Samsung Home Appliances. In addition, Ms Deng is currently a volunteer marketing assistant at Mahboba's Promise Inc. Ms Deng is fluent in English, Mandarin and Cantonese. Her education and background enable her to have a sound understanding and appreciation of cross-border business needs and cultures. 	
	Ying Lin Non-Executive Director	Dr Lin was appointed as a Non-Executive Director of Australia Santia on 22 September 2014. Dr Lin is a founding partner of the China Commercial Law Firm, a leading law firm in Shenzhen, China since 1993. Dr Lin has also been a registered foreign lawyer with the Law Society of New South Wales since 2005 and the foreign principle of Preece Lin Lawyers in Australia.	
		Dr Lin has been practising Chinese law since 1993 and has specialised in a number of areas of law including foreign investment in China, contract law, corporate law and litigation and arbitration in China. She is currently assisting Chinese corporations investing in Australia.	
		Dr Lin holds a Bachelor of Laws from the University of Shenzhen, China as well as a Masters degree in Law and a PhD from the University of Wollongong in Australia. Dr Lin is also the subject coordinator for teaching Foreign Investment Law in China in the School of Law at the University of Wollongong and is involved in continuing research into Chinese and Asian law as a member of the 'Asian Law Forum' at the School of Law, University of Wollongong. Dr Lin is fluent in English, Mandarin and Cantonese. As a Non-Executive director of	
		Australia Santia, Dr Lin's educational and legal background will be valuable in assisting the company in dealing with legal, regulatory and international issues arising from the operation of Australia Santia.	
	Huahui Yao Executive Director	Ms Huahui Yao is the Executive Director of Australia Santia. Ms Yao has also been appointed as company secretary and human resources director of Guangdong Santia.	
		Ms Yao graduated from the Law program of the Nan Hua College of Industry and Commerce, PRC, and holds a Graduate Diploma of Communication in PR from the	

Торіс	Summary		For more information		
		Waikato Institute of Technology, New Zealand.			
		Ms Yao has over 10 years of experience in the human resources management field. Ms Yao has previously worked as Training Manager in Walmart China Headquarter and PARKnSHOP. Ms Yao obtained National Vocational Qualification as a senior Human Resources technician in 2009.			
		Ms Yao is responsible for coordinating matters relating to Australia Santia's listing in Australia, and reviewing the human resources management policy of the Group.			
	Huiling Yao	Ms Huiling Yao is the Non-Executive Director of Australia Santia.			
	Non-Executive Director	Ms Yao has over 30 years of experience working in the textiles industry.			

G. Significant interests of key people and related party transactions

Who are the existing shareholders of the Company and what will their interest at Completion of the Offer be?

 lodged with ASIC.

 Shareholders
 Shareholding pre Offer
 Shareholding if 10 million shares issued under the Offer

At the date of lodgement of this Prospectus, the Existing Share structure has been

Shareholders	Shareholdin	g pre Oner	shares issued Off		
	No.	%	No.	%	
Rosy Gold International Limited	81,600,000	68%	81,600,000	62.77%	
Xiaofa Limited	7,000,000	5.83%	7,000,000	5.38%	
Global Tycoon Ventures Limited	5,717,200	4.76%	5,717,200	4.40%	
Perfect Plan Global Limited	5,600,000	4.67%	5,600,000	4.31%	
Magic Spell Trading Limited	5,400,000	4.50%	5,400,000	4.15%	
Esteemed Favour Limited	5,000,000	4.17%	5,000,000	3.85%	
Seek Talent Limited	4,680,000	3.90%	4,680,000	3.6%	
Brilliant Worth Global Limited	2,587,000	2.16%	2,587,000	1.99%	
New Maple Global Limited	740,000	0.62%	740,000	0.57%	
Tin, Wa	445,800	0.37%	445,800	0.34%	

Торіс	Summary					For more information
	Bliss Yield International Limited	360,000	0.30%	360,000	0.28%	
	Charm Favour International Limited	310,000	0.26%	310,000	0.24%	
	Cheer On Group Limited	300,000	0.25%	300,000	0.23%	
	Hero Innovation Limited	260,000	0.22%	260,000	0.2%	
	Successful Applicants	Nil	0%	10,000,000	7.69%	
	Total	120,000,000		130,000,000	100%	
What significant benefits and interests are payable to Directors and other persons connected with the issue of the Offer?	The extent of the interests and fees of certain persons involved in the Offer is set out in Section 7.					Section 7
What are the related party transactions of the Company?		her details of nwu Yao has	which are set of lent loans to		Group entities	
		20an Period	Use of Loan Proceeds	Loan Repaym	ient	
	million to (approxima C tely 2 A\$0.255	May 2014 p 23 October 014	Business operating funds	The full a principal and i be repaid by Santia by 2 2016.	Guangdong	
	million).			The interest determined People's Bank benchmark floating interest to 30%.	by the of China's lending	
	633,333.26 to	May 2014 o 24 June 017	Business operating funds	The full a principal and i be repaid by Santia by 24 Ju	Guangdong	

Торіс	Summary	For more information
	A\$124,197). The interest rate is determined by the People's Bank of China's benchmark lending floating interest rate of up to 30%.	
	RMB1 May 2014Business operating fundsThe full amount of principal and interest is to be repaid by Guangdong Santia by 17 January 2016.	
	The interest rate is determined by the People's Bank of China's benchmark lending floating interest rate of up to 30%.	
	 On 18 March 2014, Zhanwu Yao and Xiaoru Chen entered into a guarantee agreement with China Bank of Communications Co., Ltd whereby Zhanwu Yao and Xiaoru Chen agreed to provide RMB 20 million (approximately A\$3.922 million) as guarantee for Guangdong Santia's repayment of the full amount of principal and interest (among other loan related penalties and expenses) on the loan under the Small Business Working Capital Loan Agreement made between Guangdong Santia and China Bank of Communications Co., Ltd. On 18 March 2014, Xiaoru Chen and China Bank of Communications Co., Ltd signed two mortgage guarantee contracts (contract ZYT2014001 number 1 and ZYT2014001 number 2) whereby Xiaoru Chen agreed to be the guarantor for Guangdong Santia in respect of the repayment of the full amount of principal and interest (among other loan related penalties and expenses) on the loan under the Small Business 	
	Working Capital Loan Agreement made between Guangdong Santia and China Bank of Communications. Under the contracts, Ms Chen provided, as guarantee, personally owned properties of Level 4 West, Level 4 East, Level 5 West and Level 5 East, at H15 Long Hu Industrial Area, 20 Lian Jiang Road, Long Hu District, Shantou, China and number 88.5-77.5-01 Qi He Industrial Area, Xin Xi Town, Long Hu District, Shantou, China.	
	• The registered office premises and operational facilities of Guangdong Santia (2/F West Wing, and 3/F to 5/F, H15 Industrial Building, No. 20, Lianjiang Road, Shantou, Guangdong, PRC) are currently leased from Ms Xiaoru Chen (being the owner of the property) on normal commercial terms for the period of 1 January 2014 to 31 December 2016. Ms Chen is the wife of Mr Zhanwu Yao, Chairman of Australia Santia. The amount payable to Ms Chen is RMB 85,000 per month (approximately A\$16,669 per month). The rent for the lease is payable at the end of the lease period. The lease contract	

Торіс	Summary	For more information
	 industrial usages only. Under an agreement signed jointly by Guangdong Santia (as lessee), Huishang Import & Export Co (as sub-lessee), and Ms Chen (as lessor), the registered office premises of Huishang Import & Export Co (Room 1, 2/F West Wing, H15 Industrial Building, No. 20, Lianjiang Road, Shantou, Guangdong, PRC) are leased from Guangdong Santia for a term from 15 April 2014 to 14 April 2016 for nil consideration. Under an agreement signed jointly by Guangdong Santia (as lessee), Huishang Trading Co (as sub-lessee), and Ms Chen (as lessor), the registered office premises of Huishang Trading Co (Room 2, 2/F West Wing, H15 Industrial Building, No. 20, Lianjiang Road, Shantou, Guangdong, PRC) are leased from Guangdong Santia for a term from 15 April 2016 for nil consideration. Guangdong Santia and Xiaoru Chen have entered into a Trademark Transfer Contract dated 2 January 2014 whereby Ms Chen transfers Guangdong Santia the right to use the PRC trademark (No. 1300914) that is registered under Ms Chen's name for nil consideration. 	
	Trademark Transfer Contract dated 2 January 2014 where by Mr Yao transfers Guangdong Santia the right to use the PRC trademarks (see Section 3.10.2(e) for full list) that are registered under Mr Yao's name for nil consideration.	
H. Key terms an	d conditions of the Offer	
What is the Offer?	The Offer contained in this Prospectus is offering 40,000,000 New Shares. See Section 8 for more details on the Offer.	Section 8.1 and "The Offer" Section
How can I apply?	The Offer comprises a general public offer of Shares. Applicants may apply for New Shares by completing a valid application form attached to or accompanying this Prospectus. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.	Section 8.1.2.
When will the Shares be listed?	Australia Santia will apply to APX for admission to the Official List and quotation of Shares on APX within seven days of the date of the Prospectus. Completion of the Offer is conditional on APX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the <i>Corporations Act</i> . APX has reserved the trading code 868 for Australia Santia.	Section 8.4.1
What is the Maximum Subscription available under the Offer?	The Maximum Subscription for the Offer is 40,000,000 New Shares to raise A\$15,600,000 before costs of the Offer.	Sections 8.1

Торіс	Summary	For more information
What is the Minimum Subscription available under the Offer?	The Minimum Subscription for the Offer is 10,000,000 New Shares to raise A\$3,900,000 before costs of the Offer.	Sections 9.1
What is the allocation policy?	The allocation of Shares will be determined by Australia Santia who has the absolute discretion regarding the basis of allocation of Shares among the Applicants.	Section 8.1.2(c)
Is the Offer underwritten?	The Offer is not underwritten.	Section 8.1
Is there any stamp duty payable by Applicants?	No stamp duty is payable by Applicants on acquisition of Shares under the Offer.	Section 9.6.1
What are the tax implications of investing in the Shares?	The tax implication of an investment in Shares will differ for each Applicant. Please refer to Section 9.6 of this Prospectus.	Section 9.6
When will I receive confirmation that my Application has been successful?	The initial holding statements are expected to be dispatched by standard post on or around 27 March 2015.	"Important Dates" Section
Where can I find more information about this Prospectus or the Offer?	Call the Australia Santia Offer Information Line on 0469334093 (within Australia) or +8675488168286 (outside Australia) between 8:30am and 5:30pm AEST during the Offer Period. For investment advice, Applicants should contact financial or other professional advisers.	"Important Information" Section
Can the Offer be withdrawn?	Australia Santia reserves the right not to proceed with the Offer at any time before the issue and/or transfer of New Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	Section 8.3

2 Industry overview

Certain information provided in this section is derived from various official sources. The Company and its advisers have exercised reasonable care in reproducing such information for the sources referred to in this Prospectus. Such information, however, has not been prepared or independently verified by the Company or their respective directors or advisers. The Company, their respective directors and advisors or any other parties involved in the Share offer make no representation as to the accuracy or completeness of this information, which may not be consistent with information compiled from other sources, and accordingly such information contained in this section may not be accurate and should not be unduly relied on.

2.1 In what sector does Australia Santia operate?

The Group is a leading manufacturer in the Teochew embroidery arts and crafts and artistic fashion sector - a significant part of China's economy and culture. The Group is principally engaged in the design, development, research, manufacture and distribution of clothing, textiles and artistic ornaments that are designed with traditional Chinese cultural features and with artistic qualities of Chinese Teochew embroidery. The Group is a leading actor in the proliferation of China's intangible cultural heritage through production and sale of cultural products. As far as the Group is aware, there are no official or industry statistics available in the PRC or the principal market of the Group, in respect of the manufacture and sale of the same category of cultural clothing and textiles as those produced by the Group.

According to the United Nations Educational, Scientific and Cultural Organisation (UNESCO) Convention on the Protection of Intangible Cultural Heritage, "intangible cultural heritage" is defined as "the practices, representations, expressions, knowledge, skills – as well as the instruments, objects, artifacts and cultural spaces associated therewith – that communities, groups and, in some cases, individuals recognise as part of their cultural heritage."

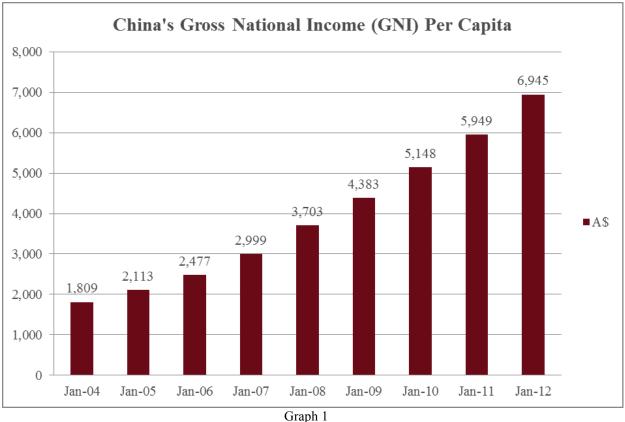
2.2 Industry background

As the Group operates across the cultural assets and Teochew embroidery industries in China, the growth of the Chinese economy, the cultural assets industry and the Teochew embroidery industry are highly relevant for the Group's business.

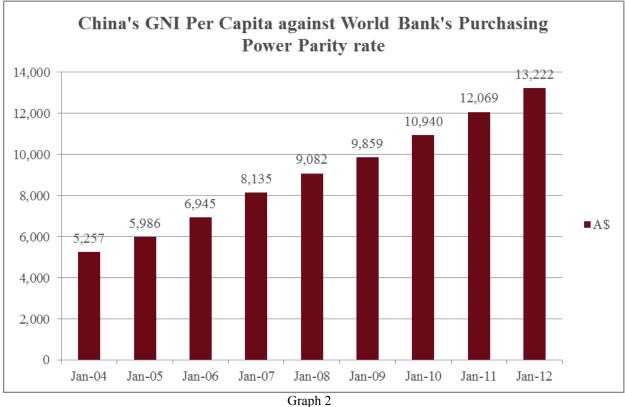
2.2.1 Overview of the Chinese economy

The Chinese economy has grown significantly since the late 1970s. China's accession to the WTO in 2001 has seen this trend accelerate even more exponentially and is currently amongst the fastest growing economies in the world. With a population of 1.3 billion, China is the second largest economy in the world (*source: World Bank*). According to the World Bank DataBank, China's GDP increased from approximately US\$ 1,931 billion (approximately A\$2,344.58 billion) in 2004 to US\$9,240 billion (approximately A\$11,219 billion) in 2013.

Such strong economic growth has resulted in the improvement of living standards and people's purchasing power in China. According to the World Bank, using their Atlas method, China's Gross National Income (GNI) per capital grew from US\$1,490 (approximately A\$1,809) in 2004 to US\$5,720 (approximately A\$6,945) by 2012 as illustrated in Graph 1 below. When compared against the World Bank's Purchasing Power Parity rate, expressed in international dollars which has the same purchasing power as the US\$ in the United States, China's GNI per capita has risen from International US\$4,330 (approximately A\$5,257) in 2004 to International US\$10,890 (approximately A\$13,222) by 2012. This is reflected in Graph 2 below and highlights the upward trend of the consumer spending power of Chinese citizens.



(Source: The World Bank DataBank, World Development Indicators)



(Source: The World Bank DataBank, World Development Indicators)

2.2.2 Overview of the Chinese Cultural Assets Industry

China is a multi-ethnic country with a long history of rich cultural heritage. There has always been great importance placed upon the protection of such rich heritage. Since the early 2000s, the PRC government has expressed an emphasis on the necessity to establish the Chinese 'Cultural Assets' industry in order to improve China's reputation and competitiveness as a developed nation. In the 12th Five-Year Plan of the PRC, the PRC Government has set the goal of doubling the value of the 2010 cultural assets industry, and has resolved to set up regulatory departments overseeing the proliferation of Chinese culture assets at all levels of government. This seeks to encourage an increase in consumer expenditure on cultural asset goods and services, the preservation of traditional cultural assets, and the development of new, high-technology cultural assets.

According to the China National Cultural Industry Report, in 2013, China's market share in the global cultural assets industry was 24%. This Report also revealed that, from 2004 to 2010, the domestic cultural industry grew at the rapid pace of 23% with a value increase of approximately RMB 1.1 trillion (approximately A\$215.71 billion). From the same analysis, in 2012, the commercial manufacturing of cultural products increased by approximately RMB 725 billion (approximately A\$142.1736 billion), a growth of 17.4% for the year. Meanwhile, wholesale and retail in the cultural industry has increased by RMB 963 billion (approximately A\$188.8457 billion) in 2012.

From 2006, the Chinese State Council decreed that the second Saturday in June of each year shall be China's "Cultural Heritage Day". Since then, China has received the most amount of nominations for UNESCO's Representative List of Intangible Cultural Heritage Projects. In recognition for the need to protect Chinese cultural heritage, the National People's Congress, in 2011, passed the Intangible Cultural Heritage Law, emphasising and providing a policy basis for the industrialisation of intangible cultural heritage. In tandem with this national cultural protection policy, the Group aims to actively promote and proliferate China's cultural heritage. Guangdong Santia is one of the leading companies operating within the Chinese cultural industry and has been a part of the China intangible cultural heritage proliferation since China's National Development and Reform Commission developed the "National Protection and Utilisation of Cultural and Natural Heritage Facilities Construction Plan" in 2009.



Photo: Peony

2.2.3 Teochew Embroidery Industry

Guangdong Santia is situated in Shantou City - the hometown of one of the four most renowned embroidery styles. Known as Teochew Embroidery, the ancient culture stems to 805 AD and uses over 100 traditional needle stitching techniques with finely coloured silk threads to produce high value crafts with stunning aesthetic qualities. The artistic embroideries encompass three-dimensional qualities - vivid colours, dynamic texture and design - rendering it a highly treasured Chinese cultural artefact in the Chinese cultural industry. In 2006, the Chinese State Council declared Teochew Embroidery arts and crafts as a Chinese intangible cultural heritage.

The Teochew Embroidery industry has been one of the major industries in the Teochew/Chaozhou area. At its peak in the 1970s to 1980s, nearly 15% of the Chaozhou city population was employed in the Teochew Embroidery industry. Teochew Embroidery artwork has often been exhibited on the international stage as an illustration of the sophistication of traditional culture in China. Since the 1970s, hundreds of pieces of Teochew Embroidery artwork have been chosen by PRC government officials as diplomatic gifts for their foreign visitors, Many of these artworks were produced by the Group's Art Director, Mr Qingxian Sun. Recipients of such gifts include former UN Secretary-General, Kofi Annan, former Prime Minister of Canada, Paul Martin, and the President of Russia, Vladimir Putin.

The Group's products utilise Teochew Embroidery styles and techniques in its textiles and fashion design. While the Group's operation is primarily in the cultural assets industry, it also enjoys the advantages of operating in the textiles industry which is one of the most important sectors of the Chinese economy. As the middle class grows along with urbanisation in the country, with the world's largest population, the Chinese textiles market is a global leader. Since the cancellation of the cloth docket system and opening up of textiles supply, the textiles industry has entered into one of the fastest development periods.

According to the China National Bureau of Statistics, the national revenue of the PRC textiles sector exceeds RMB 118 billion (approximately A\$23.1399 billion) in 2013, which marks a growth of 11.6% from 2012. The total number of Industrial Enterprises above Designated Size in the textiles sector was 15,212 in 2013. Collectively, this category of enterprises recorded a total revenue of RMB 19.25 billion (approximately A\$3.77495 billion). It is reported that the textiles sector can grow an average of 12% per annum from 2011 till 2018.



Photo: National Treasure Pandas

2.2.4 The Cultural Exchange Centre

Resolute in the effort to promote and preserve the traditional art of Teochew Embroidery, the Group established the Cultural Exchange Centre in Shantou City, Guangzhou, in 2014. The purpose is to provide a venue for the exhibition of the Group's Teochew Embroidery products to potential customers and distributors. It is a marketing platform and a place to conduct promotional events for Teochew Embroidery art, culture and Santia's products. It also allows for the training of promising Teochew Embroidery artisans and for the researching of innovative ways to incorporate Teochew Embroidery elements into different products.



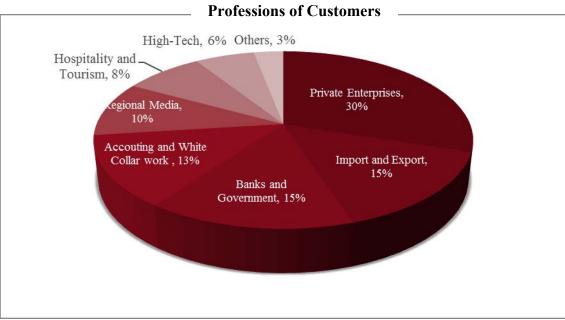
Photo: The Culture Exchange Centre

2.3 Target Customers

The Group targets customers with the following characteristics:

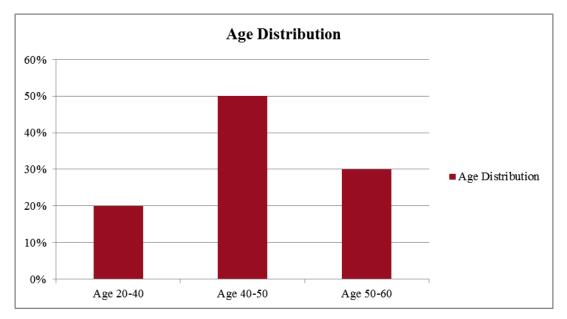
- (a) possessing sufficient economic wealth to participate in readily general consumption; and
- (b) enjoy fashion for its aesthetics and style.

Information regarding customers' age ranges and professions has been obtained by the Group from data gathered by its agents, retailers and point of sales in Guangzhou. Greater understanding of the Group's customers allows for more efficient distribution of resources and cuts costs in relation to marketing expenditure. Graph 3 below outlines the varsity of the professions and industries of the Group's target customers (*source: Company internal analysis*).



Graph 3

Graph 4 (below) outlines the age distribution of the Group's target customers. (*source: Company internal analysis*)



Graph 4

2.4 What is the competitive landscape in the cultural embroidery and artistic fashion sector?

As the world economy is recuperating from the global financial crisis, emerging economies have been taking the lead in an upward trend in GDP and consumer spending. In particular, the PRC has maintained a relatively high level of GDP growth and growth in disposable income per capita (see above 2.2.1). This level of growth is reflected in consumer spending habits and willingness to purchase goods for their cultural and aesthetic value.

The Group operates within one of the four most renowned embroidery styles. They are the Suzhou, Hunan, Sichuan and Teochew embroideries. The Group's products are based on the Teochew embroidery style and it is a leading manufacturer of cultural products in this sector.

Guangdong Santia, as the operating subsidiary company of Australia Santia, is uniquely placed as its clothing, textiles and embroidery products are based on culturally-valued aesthetic qualities. They employ the traditional embroidery techniques and cultural style of Teochew for its design and this quality renders the Group's product as distinct from other fashion brands. It embodies local ethnic craft and cultural characteristics within its fashion products to give it a competitive advantage.

2.5 What factors influence the growth of the cultural embroidery and artistic fashion sector?

- Increasing demand for 'lifestyle' products by customers in the PRC has opened up opportunities for manufacturers of unique products such as cultural clothing;
- As living standards in the PRC continue to improve, the product life cycles for customer products become shorter. This has, in particular, increased demand for the textiles and artistic fashion sector;
- The level of automation in manufacturing and sales management processes for the cultural clothing sector is currently relatively low. This means that the sector remains a relatively labour-intensive industry. Given the rising wages in the PRC, this can potentially influence the growth of the textiles sector;
- Textiles being the main exported products from PRC means that growth in global trade will greatly deliver advantages to the textiles sector;
- Growth in GDP and in the average customer's disposable income in the PRC has benefited the textiles industry. This has also led to a greater focus on the local sales of products; and
- Aligned with the PRC's "Go Global" strategy, the Chinese fashion and cultural textiles industry is subject to internationalisation and potential growth in overseas markets.

2.6 What are the sales channels?

The Group engages in a diverse range of sales platforms. At present, Guangdong Santia's products are sold through traditional marketing models and retail contracts. Guangdong Santia has signed agency contracts with a number of agents based in different provinces (see below 3.10). The Group also engages in conference marketing, models and exhibits artistic products at display halls including the Cultural Exchange Centre, Fashion Lifestyle Gallery of Teochew embroidery as well as other domestic exhibitions to achieve higher sales revenue. The Group utilises its subsidiary company in Hong Kong to promote Teochew Embroidery internationally and at international exhibitions.

The Group uses online distribution and marketing platforms including the largest e-commerce platforms in China to generate revenue. The Group intends to develop e-commerce distribution channels including mobile purchasing applications such as WeiStore to attract mobile-user customers.

In addition, the Group plans to establish flagship stores named Santia Teochew Embroidery Culture Centre (tentatively named) in Xi'an and Shenzhen - both significant cities on the Silk Road economic zone - to cater for the markets in northern China, western Asia and north-eastern Europe. The Group also has plans to establish

stores (tentatively named the Santia Chinese Vogue Culture Centre) in Shantou, Shenzhen, Hong Kong and Bangkok, Thailand, to satisfy the southern Chinese, southeast Asian and western European markets, as well as stores in Sydney, Australia, and Toronto, Canada; thus, the Group builds upon the retail network of Santia's cultural asset products.

2.7 Regulatory and industry oversight

Under the Safety Production Law of the PRC, manufacturers in the PRC must ensure the safety of the manufacturing premises, by implementing a series of occupational health and safety measures including regular inspection of the factories, establishing a policy regarding the handling of emergencies. The PRC government can order manufacturers whose premises do not satisfy standards of workplace safety to cease operations.

Under the Social Insurance Law of the PRC, all employers must provide government-subsidised personal health insurance for their employees.

3 Company overview



Photo: Registered Office and Factory Building of Guangdong Santia

3.1 The Group

3.1.1 Background

Australia Santia operates through Hong Kong Santia and indirectly wholly owns its main operating subsidiary Guangdong Santia of PRC (formerly called Shantou Santia). Guangdong Santia was established in 1997 with registered capital of HK\$30 million (approximately A\$4.6985 million). Guangdong Santia's main business is the research and development, training, manufacturing and sale of artistic products which incorporate elements of Teochew Embroidery.

The registered office of Guangdong Santia is 3/F, H15 Industrial Building, No. 20, Lianjiang Road, Shantou, Guangdong, PRC.

3.1.2 How has the Group evolved?

A timeline of some of the significant events and milestones for Australia Santia is set out below.

Month / Year	Event
October 2000	Guangdong Santia was incorporated in the PRC.
January 2002	Guangdong Santia was invited to be a member of the Guangdong Textiles Industry Association
2003 - 2010	Over 60 trademarks were registered.
November 2004	Guangdong Santia was invited to be a member of the Shantou Textiles Union
April 2005	Guangdong Santia participated in a Textiles exhibition in Beijing, PRC.
June 2005	Guangdong Santia had a board resolution to change the business scope to processing woollen fabrics, textiles products, fashion and accessory items, hats and shoes, bedding, manufacture of textiles products and the import and export of Chinese cultural products and techniques.
September 2005	Guangdong Santia participated in a Textiles exhibition in Las Vegas, USA.
June 2006	Guangdong Santia received ISO10012.1 certification.
June 2006	Certificate of membership from China Chamber of Commerce for the Import and Export of Textiles
July 2006	Guangdong Santia was initially incorporated as Guangdong Santia. The name was changed to Guangdong Santia.
April 2014	Hong Kong Santia was incorporated in Hong Kong.
July 2014	Australia Santia was incorporated in Australia.
August 2014	Cultural Exchange Centre was established.

3.1.3 Operational achievements

Since Guangdong Santia entered into the embroidery market in 1986, the Group has recorded several significant operational achievements:

- The Group generated compounded annual growth in consolidated revenue and EBITDA from FY12 to FY14 of 37% and 99% respectively.
- Guangdong Santia has received the "China Famous Brand" and "Guangdong Famous Trademark" awards. From 2003-2006, Guangdong Santia received the "Innovation Award" and the "Recognised Potential Award", as well as the "China Garment Growth Brand Award" in 2010-2011 at the annual China Fashion Brand Awards.
- In 2007, Guangdong Santia developed a working relationship with China's most prestigious textiles research and training institutes, Beijing Institute of Clothing Technology, to engage in teaching and research of Teochew Embroidery.
- Santia was named one of the Fashion 800 by the Chinese Textile Garment Market Union in 2007 and one of the Top 10 Brands by Guangzhou Baima Garment Market Co Ltd in 2013.



Photo: Various Awards of Guangdong Santia

3.1.4 Corporate Structure

Australia Santia was incorporated on 7 July 2014 as the holding company for the Group for the purposes of the IPO. Hong Kong Santia was incorporated on 24 April 2014.

Australia Santia holds 100% of shares in Hong Kong Santia. Hong Kong Santia in turn holds 100% in Guangdong Santia, the Group's PRC manufacturing entity.

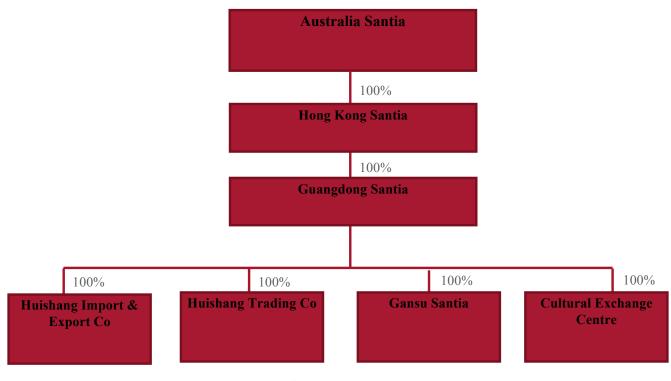
Guangdong Santia directly owns the following companies:

- Huishang Import & Export Co incorporated in Shantou, PRC, in April 2014 (Registration No: 440500000162088). It is registered at 2/F, Industrial Building H15, Lianjiang Road, Lohu Area, Shantou City, PRC. Its main business includes imports and exports of Teochew artistic and cultural fashion, embroidery crafts and other cultural products. This subsidiary is not yet operational; however it will be an important part in the Group's business strategy as a support to the business and operations of Guangdong Santia.
- Huishang Trading Co incorporated in Shantou, PRC in April 2014 (Registration No:

440500000162070). It is registered at 2/F, Industrial Building H15, Lianjiang Road, Lohu Area, Shantou City, PRC. Its main business includes the sale of Teochew embroidery products targeted for the western regions of China. This subsidiary is not yet operational; however it will be an important part in the Group's business strategy to complement the Group's sale of its key products.

- Gansu Santia incorporated in Gansu, PRC, in August 2014 (Registration No: 620102000018612). It is registered at Room 1902, Jinsheng Building Wing B, 2309 Donggandong Road, Chengguan Area, Lanzhou City, Gansu Province, PRC. The purpose for establishing this subsidiary in Gansu is to develop Santia's presence in central western and northern regions of China, as an important part of the Group's business strategy to strengthen retail growth in the "Silk Road economic zone" of China.
- Cultural Exchange Centre incorporated in 2014. It is registered at 23 West Gaoxing Keji Road, Shantou City. PRC. Its operation scope is to exhibit cultural products and activities in order to promote public appreciation of cultural assets and encourage sales of items displayed at the Cultural Exchange Centre. This is an important part of Group's marketing and branding strategy.

These four subsidiaries and their respective business and operation aim to operate in tandem to support the functions and key business of Guangdong Santia, increase branding awareness and competitiveness, and are important parts of the future direction and business strategy of the Group.



Group Structure

3.1.5 Main products

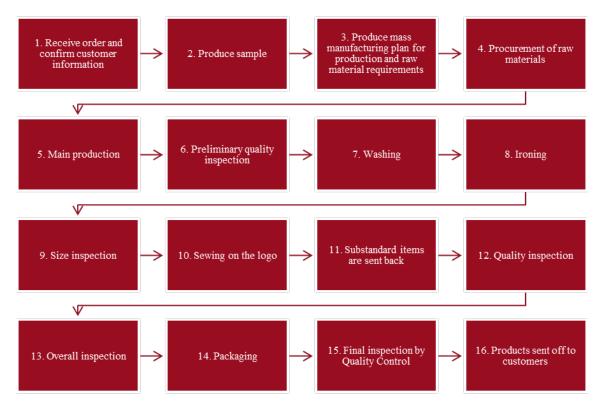
Santia's Products

The table below sets out details of the Santia's current products:

No.	Current Products	Product Photo	Details of the Product (Function and Product Characteristics)
1.	'Teochew- embroidery style sweaters'		 Materials: Fibre, Wool Colours: Black, Dark Brown, Dark Green, Bright Red, Dark Purple, Rose Red Sizes: XL, XXL, 3XL Brand: Santia Target age group: 40-49
2.	'Teochew- embroidery style casual clothing'		 Materials: Polyester, Lycra Colours: Black Sizes: XL, XXL, 3XL, 4XL Brand: Santia Target age group: 40-49
3.	'Teochew- embroidery style evening gowns'		 Colours: Black, Red Sizes: XL, XXL, 3XL, 4XL, 5XL Brand: Santia Target age group: 40-49
4.	'Teochew- embroidery style pants'		 Materials: Polyester, Lycra Colour: Black Sizes: XL, XXL, 3XL, 4XL, 5XL Brand: Santia Target age group: 40-49
5.	'Teochew- embroidery style shawl'		 Materials: Polyester, Lycra Colour: Black, Dark Red Sizes: XL, XXL, 3XL, 4XL, 5XL Brand: Santia Target age group: 50-59

No.	Current Products	Product Photo	Details of the Product (Function and Product Characteristics)	
6.	'Teochew- embroidery artwork'		 Example shown in picture: Golden Dragon Fish(《好运来——金龙 鱼》) Size: 78cm*88cm Materials: Silk, Wood, Gold threads Characteristics: employing techniques in the traditional Teochew Embroidery, artworks of this style are known for the depth of dimension and looking realistic. 	

3.2 Key components of the operational process



3.3 Production

3.3.1 The factory

Guangdong Santia's production facilities are situated in Shantou, Guangdong province.

Guangdong Santia currently leases the factory premises from the wife of the Chairman, Ms Xiaoru Chen, in consideration for paying rent of RMB 85,000 (approximately A\$16,669) per month.

Guangdong Santia purchased and owns all of its machinery and equipment in its factory.



Photo: Factory floor of Santia's production facilities

3.3.2 Raw material quality control

As a manufacturer, the safety and quality of the raw materials used in the manufacturing of Guangdong Santia's products is crucial to the quality of the end products. Hence, the procurement of high-quality material is important for the maintenance of Santia's reputation.

Santia has, in place, a system of raw material control measures that ensures suppliers are held accountable for providing suitable raw materials.

- All raw materials are inspected upon arrival. Upon the receipt of any raw materials, each batch of material has to undergo the following inspections before they are accepted by Santia:
 - Inventory Control inspects to ensure that the correct quantity is supplied; and
 - Quality Control inspects to check for sub-standard raw materials. Fabrics are checked for their composition (suppliers are required to produce their product testing report and approval certificate), thread count, colour, thickness, smoothness and weight. Other materials such as brand tags, zippers, sewing threads, buttons, and boxes are also checked for their quality according to Acceptable Quality Level (AQL) 4.0 standards. An AQL standard is a statistical measurement of the maximum number of defects that can be acceptably found in a particular sample size. Any material that does not satisfy the quality control inspections will be sent back.
- Careful selection of suppliers. Before Guangdong Santia's arranges for a supplier agreement with any new supplier, Guangdong Santia goes through a careful selection process to ensure that the supplier is reputable and that the materials supplied are of acceptable quality:
 - The Procurement Department will collate the information provided by prospective suppliers in order to assess their suitability to be Santia's supplier. Assessment is based on the quality of their production control, the quality of their products, and their reputation;
 - Suppliers recommended by the Procurement Department will be asked to provide samples of their products and an initial price quote to Santia's General Manager for approval;
 - Their samples will be brought to the production floor to be made into a test product;

- If the test product is found to be of acceptable quality, Guangdong Santia will initially place small quantity orders with the new supplier;
- The Procurement Department will record any issues with delivery and usage of the material provided in a "new supplier assessment sheet";
- If the supplier satisfactorily meets Guangdong Santia's requirements and standards for the first three small quantity orders, Guangdong Santia will then engage with that supplier as a regular supplier; and
- Where necessary, the General Manager will arrange for a team consisting of staff responsible for production, research and procurement to visit the premises of prospective suppliers.
- Tracking of raw materials. For easier detection of problems with the raw materials used, each batch of material is given a material code that is managed and recorded by the Procurement Department. As the material is being used by the Manufacturing Department, manufacturing personnel must record the material code for the materials used at each stage of manufacturing. This information is then provided to Quality Control. Should any defect arise with the quality of the end products, Quality Control can refer to their database to investigate whether a particular supplier has provided Santia with defective goods.



Photo: Santia's factory machinery

3.3.3 Quality control during the production process

Guangdong Santia strictly controls its production process with extreme caution to ensure that quality control and manufacturing practice standards are met and that product quality is not compromised during the production process:

- Hygiene. Santia emphasises the necessity to maintain a high standard of hygiene in Guangdong Santia's manufacturing facilities. For example, no food is allowed to be consumed in the production area. This ensures that Santia's employees can work in a safe workplace and that Guangdong Santia's products are safe and hygienic for use.
- Maintenance of production machinery. Santia has in place a comprehensive system for the regular maintenance of the production machinery in order to protect the useful life of machines and also to ensure that machines operate properly for the production of consistently high-quality products:
 - Machine operators are responsible for the daily maintenance of machinery including basic cleaning of the machines, application of lubricating oil, checking electric circuits for any anomalies and ensuring that there are no loose components; and
 - The maintenance team is responsible for periodic maintenance of the machines including substantial cleaning of the machines and inspections. Inspection results by the maintenance team is recorded and collected in a database.
- Detailed instructions for the operation of machines. Each machine operator is given detailed instructions on the standards to which they should operate the machines they are responsible for. Their work has to be regularly inspected by management personnel of the Manufacturing Department to ensure that machines are operated properly to produce products that are up to standard.
- Quality inspection at every step of the production process. There are quality inspection personnel at each step of the production process to ensure that the previous steps were carried out properly. Any unsatisfactory products will be sent back to employees responsible for the previous steps.



Photo: Santia's factory machinery

3.3.4 Quality control of final products

Guangdong Santia's Quality Control department conducts a final quality inspection to ensure that the colour, size and stitching of the end products are up to standard. Depending on the nature of the defects, defective products are:

- Sent back for mending;
- Accepted; or
- Rejected and written off.

In the event of customer complaints, Santia's Sales Department records the reasons for the complaint, inspects the alleged defects and determines the relevant department responsible for the defect. The responsible department is required to ascertain the reason for the occurrence of the defect and suggest methods to prevent the issue arising in the future. For general complaints, Santia will provide a response to the complainant within 5 days. For significant complaints, which is defined to be a complaint of defects found in more than 1% of the units in any order, Santia will provide an initial explanation within 2 days, followed by a full response within 5 days.

3.3.5 **Product testing and inspection**

In addition to self-testing, Santia's products are sent to the Guangdong Textile and Garment Supervision Inspection Station (Shantou), a sub-department under the Guangdong Shantou Institute of Quality and Metrology Supervision Testing, annually for regulatory product testing to ensure that:

- the material composition specifications for the products are met;
- the products do not contain toxic chemicals; and
- the care labels comply with regulatory standards.

3.4 Registered trademarks and copyright

Guangdong Santia currently owns 62 PRC registered trademarks.

In order to protect the intellectual property rights of the Group, Guangdong Santia has also applied for registered copyright over 36 of their embroidery patterns.

3.5 What are Australia Santia's strengths and competitive advantages?

- Incorporation of Teochew Embroidery elements: Guangdong Santia was established in Shantou, which is in the region where the Teochew-style school of embroidery originated. Teochew Embroidery techniques have been passed down for centuries and are recognised on the global stage for the complexity of its techniques and level of detail in its artwork. Santia, as the torchbearer of this traditional culture, incorporates elements of Teochew Embroidery in its products. This sets Santia apart from competitors of the textiles sector and is a contributing factor to the growth of the Group's business.
- Highly talented employees: The design team of Santia creates high-quality clothing designs under the leadership of Design Director, Ms Meijuan Yuan, and Chief Designer, Mr Qianjin Fan.
 - Ms Yuan is a disciple of Master Teochew Embroidery artisan, Mr Zhicheng Lin, and has 34 years working in the cultural textiles sector, focusing on combining Teochew Embroidery with garments manufacturing. She has been the Design Director of Santia since 1996. Ms Yuan's artwork "Peony" has been declared by the Shantou government as an intangible cultural heritage masterpiece.
 - Mr Fan has over 20 years experience in the cultural textiles industry and has been Santia's Chief Designer since 2006. He has been awarded the title of "Top 10 Designers" at the Dalian International Textiles and Garments Fair in 1994. His designs have been featured on the red carpet of the Festival de Cannes and at a fashion week in France in 2013.
- Cooperation with master artisans: Santia have invited artisans considered masters in their respective field to further strengthen the creative prowess of Santia's design team.
 - Mr Qingxian Sun In May 2014, Mr Sun joined Santia, at Santia's invitation, as Santia's Art Director of Teochew Embroidery. Mr Sun is a leading figure in the art of Teochew Embroidery. He has been appointed as committee or board member for multiple major art institutes in China. Since 1983, Mr Sun's work has been chosen by the PRC Ministry of Foreign Affairs as gifts to

visiting foreign government officials, including former Prime Minister of Canada, Mr Paul Martin, and former UN Secretary- General, Mr Kofi Annan.

- Mr Youyi Si In May 2014, Mr Si joined Santia, at Santia's invitation, as Santia's Art Director. Mr Si is a renowned Chinese calligraphy and Chinese painting artist.
- Experienced senior management team: Santia is led by a strong management team under the vision of Santia's Chairman, Mr Zhanwu Yao, who is one the most influential CEOs in China. More information about the Directors and senior management team of the Group is contained in Section 7.

Joint training programs with fashion schools to promote Teochew Embroidery and the Santia brand. In 2007, Santia entered into a cooperation agreement with the Beijing Institute of Fashion Technology. Under this agreement, the "Teaching and Research Practice Base" provides students of the Beijing Institute of Fashion Technology with resources and the opportunity to undergo research on textile technologies including Teochew Embroidery techniques. Through providing support to education and research programs, Santia is established as a promoter and innovator of this traditional art.



Photo: Prosperous Nine Provinces

3.6 Employees

Currently, the Group employs 132 staff members. The Group has plans to hire an additional 106 staff members. This includes:

- Staff for the operation of the 6 (six) planned flagship retail stores 6 (six) sales representatives, 4 (four) support staff, and 1 (one) manager for each store;
- 10 sales management staff for the expansion of the Group's online sales platform; and
- 30 production staff who will be trained to expand the production capacity of the Group's artistic products.

All staff members will receive trainings, including:

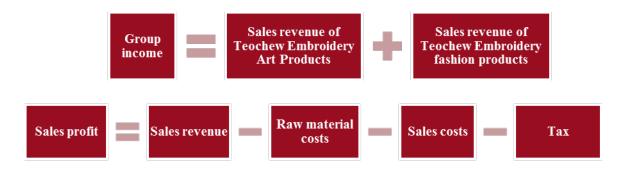
- Induction training: All new members of staff will be presented with an introduction to the Group, Teochew embroidery, human resources management policy, occupational health and safety, etc., in order to ensure that they are familiar with the general policies and regulations of the Group;
- On-the-job training: All department managers will conduct on-the-job training for staff members to ensure that all staff members are familiar with their responsibilities, in order to maintain the quality of our products;
- Special training: The Group will provide opportunities for staff members to attend internal and external training sessions, to improve soft skills, such as sales techniques, customer servicing skills, leadership, communication skills, problem solving and policy-making skills, of the Group's management and staff members.
- Enterprise resource planning (ERP) training: The Group will provide specific staff members training in Santia's ERP system in order to improve the effectiveness of corporate management.



Photo: Teochew-embroidery artisans employed by Santia

3.7 How does Australia Santia generate income?

The Group generates income by selling its fashion and cultural products at the retail price (less any discount to the retail price at the relevant distribution terminals and dealers) less the cost of the product. It is represented by the following formulas:



3.8 What are the strategies for growth?

Australian Santia is well-positioned to continue a number of growth initiatives. Management strategies include creating branding, expanding the customer base and raising funds to increase its production capabilities, in order to build a larger group and achieve and maintain a higher growth rate than its competitors in the future.

The Group believes that its investment in its businesses has positioned it to expand its market share in China and internationally. Australia Santia is aiming to achieve this expansion in market share through a combination of the following factors:

3.8.1 Expansion of Sales Channels

Australia Santia believes that the Group can distribute and market its products to reach more customers by setting up Santia's own sales channels. The Group intends to:

- open up Santia's own "Brand Image" store by opening its own retail store that sells Santia products exclusively. This includes establishing flagship stores in:
 - Xi'an and Shenzhen both commercial hubs in the Silk Road economic zone to reach out to the market in northern China, western Asia, and north-eastern Europe;
 - In Shantou, Shenzhen, Hong Kong and Bangkok, Thailand, to develop the southern Chinese, southeast Asian and western Europe markets, and
 - In Sydney, Australia, and Toronto, Canada.
- set up e-commerce platforms including WeiStore (a mobile application platform for purchasing goods) so as to cater for younger customers who are drawn more towards online shopping, especially using "smart" mobile phones.

3.8.2 Building the Brand by Participating in Community Activities to Promote Traditional Culture

Santia is dedicated to incorporating elements of the traditional Teochew Embroidery art into modern products. Therefore, the preservation of this traditional art is crucial to the reputation of the Santia brand. The Group has a strong interest in participating in community events to promote Teochew Embroidery.

The Group intends to invest in establishing a cultural industry quarters for Teochew Embroidery. This involves the setting up its headquarter in Australia to promote Chinese traditional culture as the core of the Group's image, the setting up of facilities for the exhibition of exceptional embroidery artworks, and for the research and education of traditional techniques.

3.8.3 Attracting Talented Embroiderers by Setting Up An Embroidery Training Centre

As the production many of Santia's products require processes that can only be done by hand, human resource is an important factor in the success of Santia. Thus, the Group needs to ensure a continuous in-flow of new talent for the continuation of Santia's business.

The Group intends to invest in setting up an Embroidery Training Centre in Shantou, PRC, for the training of the younger generation to become talented artisans.

3.9 Future funding needs

To meet the above funding needs, the Company's strategies include:

- this Offer, to raise up to A\$15,600,000;
- strategic alliances and joint ventures (as described above); and
- potential additional equity raising in the near future.

3.10 What are Australia Santia's material and related party contracts?

3.10.1 Material agreements

The Directors consider that there are a number of contracts which are significant or material to Santia or of such nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares. The main provisions of these contracts are summarised below, or elsewhere in this Prospectus. These summaries do not purport to be complete and are qualified by the text of the contracts themselves.

(a) Teochew International Federation Agreement

On 28 July 2014, Guangdong Santia signed a Purchase and Sale Contract with the Preparatory Committee of the 18th Annual Meeting of the Teochew International Federation for the sale of embroidery products. This includes 3000 Teochew embroidery gift items, 1000 articles of clothing (including men's apparel, Cheongsam, men's and women's formal wear) and 5000 articles of exhibition supplies (including napkins, table cloths, information kits) to be delivered before 30 June 2015. The Preparatory Committee of the 18th Annual Meeting of the Teochew International Federation will determine the method of delivery of goods and will bear the costs of delivery. The payment for the goods will be made within 10 days of delivery and inspection, totalling to RMB 8.313 million (approximately A\$1.63 million). The agreement is legally binding on the parties and PRC laws apply.

(b) Cooperation Agreement with Mr Qingxian Sun

On 18 June 2014, Guangdong Santia and Mr Zhanwu Yao signed a Cooperation Agreement with Mr Qingxian Sun. The parties agreed that Mr Qingxian Sun transfer to Mr Zhanwu Yao seven embroidery works in consideration of RMB 10 million (approximately A\$1.961 million) ("Contract Price") subject to the valuation price (the "Valuation Price") listed in the valuation report issued by a qualified valuation organisation in Hong Kong (the "Valuation Report"). The seven works are: *Prosperous Nine Provinces* 《鼎盛九州图》, *Fuchun Mountains* 《富春山居图》, *Springtime Blossom* 《报春图》, *Peony* 《牡丹图》, *Golden Dragon Fish* 《金龙鱼图》, *Bathing Lady* 《浴女图》, and *Red Lotus* 《红荷依依图》.* Within 7 days of signing this agreement, Mr Zhanwu Yao agrees to transfer RMB 10 million (approximately A\$1.961 million) to Mr Qingxian Sun and Mr Sun shall deliver the artworks upon the payment. Within 60 days after the date of the Appraisal Report, if the Valuation Price is higher than the Contract Price, Mr Yao will transfer the difference between the two prices to Mr Qingxian Sun; otherwise Mr Sun shall transfer the difference back to Mr Yao.

The agreement established a cooperative and strategic relationship between Guangdong Santia, Mr Zhanwu Yao and Mr Qingxian Sun. Under the agreement, Mr Qingxian Sun authorises Guangdong Santia to use naming rights, artistic skills, branding and licences for marketing purposes including, but not limited to, Guangdong Santia's promotional features, advertisements, websites and the listing Company's Prospectus. Guangdong Santia will have copyright and patent rights over Mr Qingxian Sun's embroidery works. Mr Qingxian Sun will also act as an embroidery specialist for Guangdong Santia. The agreement is legally binding on the parties upon execution and PRC laws apply.

*The English translation of the artworks' names is for reference only. The official names are in Chinese.

(c) Teochew Work Transfer Agreement

On 25 June 2014, Hong Kong Santia and Mr Zhanwu Yao signed a Transfer Agreement. Mr Zhanwu Yao agrees to transfer seven pieces of embroidery work to Hong Kong Santia for nil consideration on the date of signing. The seven artworks are *Prosperous Nine Provinces*《鼎盛九州图》, *Fuchun Mountains*《富春山居图》, *Springtime Blossom* 《报春图》, *Peony* 《牡丹图》, *Golden Dragon Fish* 《金龙鱼图》, *Bathing Lady* 《浴女图》, and *Red Lotus* 《红荷依依图》* and are collectively valued at RMB 12.633 million (approximately A\$2.4773 million) in accordance with a Valuation Report issued by ROMA Group on 25 November 2014. Under the agreement, Hong Kong Santia possesses the copyright to the embroidery work, free of encumbrances and third party interests. Hong Kong Santia will be responsible for administration of the copyright and agrees to use the copyright for purposes limited to the Group's business and production. The agreement is legally binding on the parties and PRC laws apply.

*The English translation of the artworks' names is for reference only. The official names are in Chinese.

(d) Material Agency Contracts

Guangdong Santia has signed Agency Contracts with the following main distributors*:

- 1. Beijing Beith Fashion Co. Ltd (北京贝丝服饰有限公司)
- 2. Shanghai Santia Fashion Co. (上海圣地亚服饰商行)
- 3. Kunming Santia Fashion Co. (昆明市圣地亚服饰商行)
- 4. Tianshan Western Modern Bilisi Trading Co. (天山区西部当代碧丽斯商行)
- 5. Chengdu Celestial Art Fashion Trading Co. (成都市天艺服饰商行)

- 6. Beijing Fu Jiangang Trading Centre (北京傅建刚商贸中心)
- 7. Taiyuan Santia Fashion Co. (太原市圣地亚品牌服饰店)
- 8. Guiyang Santia Fashion Trading Co. (贵阳市圣地亚服饰商行)
- 9. Weifang Santia Fashion Co. (潍坊市圣地亚品牌服装店)
- 10. Harbin Santia Fashion Co. (哈尔滨市圣地亚服饰行)
- 11. Shanghai Zhabei Huiyi Fashion Co. (上海市闸北区慧衣服装店)
- 12. Chengdu Languang Jinhe Fashion Co. Ltd. (成都市蓝光金荷时装有限公司)
- 13. Shandong Feilin Fashion Co. Ltd. (山东菲琳服饰有限公司)
- 14. Wuhan Jianghan Santia Fashion Co. (武汉市江汉区圣地亚服饰行)
- 15. Changchun Santia Fashion Co. (长春市圣地亚服饰行)
- 16. Taiyuan Santia Fashion Co. (太原市圣地亚服饰商行)
- 17. Harbin Yijia Fashion Co. Ltd. (哈尔滨市亿嘉服饰有限公司)

*The English translation of the companies' names is for reference only. The official names of these companies are in Chinese.

The individual contracts are commercially sensitive; however, the following key terms are common to all agreements:

- **Term and Termination:** The term of the contracts vary for each individual contract, ranging from two years to seven years from the date of signing. The agreement is terminated at the end date, unless terminated earlier, extended or renewed as agreed by the parties. The Group gives a preferential right of renewal to the distributors who exhibit a high level of turnover and cooperativeness with the Group.
- **Product:** The distributors agree to purchase Guangdong Santia's branded products.
- **Deposit:** The distributors agree to pay a deposit of RMB 20,000 (approximately A\$3,922) to ensure the reasonable use of the Group's brand image and adherence to the specified sales procedures, which is returned interest-free within two months from the termination of the contract, provided that the distributor has not breached any term of the contract.
- **Pricing:** The price of each product will be calculated in accordance with the Group's pricing policy. The Group will notify the distributors at least 15 days prior to any pricing change.
- **Specified sales channel:** The relevant Agency Contract specifies the relevant geographic area of sale of the Guangdong Santia's products. A distributor cannot sell Guangdong Santia's products outside the specified place of sale. Guangdong Santia is entitled to sign additional Agency Contracts with other distributors for areas within any of the specified areas that are not yet developed by the existing distributor.
- **Delivery and Freight costs:** Distributors are responsible for the freight cost to the distributors' designated sales channel using delivery methods specified by the distributors.
- Acceptance of goods: Any loss from the damage of products caused during delivery from the time the products arrive at the first transportation depot will be borne by the distributor. Upon confirmation of receipt of goods by the distributor, Guangdong Santia deems the distributor to have accepted the goods if no complaints regarding the quality, number and identity of products are received within 24 hours.
- **Damaged products:** In the event of the products being damaged for reasons not caused by the distributors or their customers, or where the defect is repairable by the distributor, Guangdong Santia is required to provide the product components for repair. Where the defect is of a nature that cannot be fixed by the distributor, the distributor has the right for a replacement product of the same value of the defective product. Any request for replacement must be communicated to Guangdong Santia within 10 days of acceptance of the products.

- **Marketing and promotional work in relation to the products:** The distributor agrees to obtain Guangdong Santia's prior approval in relation to any marketing and promotional activities and advertisements in respect of the products.
- Governing law and status: Each legal agreement is binding on the parties and PRC laws apply.

(e) Material Supply Contracts

Guangdong Santia has signed supply contracts with the following main suppliers from July 2011 to June 2014*:

- 1. Shantou City Tuodong Oil Co., Ltd. (汕头市鮀东油料行)
- 2. Guangzhou Hongxin City Co., Ltd. (广州市新宏鑫市业有限公司)
- 3. Hebei Xin Fur Processing Industry(河北鑫业皮毛加工厂)
- 4. Hengshui City Hebei Longxing Fur Processing Plant(河北省衡水市隆兴皮毛加工厂)
- 5. Shantou Jinping District of Wenzhou Rhinestone Industry (汕头市金平区温州烫钻行)
- 6. Shantou Jinping District Yongfeng Rhinestone Industry(汕头市金平区永丰烫石行)
- 7. Shantou Jinping District Jia-Wang Rhinestone Industry(汕头市金平区佳旺烫钻行)
- 8. Shantou Chenghai District Shenglong Woollen Co., Ltd. (汕头市澄海区生隆毛纺有限公司)
- 9. Guangzhou Yuanxin Fabric Industry (广州市源兴布行)
- 10. Guangzhou Green Textile Co., Ltd. (广州市青发纺织有限公司)
- 11. Guangzhou Xin Diamond Trading Industry (广州鑫业钻饰商行)
- 12. Guangzhou Kangda (New Billion) Garments Co., Ltd. (广州市慷达(新亿)服饰有限公司)
- 13. Guangzhou Guangyuan Cloth Industry (广州市广源布行)
- 14. Shantou Jinping Longxin Rhinestone Industry(汕头市金平区隆鑫烫钻行)
- 15. Shantou Yifeng Accessories Industry (汕头市艺丰辅料行)
- 16. Shantou Chenghai Hongcheng Wool Trading Industry(汕头市澄海区鸿成毛料商行)
- 17. Guangzhou Jinxiang Accessories Trading Industry (广州市金祥辅料贸易商行)
- 18. Shandong Dingxiang Plush Textiles Co., Ltd. (山东祥鼎毛绒纺织有限公司)
- 19. Teochew Wujunzhong Accessories Industry (潮州市吴俊忠辅料行)
- 20. Shantou Jinping Huajin Rhinestone Industry(汕头市金平区华锦烫钻行)
- 21. Jiaxing Rongxin Wool Trading Co., Ltd(嘉兴市荣鑫毛料贸易有限公司)

*The English translation of the companies' names is for reference only. The official names of these companies are in Chinese.

The individual contracts are commercially sensitive; however, the following key terms are common to all agreements:

- **Term and termination:** One year from the date of agreement, with those agreements signed on 1 January 2014 ending on 31 December 2014. The agreement is terminated at the end date unless terminated earlier, extended or renewed as agreed by the parties. It is anticipated that Guangdong Santia may enter into new agreements for the period of 1 January 2015 to 31 December 2015 with some of the suppliers listed above. The Group reasonably expects that, given the good working relationship between Guangdong Santia and the above named suppliers, Guangdong Santia will renew contracts with some of the above suppliers prior to the end of December 2014 and will continue to acquire supplies from material suppliers in the next 12 to 24 months.
- **Product:** The suppliers agree to supply the agreed products to Guangdong Santia.
- **Pricing and fees:** The price of supplies will be calculated in accordance with the suppliers' pricing policy and negotiations with Guangdong Santia. Guangdong Santia will pay 30% of the total cost of the supply products as a deposit, with the balance payable after receipt and verification of the supplied product.

- **Quality standard:** The suppliers agree to adhere to the relevant national market quality standard or industry standard of the supplied products.
- **Damages and late delivery:** Should there be supply quality issues necessitating a refund, the suppliers agree to refund the purchase price of the supplies to Guangdong Santia within the agreed time. The suppliers will compensate Guangdong Santia for any economic loss due to any late payments of refunds or late delivery of the products.
- **Freight Costs:** The suppliers are responsible for the costs of transporting products to the address agreed by the parties.
- **Governing law and statutes:** Each agreement is legally binding on the parties and PRC laws apply.

(f) Material Processing Contract

Guangdong Santia has signed a processing contract with Chaozhou Jinhuan Dyeing Factory (潮州市 金环染厂) *:

*The English translation of the company's name is for reference only. The official names of these companies are in Chinese.

The key terms of the material processing contract are set out as follows:

- **Term and Termination:** Two years from the date of signing. The agreement is terminated at the end date, unless terminated earlier, extended or renewed as agreed by the parties. It is expected that Guangdong Santia will renew the contract with Chaozhou Jinhuan Dyeing Factory for the foreseeable future.
- Service: Chaozhou Jinhuan Dyeing Factory agrees to purchase the required textiles per the directions of Guangdong Santia and to dye the textiles according to specifications.
- **Pricing:** The price of each order is determined by agreement between the two parties. 30% of the price for each order is paid prior the performance of service, the balance of which is paid at the end of the month that the goods were accepted.
- **Delivery:** Chaozhou Jinhuan Dyeing Factory is responsible for the delivery of the processed material to the address designated by Guangdong Santia.
- **Returns:** Guangdong Santia is entitled to return any product that is of unacceptable quality. In such an event, Chaozhou Jinhuan Dyeing Factory has to provide a replacement for the defective products within the time specified by Guangdong Santia.
- Governing law and statutes: Each agreement is legally binding on the parties and PRC laws apply.

(g) Loan agreement and guarantees with China Bank of Communications Co., Ltd

On 18 March 2014, Guangdong Santia and China Bank of Communications Co., Ltd (Shantou Jintai Branch) signed a loan agreement ("**Small Business Working Capital Loan Agreement**") for an amount of RMB 10 million (approximately A\$1.961 million) payable by 24 March 2015 at a floating interest rate with an upper bound of 30%. The Small Business Working Capital Loan Agreement is used by Guangdong Santia for business turnover purposes. The Small Business Working Capital Loan Agreement is legally binding on the parties and PRC laws apply. Guangdong Santia anticipates that it will repay the principal and any interest due under the Small Business Working Capital Loan Agreement by 24 March 2015 and will not require any further extension for repayment.

On 18 March 2014, Zhanwu Yao and Xiaoru Chen entered into a guarantee agreement with China Bank of Communications Co., Ltd ("Guarantee Agreement") whereby Zhanwu Yao and Xiaoru Chen agreed to provide RMB 20 million (approximately A\$3.922 million) as guarantee for Guangdong Santia's repayment of the full amount of the principal and interest (among other loan related penalties

and expenses) on the loan under the Small Business Working Capital Loan Agreement. The guarantee is legally binding on the parties and PRC laws apply.

In addition, on 18 March 2014, Xiaoru Chen and China Bank of Communications Co., Ltd signed two mortgage guarantee contracts (contract ZYT2014001 number 1 and ZYT2014001 number 2) whereby Xiaoru Chen agreed to be the guarantor for Guangdong Santia with respects to the repayment of the full amount of the principal and interest (among other loan related penalties and expenses) on the loan under the Small Business Working Capital Loan Agreement. Under the contracts, Ms Chen provided, as guarantee, personally owned properties at Level 4 West, Level 4 East, Level 5 West and Level 5 East, at H15 Long Hu Industrial Area, 20 Lian Jiang Road, Long Hu District, Shantou, China and number 88.5-77.5-01 Qi He Industrial Area, Xin Xi Town, Long Hu District, Shantou, China. The mortgage guarantees are legally binding on the parties and PRC laws apply.

As Zhanwu Yao is the Chairman and Executive Director of the Company and Xiaoru Chen is his wife, each guarantee provided by Zhanwu Yao and Xiaoru Chen in favour of the Company (as described above) is considered to be a related party transaction under the *Corporations Act*. It is expected that, following repayment of the principal and any interest due under the Small Business Working Capital Loan Agreement by 24 March 2015, Zhanwu Yao and Xiaoru Chen's guarantees will cease to apply.

3.10.2 Related party agreements

Related party transactions (that is, transactions between a public company and a director, an entity controlled by a director, or a parent company of the public company) are regulated in Australia under the *Corporations Act* by a requirement for disinterested shareholder approval unless the transaction is on "arm's length terms", represents no more than reasonable remuneration, or complies with other limited exemptions.

The Company has entered into certain agreements with related parties.

(a) Director loans to Guangdong Santia

Currently, Zhanwu Yao has lent loans to Guangdong Santia, based the People's Bank of China's benchmark lending floating interest rate of up to 30%. All three loan agreements ("Loan Agreement") made between Guangdong Santia and Zhanwu Yao are legally binding on the parties and PRC laws apply. The details of the Loan Agreements are set out below.

Loan amount and owing as at 30 April 2014	Loan Period	Use of Loan Proceeds	Loan Repayment
RMB 1.3 million (approximately A\$254,931.95).	1 May 2014 to 23 October 2016	Business operating funds	The full amount of the principal and interest is to be repaid by Guangdong Santia by 23 October 2016. The interest rate is determined by the People's Bank of China's benchmark lending floating interest rate of up to
RMB 633,333.26 (approximately A\$124,197).	1 May 2014 to 24 June 2017	Business operating funds	30%. The full amount of the principal and interest is to be repaid by Guangdong Santia by 24 June 2017. The interest rate is determined by the People's Bank of China's benchmark lending floating interest rate of up to 30%.
RMB 467,499.91 (approximately A\$91,677).	1 May 2014 to 17 January 2016	Business operating funds	The full amount of the principal and interest is to be repaid by Guangdong Santia by 17 January 2016. The interest rate is determined by the People's Bank of China's benchmark

Loan amount and owing as at 30 April 2014	Loan Period	Use of Loan Proceeds	Loan Repayment
			lending floating interest rate of up to 30% .

(b) Lease of registered office premises and operational facilities from Ms Xiaoru Chen

The registered office premises and operational facilities of Guangdong Santia (2/F West Wing, and 3/F to 5/F, H15 Industrial Building, No. 20, Lianjiang Road, Shantou, Guangdong, PRC) are currently leased from Ms Xiaoru Chen (being the owner of the property) on normal commercial terms for the period of 1 January 2014 to 31 December 2016. Ms Chen is the wife of Mr Zhanwu Yao, Chairman of Australia Santia.

The amount payable to Ms Chen is RMB 85,000 per month (approximately A\$16,669 per month). The rent for the lease is payable at the end of the lease period. The lease contracts stipulate that the premises must be used for office and industrial usages only.

During the lease period, Guangdong Santia is responsible for taking measures to ensure fire safety of the premises. Guangdong Santia must not alter the building structure of the premises. Guangdong Santia is also responsible for paying expenses for utilities including, but not limited to, water, electricity, telephone, strata and cable TV.

During the lease period, Guangdong Santia must not sub-let the premises without the written permission from Ms Chen.

At the end of the lease period, Guangdong Santia has the priority to extend the lease under the same terms. This lease is governed by PRC law and is legally binding on the parties.

(c) Sub-lease of part of registered office premises to Huishang Import & Export Co, a subsidiary of Guangdong Santia

Under an agreement signed jointly by Guangdong Santia (as lessee), Huishang Import & Export Co (as sub-lessee), and Ms Chen (as lessor), the registered office premises of Huishang Import & Export Co (Room 1, 2/F West Wing, H15 Industrial Building, No. 20, Lianjiang Road, Shantou, Guangdong, PRC) are leased from Guangdong Santia for a term from 15 April 2014 to 14 April 2016 for nil consideration. This sub-lease is governed by PRC law and is legally binding on the parties.

(d) Sub-lease of part of registered office premises to Huishang Trading Co, a subsidiary of Guangdong Santia

Under an agreement signed jointly by Guangdong Santia (as lessee), Huishang Trading Co (as sublessee), and Ms Chen (as lessor), the registered office premises of Huishang Trading Co (Room 2, 2/F West Wing, H15 Industrial Building, No. 20, Lianjiang Road, Shantou, Guangdong, PRC) are leased from Guangdong Santia for a term from 15 April 2014 to 14 April 2016 for nil consideration. This sublease is governed by PRC law and is legally binding on the parties.

(e) Trademark usage rights granted by Xiaoru Chen and by Zhanwu Yao

Guangdong Santia and Xiaoru Chen entered into a Trademark Transfer Contract dated 2 January 2014 whereby Ms Chen transferred the right to use the PRC trademark (No. 1300914) that is registered under her name, to Guangdong Santia for nil consideration.

Guangdong Santia and Zhanwu Yao entered into a Trademark Transfer Contract dated 2 January 2014 whereby Mr Yao transferred the right to use the following PRC trademarks that are registered under his name, to Guangdong Santia for nil consideration.

•	No.3487097	•	No.5838538	•	No.3522959
•	No.3522957	•	No.3522958	•	No.3487099
•	No.3487098	•	No.3522956	•	No.3522955
•	No.3522954	•	No.3522950	•	No.3522949
•	No.3522948	•	No.3522947	•	No.3522946
•	No.3522945	•	No.3522940	•	No.3522939
•	No.3522938	•	No.3522936	•	No.3522933
•	No.3522944	•	No.3522943	•	No.3522942
•	No.3522935	•	No.3722610	•	No.3722609
•	No.3722608	•	No.3722607	•	No.3722606
•	No.3918976	•	No.4555664	•	No.4555665
•	No.4555662	•	No.4555666	•	No.4555667
•	No.4555668	•	No.4555669	•	No.4555670
•	No.4555671	•	No.4556198	•	No.4555663
•	No.4556197	•	No.4556196	•	No.4556195
•	No.4556194	•	No.4556193	•	No.4556192
•	No.4556191	•	No.4556190	•	No.4556189
•	No.4555652	•	No.4555653	•	No.4555654

Under both Trademark Transfer Contracts, the authorisers ensure that the trademarks are free from guarantee or mortgage encumbrances. Guangdong Santia is able to grant authorisations for the exclusive and non-exclusive rights to use the trademarks. Guangdong Santia must ensure that the quality of the products associated with the trademarks cannot be materially lower than the quality of the products associated with the trademarks before the transfer. The Trademark Transfer Contracts are governed by PRC laws and are legally binding on the parties.

3.11 Capital management policy

No dividend will be paid after Listing with respects to the financial year ending 30 June 2015. The level of payout ratio is expected to vary between periods depending on factors the Directors may consider, including the Group's earnings, financial position, tax position, financing and capital requirements.

The ability to pay dividends depends on a number of factors. Dividends paid out of profits generated outside of Australia will be unfranked. The Directors do not provide any assurance of the future level of dividends or the extent to which they are franked, and there may be periods when dividends are not paid.

The Directors/Managers control the capital of the Company in order to maximise the return to shareholders and ensure that the Company can fund its operations and continue as a going concern. Capital is defined as issued share capital.

In general, the Directors effectively manage the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels, distributions to shareholders, and share and option issues.

The Company regularly reviews and monitors its capital requirements through cash flow forecasting. The Company may seek further capital if required through the issue of capital or changes in the capital structure.

4 Financial information

4.1 Introduction

This Section contains historical and pro-forma financial information for Australia Santia Jinnai Culture Development Holdings Group Limited. All information present in this Section should be read in conjunction with the Risk Factors outlined in Section 6 and the Investigating Accountant's Report presented in Section 5.

4.2 Overview

Australia Santia was incorporated on 7 July 2014 and has not actively traded at the date of preparation of this prospectus.

On 22 July 2014, the Company entered into a Share Transfer Agreement, to acquire all of the issued capital of Hong Kong Santia and its subsidiaries, including Guangdong Santia ("Acquisition Transaction"). Hong Kong Santia is a company incorporated in Hong Kong which has not actively traded.

The Acquisition Transaction is conditional upon the Completion of the Offer and listing of the Company on the APX. Consequently, in presenting historical financial information, the Company has prepared a Statement of Profit or Loss and Other Comprehensive Income for the 3 years ended 30 June 2014 as set out in Section 4.4 and a Notional Historical Consolidated Statement of Financial Position as at 30 June 2014 as set out in Section 4.5, which assumes that Australia Santia had completed the Acquisition Transaction as at 30 June 2014.

4.3 Basis of preparation and presentation of Financial Information

4.3.1 Historical Statement of Profit or Loss and Other Comprehensive Income

In presenting historical financial information, the Company has prepared Statements of Profit or Loss and Other Comprehensive Income for Guangdong Santia for the three years ended 30 June 2014 as set out in section 4.4. Guangdong Santia Fashion Co. Ltd is a company incorporated in the People's Republic of China.

The Statements of Profit or Loss and Other Comprehensive Income for Guangdong Santia use Australian dollars as their presentation currency in Section 4.4 and have been derived from the audited books and records of Guangdong Santia. The Historical Statements of Profit and Loss and Other Comprehensive Income have been translated into Australian dollars in accordance with the Company's accounting policies set out in Section 4.6.

4.3.2 Pro forma Financial Information

In presenting pro-forma financial information, as set out in Section 4.5, the Company has prepared a Notional Historical Consolidated Statement of Financial Position and selected notes to the financial information as at 30 June 2014, which assumes completion of the events and transactions as set out in Section 4.7 and the Pro Forma Consolidated Statements of Financial Position of the Company and selected notes to the financial information as at 30 June 2014, which assumes completion of the pro-forma transactions and adjustments as set out in Section 4.8. Further information is set out below.

Notional Historical Consolidated Statement of Financial Position

The Company has prepared a Notional Historical Consolidated Statement of Financial Position for the Company, as set out in Section 4.5, which assumes that the Acquisition Transaction had been completed as at 30 June 2014 and material transactions subsequent to 30 June 2014, as set out in Section 4.7 had been completed as at 30 June 2014. Consequently, the Notional Historical Consolidated Statement of Financial Position represents the Notional Historical Consolidated Financial Position of the Company as at 30 June 2014 and has been derived from the audited books and records of Guangdong Santia and the reviewed books and records of Hong Kong Santia and the Company.

Under the Acquisition Transaction, the shareholders of Hong Kong Santia will transfer their ownership interests into shares in the Company without any material change in underlying ownership. Consequently, this transaction is not a business combination transaction under Australian Accounting Standards.

The Notional Historical Consolidated Statement of Financial Position as at 30 June 2014 uses Australian dollars as its presentation currency. The Notional Historical Consolidated Statement of Financial Position has been translated into Australian dollars in accordance with the Company's accounting policies set out in Section 4.6.

Pro Forma Consolidated Statements of Financial Position

Set out in Section 4.8 are the Minimum Subscription and Maximum Subscription Pro-Forma Consolidated Statements of Financial Position of the Company as at 30 June 2014. These Pro- Forma Financial Statements have been compiled using the Notional Historical Consolidated Statement of Financial Position as at 30 June 2014 and assuming the Minimum Subscription and Maximum Subscription capital raising transactions had been completed as at 30 June 2014.

The historical, notional historical and pro-forma financial information presented in Sections 4.4 and 4.5 respectively have been independently reviewed by BDO East Coast Partnership. The Investigating Accountant's Report is set out in Section 5.

4.3.3 Guangdong Santia Historical Financial Reports

The historical financial information had been extracted from the audited financial statements of Guangdong Santia, upon which BDO East Coast Partnership issued a qualified audit report for each of the financial years. The details of the qualifications are set out in Section 5 Investigating Accountant's Report.

4.4 Historical Statements of Profit or Loss and other Comprehensive Income

4.4.1 Historical Statements of Profit or Loss and other Comprehensive Income of Guangdong Santia

Set out below is a summary of the Statements of Profit or Loss and Other Comprehensive Income of Guangdong Santia for the 3 years ended 30 June 2014. The Statements of Profit or Loss and Other Comprehensive Income have been prepared on the basis of the significant accounting policies adopted by the Company set out in Section 4.6 and should be read in conjunction with the accompanying notes.

	30 June 2014	30 June 2013	30 June 2012
	A\$	A\$	A\$
Revenue – sales of goods	7,795,976	5,836,960	4,181,012
Cost of sales	(3,497,805)	(3,948,360)	(2,725,814)
Gross profit	4,298,171	1,888,600	1,455,198
Sales and marketing	(118,763)	(59,466)	(75,795)
Administration	(741,381)	(533,193)	(533,940)
Finance costs	(157,542)	(184,869)	(185,661)
Profit before Income Tax from continuing operations Income Tax Expense	3,280,485 (784,641)	1,111,072 (277,768)	659,802 (120,211)
Profit after income tax expense for the year	2,495,844	833,304	539,591
Other comprehensive income	(268,936)	875,511	330,302
Total comprehensive income for the year	2,226,908	1,708,815	869,893

It is noted that the gross profit margins have improved significantly from 30 June 2013 to 30 June 2014. This is attributable to an increase in overall sales price in FY14 by 38%. Guangdong Santia in FY14 introduced new products to the market with sales price generally higher than the existing products. As a result of Guangdong Santia attempting to increase its market share, there were lower sales prices of existing products in financial years prior to FY14. Due to the competitive market in China for the relevant raw materials, Guangdong Santia was able to secure these raw materials from different suppliers at very competitive rates which resulted in the decrease in costs of goods sold in FY14.

4.5 Notional Historical Consolidated Statement of Financial Position and Pro-Forma Consolidated Statements of Financial Position

Set out below is the Notional Historical Consolidated Statement of Financial Position of the Group as at 30 June 2014 and the Pro-Forma Consolidated Statements of Financial Position as at 30 June 2014 (which represents the Notional Historical Consolidated Statement of Financial Position adjusted for the Minimum Subscription and Maximum Subscription capital raising transactions and other pro-forma transactions as if those transactions had taken place on 30 June 2014).

The Notional Historical and pro-forma financial information has been prepared on the basis of the significant accounting policies adopted by the Company set out in Section 4.6 and should be read in conjunction with the accompanying notes.

	Notes (Section 4.10)	Notional Historical Consolidated 30 Jun 2014 A\$	Minimum Subscription Pro-Forma Consolidated 30 Jun 2014 A\$	Maximum Subscription Pro- Forma Consolidated 30 Jun 2014 A\$
CURRENT ASSETS				
Cash and cash equivalents	1	614,877	2,793,232	14,025,232
Trade and other receivables	2	5,205,112	5,205,112	5,205,112
Inventories	3	3,397,331	3,397,331	3,397,331
Prepayments	4	4,474,060	4,336,077	4,336,077
TOTAL CURRENT ASSETS	_	13,691,380	15,731,752	26,963,752
NON CURRENT ASSETS Property, plant & equipment TOTAL NON CURRENT ASSETS TOTAL ASSETS	5	3,325,147 3,325,147 17,016,527	3,325,147 3,325,147 19,056,899	3,325,147 3,325,147 30,288,899
CURRENT LIABILITIES				
Trade and other payables	6	5,234,149	5,234,149	5,234,149
Borrowings	7	4,045,872	4,045,872	4,045,872
TOTAL CURRENT LIABILITIES	_	9,280,021	9,280,021	9,280,021
NON CURRENT LIABILITIES	0	150 251	150.051	150 251
Borrowings	8	158,351	158,351	158,351
TOTAL NON CURRENT LIABILITIES	_	158,351	158,351	158,351
TOTAL LIABILITIES	_	9,438,372	9,438,372	9,438,372
NET ASSETS	-	7,578,155	9,618,527	20,850,527
EQUITY				
Issued capital	9	60,000	2,100,372	13,332,372
Reserves	10	3,160,212	3,160,212	3,160,212
Retained profits	_	4,357,943	4,357,943	4,357,943
TOTAL EQUITY	_	7,578,155	9,618,527	20,850,527

The financial information should be read in conjunction with the risk factors associated with an investment in the Company set out in Section 6, the Investigating Accountant's Report set out in Section 5 and the other information contained in this Prospectus.

Investors should also note the scope and limitations of the Investigating Accountant's Report.

4.6 Summary of Significant Accounting Policies

The significant accounting policies which have been adopted in the preparation of the historical, notional historical and pro-forma financial information (collectively referred to as the "Financial Information"):

4.6.1 Basis of preparation

The Financial Information has been prepared in accordance with the measurement requirements, but not all disclosure requirements, of Australian Accounting Standards and Accounting Interpretations. In the view of the Directors of the Company the omitted disclosures are not materially adverse to potential investors or inconsistent with any information contained elsewhere in the Prospectus.

Investors are referred to Section 3 of the Prospectus for an overview of the Group's corporate structure.

The financial statements have been prepared under the historical cost convention. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted. All values are rounded to the nearest dollar.

The accounting policies have been consistently applied.

(a) **Presentation Currency**

The financial statements are presented in Australian dollars, which is the Company's presentation currency. The functional currency for Hong Kong Santia is Hong Kong dollars and the functional currency for Guangdong Santia is Chinese Renminbi.

(b) Basis of Consolidation

The Notional Historical and Pro-Forma Consolidated Statements of Financial Position comprise the financial statements of the Group as if the acquisition transaction had occurred at 30 June 2014.

The financial statements of controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Controlled entities are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Australia Santia had control.

(c) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated financial statements, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognized by the acquirer where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners and the equity interest issued by the acquirer.

Fair value uplifts in the value of pre-existing equity are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognized in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to a contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs in relation to the business combination are expensed to the statement of profit or loss and other comprehensive income.

(d) Business combinations of companies under common control

Business combinations of entities under common control are transactions in which all the combining entities are controlled by the same party or parties before and after the transactions and the control is not transitory. The Group has elected to account for the

Acquisition Transaction using the predecessor values method. The method requires financial statements to be prepared using the predecessor book values.

(e) Going Concern

The financial information has been prepared on a going concern basis. The financial information has been prepared in accordance with generally accepted accounting standards, which are based on the Company continuing as a going concern.

(f) Significant judgments and key assumptions

In applying the Company's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are in relation to management's review of the carrying value of the capitalized exploration and evaluation costs, useful life of the prepaid lease assets, useful life of intangible assets, provisions and taxation.

There have been no other significant judgments made in applying accounting policies that the Directors consider would have a significant effect on the amounts recognised in the financial statements.

(g) Foreign Currency

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates.

The presentational currency of Hong Kong Santia is Hong Kong dollars. The presentational and functional currency of Guangdong Santia is Chinese Renminbi. The consolidated financial statements are presented in Australian dollars, the presentational and functional currency of the Company.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction(s). Foreign exchange gains and losses resulting from the settlement of such transaction(s) and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss and other comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or lass as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

Group Entities

Financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year end exchange rates;
- Income and expenses are translated at average rates for the year; and
- Retained earnings are translated at historical rates.

Exchange differences arising on the translation of foreign operations are recognised directly to the Group's foreign currency translation reserve in the Consolidated Statement of Financial Position.

Exchange Rates

The exchange rates used in the preparation of this Section 4 (Financial Information) are as follows:

	RMB:A\$		HK\$:/	4\$
	Average	Spot	Average	Spot
Year ended 30 June 2012	0.1528	0.1560	N/A	N/A
Year ended 30 June 2013	0.1552	0.1774	N/A	N/A
Year ended 30 June 2014	0.1774	0.1725	0.1370	0.1370

(h) Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell

and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised though profit or loss.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

(j) Chinese Value Added Tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the local tax office. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of VAT.

(k) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

(l) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised at amortised cost less adjustments for impairment or uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Other receivables are recognised at amortised cost, less any provision for impairment.

(m) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes and an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) **Property plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Class of Fixed Asset	Depreciation Rate
Plant & equipment	10 years
Fixtures and fittings	5 years
Motor vehicles	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Art and design work

Art and design work that qualify for recognition as an asset are measured at fair value on acquisition.

After initial recognition, these assets are measured at their revalued amounts. The revalued amounts are their fair values based on valuations performed by an independent qualified valuer.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

(q) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on short-term and long-term borrowings
- interest on hire purchases

(r) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other income

Other revenue is recognised when it is received or when the right to receive payment is established.

(t) Impact of Adopting New Accounting Standards and New / Revised Accounting Standards Not Yet Effective

The Company has adopted all of the new and revised Standards and interpretations issued by the Australian Accounting Standards Board ("**AASB**"), but not all disclosure requirements, that are relevant to its operations and effective for period ended 30 June 2014.

Certain new accounting standards and interpretations have been published that are not mandatory for the period ended 30 June 2014 but are available for early adoption. The Company has not early adopted the new accounting standards. The Directors have given due consideration to these standards and interpretations and do not believe they will have any material financial impact on the financial information of the Company.

4.7 Notional Historical Consolidated Statement of Financial Position

The Notional Historical Consolidated Statement of Financial Position has been prepared based on the historical Statement of Financial Position as at 30 June 2014 and reflect the following events and transactions as if they had taken place as at 30 June 2014:

- Donation of 7 items of art and design work by a director, Mr Zhanwu Yao to Hong Kong Santia on 25 June 2014 which had been independently valued at RMB12,633,000 (A\$2,160,458). The art and design work had been recognised as property, plant and equipment and equity owner's contributions; and
- Completion of the Acquisition Transaction. This transaction is one referred to as a business combination of entities or businesses under common control, the details of which are set out in section 4.9.

4.8 **Pro-Forma Consolidated Statements of Financial Position**

The Minimum Subscription Pro-Forma Consolidated Statement of Financial Position has been prepared based on the Notional Historical Consolidated Statement of Financial Position as at 30 June 2014 and reflect the following events and transactions as if they had taken place as at 30 June 2014:

- The minimum issue of 10 million fully paid ordinary shares at A\$0.39 per share to raise up to A\$3,900,000.
- Payment of share issue expenses of approximately A\$1,859,628, of which A\$137,983 has been paid in respect of the minimum Subscription as if they had occurred as at 30 June 2014.
- The maximum issue of 40 million fully paid ordinary shares at A\$0.39 per share to raise up to A\$15,600,000.
- Payment of share issue expenses of approximately A\$2,327,628, of which A\$137,983 has been paid in respect of the maximum Subscription as if they had occurred as at 30 June 2014.
- Capitalisation into costs of equity of professional fees in relation to the IPO of A\$1,064,282. This amount includes A\$137,983 that has been paid by, Guangdong Santia.

4.9 Business Combination of Entities under Common Control

On 22 July 2014 the Company entered into a Share Transfer Agreement to acquire all of the issued capital of Hong Kong Santia and its subsidiaries, including Guangdong Santia.

Through this transaction effective control of Hong Kong Santia will be passed to the Company. The transaction is one referred to in AASB 3 Business Combinations as a business combination of entities or businesses under common control, where following the reconstruction the Company took control of Hong Kong Santia and its subsidiaries, including Guangdong Santia with no change in underlying control.

The Acquisition Transaction involved the transfer of 10,000 shares in Hong Kong Santia at HK\$1.00 per share. The purchase method of accounting the transaction has not been adopted as this transaction is one referred to in AASB 3 Business Combinations as a business combination of entities or businesses under common control.

4.10 Notes to the Financial Statements

	Notional Historical Consolidated 30 Jun 2014	Minimum Subscription Pro-Forma Consolidated 30 June 2014	Maximum Subscription Pro-Forma Consolidated 30 Jun 2014
	A\$	A\$	A\$
Note 1: Cash and Cash Equivalents			
Cash at bank	614,877	614,877	614,877
Issue of fully paid ordinary shares under the Offer	-	3,900,000	15,600,000
Payment of prospectus expenses from proceeds of the Offer		(1,721,645)	(2,189,645)
	614,877	2,793,232	14,025,232
Note 2: Trade and other receivables			
Trade receivables	723,369	723,369	723,369
Other receivables - related parties	4,468,236	4,468,236	4,468,236
Other receivables - other	5,322	5,322	5,322
GST and other taxes	8,185	8,185	8,185
	5,205,112	5,205,112	5,205,112

(i) Include an amount of RMB17,468,855 (A\$2,989,159) due from a director, Mr Zhanwu Yao of which had been fully repaid as at the date of this Prospectus. The amount was unsecured, interest free and had no fixed repayment terms. The advances made to Mr Zhanwu Yao represent transactions that were outside the normal course of business.

(ii) Include an amount of RMB8,535,396 (A\$1,472,178) being advance to employees to purchase supplies on behalf of Guangdong Santia of which had been fully repaid as at the date of this Prospectus.

	Notional Historical Consolidated	Minimum Subscription Pro-Forma Consolidated	Maximum Subscription Pro-Forma Consolidated
	30 Jun 2014	30 June 2014	30 Jun 2014
Note 3: Inventories			
Raw materials - at cost	756,879	756,879	756,879
Work in progress - at cost	1,095,730	1,095,730	1,095,730
Finished goods - at cost	1,544,722	1,544,722	1,544,722
	3,397,331	3,397,331	3,397,331
Note 4: Other Assets			
Prepayments (i)	4,336,077	4,336,077	4,336,077
IPO payments	137,983	-	-
	4,474,060	4,336,077	4,336,077

(i) Being amount prepaid to suppliers for goods that have been received in full as at the date of this Prospectus.

Note 5: Property, Plant & Equipment			
At cost	(20 (01	(20 (01	(20 (01
Plant & equipment	620,691	620,691	620,691
Equipment, furniture and fittings	23,352	23,352	23,352
Motor vehicles	397,841	397,841	397,841
Plant and equipment in construction	122,805	122,805	122,805
	1,164,689	1,164,689	1,164,689
At Fair Value			
Art and design work	2,160,458	2,160,458	2,160,458
	3,325,147	3,325,147	3,325,147
Note 6: Trade & Other Payables	077.000	0.66.000	044 000
Trade payables	866,898	866,898	866,898
Tax payables	3,799,752	3,799,752	3,799,752
Other payables	567,499	567,499	567,499
	5,234,149	5,234,149	5,234,149
Note 7: Current Borrowings			
Bank loans	3,967,022	3,967,022	3,967,022
Hire purchase	78,850	78,850	78,850
	4,045,872	4,045,872	4,045,872
Note 9. Non annual Domaring			
Note 8: Non-current Borrowings	158,351	159 251	159 251
Hire purchase	,	158,351	158,351
	158,351	158,351	158,351
	Notional Historical Consolidated	Minimum Subscription Pro-Forma Consolidated	Maximum Subscription Pro-Forma Consolidated
	30 Jun 2014	30 Jun 2014	30 Jun 2014
	A\$	A\$	A\$

Note 9: Issued Capital

Ordinarv	Shares	
<i>Orainary</i>	Snures	

Ordinary shares as at 30 June 2014	60,000	2,100,372	13,332,372
Movement in Issued Capital represented by the following transactions:			
	Number of Sha	res	
Ordinary shares on issue at date of incorporation	120,000,000	120,000,000	120,000,000
Proposed Prospectus Transaction:			
Minimum subscription of 10 million shares	-	10,000,000	-
Full subscription of 40 million shares	-	-	40,000,000
Ordinary shares on issue under minimum and full offer	120,000,000	130,000,000	160,000,000
	A\$	A\$	A\$
Issued capital as at 30 June 2014	60,000	60,000	60,000
Issue of fully paid ordinary shares under the Offer	-	3,900,000	15,600,000
Payment of brokers fees and share registry	-	(159,500)	(627,500)
Payment of professional fees in relation to the IPO	-	(1,700,128)	(1,700,128)
	60,000	2,100,372	13,332,372
Note 10: Reserves			
Foreign currency translation reserve	999,754	999,754	999,754
Owner's contributions (i)	2,160,458	2,160,458	2,160,458
	3,160,212	3,160,212	3,160,212

(i) Relate to 7 items of art and design work donated by a director, Mr Zhanwu Yao to Hong Kong Santia on 25 June 2014. The art and design work has been independently valued at RMB12,633,000 (A\$2,160,458)

Note 11: Subsequent events

The directors of the Company are not aware of any subsequent events, other than those pro-forma transactions set out in section 4.9.

5 Investigating Accountant's Report



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The Directors Australia Santia Jinnai Culture Development Holdings Group Limited c/-Preece Lin Lawyers Unit 2, 112 Terralong Street KIANMA NSW 2533

15 January 2015

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

Introduction

BDO East Coast Partnership ('BDO') has been engaged by Australia Santia Jinnai Culture Development Holdings Group Limited ('Australia Santia' or 'the Company') to prepare this Investigating Accountant's Report ('Report') in relation to certain historical, notional historical and pro-forma financial information of the Company, for inclusion in a Replacement Prospectus to be dated on or about 15 January 2015 ('Prospectus') relating to a public offer of up to 40 million fully paid ordinary shares at an issue price of \$0.39 per Share, raising \$15.6 million before costs ('Full Subscription'). The minimum subscription will be 10 million fully paid ordinary shares at an issue price of \$0.39 per Share, raising \$3.9 million before costs ('Minimum Subscription'). The Company reserves the right to accept over subscriptions.

Unless stated otherwise in this Report, expressions defined in the Prospectus have the same meaning in this Report.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this report or on the historical, notional historical and pro-forma financial information to which it relates for any purpose other than that for which it was prepared.

Scope

Australia Santia has requested BDO to review the following financial information as set out in Section 4 of the Prospectus:

- Historical financial information, as set out in Section 4.4 of the Prospectus comprising the Historical Statements of Profit or Loss and Other Comprehensive Income of Guangdong Santia Fashion Co., Ltd ('Santia Fashion') for the financial years ended 30 June 2012, 30 June 2013 and 30 June 2014 ('Historical Financial Information'); and
- Pro-forma financial information, as set out in Section 4.5 of the Prospectus, comprising:
 - (i) The Notional Historical Consolidated Statement of Financial Position of Australia Santia and selected notes to the financial information as at 30 June 2014, which assumes completion of the events and transactions as set out in Section 4.7 of the Prospectus ("Notional Historical Financial Information"); and

BDD East Cuast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDD (Australia) 1td ABN 77 050 110 275, an Australian company limited by guarantee. BDD East Coast Partnership and BDD (Australia) Ltd are members of BDD international Ltd, a UK company limited by guarantee. and form part of the international BDD network of independent member (ims Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services ticensees) in each State or Territory other than Tasmania.



(ii) The Pro-Forma Consolidated Statements of Financial Position of Australia Santia and selected notes to the financial information as at 30 June 2014, which assumes completion of the pro-forma transactions and adjustments as set out in Section 4.8 of the Prospectus ('Pro-forma Financial Information').

(collectively, the 'Financial Information')

The Financial Information is presented in the Prospectus in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports.

The Historical Financial Information had been extracted from the audited financial reports of Santia Fashion for the financial years ended 30 June 2012, 30 June 2013 and 30 June 2014, upon which BDO issued qualified audit opinions. Details of the basis for qualifications in relation to each financial year are set out below under "Qualified Conclusion on Historical Financial Information".

Santia Fashion is a company incorporated in the Peoples' Republic of China. The financial reports were prepared for use by the directors of Santia Fashion in connection with the disclosure of Santia Fashion in the Prospectus issued by Australia Santia on or about 15 January 2015. BDO undertook an audit on the financial reports of Santia Fashion for the financial years ended 30 June 2012, 30 June 2013 and 30 June 2014 in conjunction with our role as Investigating Accountant in the Prospectus issued by Australia Santia on or about 15 January 2015.

Directors' Responsibility

The directors of Australia Santia are responsible for the preparation and presentation of the Financial Information, including the selection and determination of the notional adjustments, pro-forma adjustments and the applicable accounting policies. This includes responsibility for such internal controls as the directors deem necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility, based on our work performed is to express limited assurance on the financial information prepared based on those assumptions and the stated basis of preparation.

We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Basis for Qualified Conclusion on Historical Financial Information

The Historical Financial Information had been extracted from the audited financial reports of Santia Fashion for the financial years ended 30 June 2012, 30 June 2013 and 30 June 2014, upon which BDO issued qualified audit opinions.



The qualified audit opinions issued for the financial years ended 30 June 2013 and 30 June 2012 related to the following matters:

- Cash sales form part of revenue from sales of goods. Santia Fashion derived a material proportion of its revenue from cash sales for which there were limited controls. The controls over the recording and receipting of cash sales were limited during the financial years ended 30 June 2012 and 30 June 2013. Accordingly, the audit evidence available to us in relation to the completeness of recording and receipting of cash sales of Santia Fashion for the financial years ended 30 June 2012 and 30 June 2013 were limited, as such, our audit procedures were restricted to the cash sales recorded in the financial records. As a result of this restriction revenue derived from cash sales may be understated. We therefore are unable to express an opinion whether the cash sales, recorded by Santia Fashion, included in total revenue of (i) \$4,181,012 for the financial year ended 30 June 2012, or (ii) \$5,836,960 for the financial year ended 30 June 2013 are complete reflections of the entire cash sales for that period.
- We are not appointed as auditors of the entity until after 30 June 2014 and thus did not observe the counting of physical inventories at the beginning and end of the years ended 30 June 2012 and 30 June 2013. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held as at 30 June 2012 and 30 June 2013 which are stated in the statement of financial position at \$2,530,173 and \$3,512,116, respectively. As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories, and the elements making up the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the years ended 30 June 2012 and 30 June 2013.

The qualified audit opinion issued for the financial year ended 30 June 2014 related to the following matters:

- Because we were only appointed auditors of the entity after the financial year ended 30 June 2014, we were not able to observe the counting of the physical inventories at the beginning of that period or satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for the financial year ended 30 June 2013. Our audit opinion on the financial report for the year ended 30 June 2013 was modified accordingly. Our opinion on the current year's financial report is also modified because of the possible effect of this matter on the comparability of the current financial year's figures and the corresponding figures.
- Cash sales form part of revenue from sales of goods. Santia Fashion derived a material proportion of its revenue from cash sales for which there were limited controls. The controls over the recording and receipting of cash sales were limited during the financial year ended 30 June 2014. Accordingly, the audit evidence available to us in relation to the completeness of recording and receipting of cash sales of Santia Fashion for the financial year ended 30 June 2014 were limited, as such, our audit procedures were restricted to the cash sales recorded in the financial records. As a result of this restriction revenue derived from cash sales may be understated. We therefore are unable to express an opinion whether the cash sales, recorded by Santia Fashion, included in total revenue of \$7,795,976 for the financial year ended 30 June 2014 are complete reflections of the entire cash sales for that period.



Qualified Conclusion on Historical Financial Information

Based on our limited assurance engagement, which is not an audit, except for the matters described in the section on the Basis for Qualified Conclusion on Historical Financial Information, nothing has come to our attention that causes us to believe that the Historical Financial Information as set out in Section 4.4 of the Prospectus are not prepared, in all material aspects, in accordance with the stated basis of preparation as described in Section 4.6(a) of the Prospectus.

Conclusion on Notional Historical and Pro-Forma Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention which causes us to believe:

- a. The transactions and adjustments as set out in Section 4.7 of the Prospectus do not provide a reasonable basis for the Notional Historical Financial Information;
- b. The Notional Historical Financial Information and selected notes to the financial information as at 30 June 2014 as set out in Section 4.5, which assumes completion of the events and transactions as set out in Section 4.7 of the Prospectus, are not prepared in accordance with the events and transactions and the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements as if the events and transactions had occurred as at 30 June 2014;
- c. The pro-forma transactions and adjustments as set out in Section 4.8 of the Prospectus do not provide a reasonable basis for the Pro-Forma Financial Information; and
- d. The Pro-Forma Financial Information and selected notes to the Financial Information as at 30 June 2014 as set out in Section 4.5, which assumes completion of the pro-forma transactions set out in Sections 4.8 of the Prospectus, are not prepared in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable Australian Accounting Standards and other mandatory professional reporting requirements as if the pro-forma transactions had occurred as at 30 June 2014.

Restriction on use

Without modifying our conclusions, we draw attention to Section 4.2 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus to assist the Company in seeking a listing on the Asia Pacific Stock Exchange ("APX") in order for the Company to raise additional capital to pursue further growth and development opportunities. As a result, the Financial Information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report, this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.



Disclosure of interest

BDO does not have any interest in the outcome of the Prospectus other than in connection with the preparation of this Report for which professional fees will be received. From time to time, BDO provides Australia Santia with certain other professional services for which normal professional fees are received.

Yours faithfully

BDO East Coast Partnership

Simon Scalzo Partner

6 Risks

This Section identifies the areas that are believed to be the major risks associated with an investment in the Company.

Australia Santia's business is subject to risk factors, a number of which are beyond the Company's control. These risks may be both specific to the Company's business activities and of a general nature. Individually, or in combination, these risks might affect the future operating performance and the value of an investment in Australia Santia.

There can be no guarantee that Australia Santia will achieve its stated objectives or that any forward-looking statements will eventuate. An investment in the Company should be considered in light of the risks, both general and specific. Each of the risks set out below could, if they eventuate, have a materially adverse impact on Australia Santia's operating performance and profits.

Before deciding to invest in the Company, potential investors should read the entire Prospectus, and specifically consider the factors contained within this Section in order to fully appreciate the risks associated with an investment in the Company. You should carefully assess these factors in light of your personal circumstances and seek professional advice from your stockbroker, accountant, lawyer or other professional adviser before deciding whether to invest.

While these are not the only risks and uncertainties Australia Santia faces, management believes that the most significant risks and uncertainties are as set out below.

6.1 **Risks specific to the Company**

6.1.1 Approvals, permits and licences

The Group insists on ensuring that all necessary regulatory and industry approvals, permits and licences, where required by law, are obtained. Approvals, permits and licences may be required for construction of new manufacturing plants, development of cultural assets exchange and research centres, and any new retail stores that may be part of the Group's future business strategy. The delay in applying for approvals, permits and/or licences relevant to these projects may cause delay in the business of the Group, thus impeding the progress of Santia's operations.

6.1.2 Standards and internal control risks

The Group's operating unit Guangdong Santia implements strict quality control systems and good quality control manufacturing practices to adhere to standards and certification such as the Acceptable Quality Level standard. Guangdong Santia (and its wholly owned subsidiaries) have set up stringent management policies to assess and control such risk as well as setting up policies to try to reduce unexpected risks. Although the Group strictly adheres to standards such as the Acceptable Quality Level standard, omission or errors may occur during the procurement, production and/or sales process if there is a lack of quality control or due to other reasons beyond Guangdong Santia's control. The risk of lack of internal control may result in lower quality products, increased costs, reputational damage and even potential loss of customers.

6.1.3 Competition risks

The Group operates in a competitive cultural assets industry, which has grown since Guangdong Santia entered the market in 1997. In recent years, the competition in the cultural assets industry has intensified along with growth, with different competitors focusing on different areas including branding, sales, channels, product differentiation and service.

An increase in competition or deterioration in the competitive position of Guangdong Santia may have a material adverse impact on the Group's market share and profitability, as well as sustainability.

6.1.4 Risks associated with subsidiaries of Guangdong Santia

An important part of the Group's future business strategy, retail and marketing is dependent on the four subsidiary companies of Guangdong Santia as detailed in Section 3.1.4. The Group has developed strong operational and organisational controls over these subsidiaries to support the business of the group; however performance of any one of these subsidiaries may adversely impact on the Group's growth and future direction. The Group intends to mitigate these risks through implementing clear and effective management policies, reporting and review policies and systems of organisational control.

6.1.5 Risks associated with distributors and dealers

The Group relies on dealers and agents to sell its products across China. The Group has built strong relationships with many dealers and agents over the years. However, the Group's dealers may cease selling the Group's merchandise or merchandise altogether, fail to deliver or train their staff to deliver high quality customer service, encounter financial difficulties, fail to expand their store or distribution capacities to meet the Group's growing needs or terminate Santia's relationship or enter into agreements with the Group's competitors. The occurrence of any of these events, alone or together, may have a materially adverse effect on the business' cash flow and profitability.

6.1.6 **Risks associated with suppliers**

The Group sources materials and products from selected third-party suppliers. Santia's continual growth will increase its product demands, which will require us to increase its ability to source ingredients and products of commercial quality on reasonable terms. Should Santia's suppliers cease selling materials, encounter financial difficulties, terminate their relationships, enter into agreements with competitors, encounter raw material or labour shortages Santia's costs may be impacted. This may have an adverse effect on its business, financial condition and result of operations.

6.1.7 Chinese regulatory environment and associated risks

The Group's operations in PRC are or will be subject to laws and regulations of general application governing production safety, product quality, industrial relations, industry relations, work place health and safety, trade and export, competition, access to infrastructure, and taxation. These regulations are implemented by various government authorities.

The Chinese legal system may impose the following risks:

- Political difficulties in obtaining effective redress in courts whether in respect of a breach of a law or regulation or in an ownership dispute;
- Higher degree of discretion held by various government officials or agencies;
- The lack of political or administrative guidance on implementing applicable rules and regulations, particularly in relation to taxation and property rights;
- Inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
- Relative inexperience of the judiciary and court in matters affecting the Company.

The commitment to local business people, government officials and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that legal arrangements to which the Company is a party will not be adversely affected by the actions of the government authorities or others. As such, the effectiveness and enforcement of such arrangements cannot be assured.

In addition, PRC administrative and court authorities have significantly wider discretion in interpreting and implementing statutory and contractual provisions than in other jurisdictions. These uncertainties may impede the Group's ability to enforce its contractual provisions during circumstances of contractual disputes, which could in turn materially adversely affect the Group's business and operations.

6.1.8 Risks associated with PRC regulations relating to offshore investment activities by PRC resident

SAFE promulgated the SAFE Circular 37 on July 4, 2014. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." The term "control" under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements.

SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. SAFE Circular 37 provides that PRC residents include both PRC citizens, meaning any individual who holds a PRC passport or resident identification card, and individuals who are non-PRC citizens but primarily reside in the PRC due to their economic ties to the PRC.

The Company's existing shareholders or beneficial owners who are PRC residents have not completed initial registrations with a local SAFE branch as required under SAFE Circular 37. It is uncertain that they can successfully comply with registration requirements under SAFE Circular 37 and subsequent implementation rules in a timely fashion or at all. Failure to comply with the SAFE regulations may subject them to fines or other legal sanctions, restrict our cross-border investment activities, limit Santia's PRC subsidiaries' ability to make distributions or pay dividends or otherwise affect the business of the Group.

6.1.9 Reliance on key personnel

The Group is substantially reliant on the expertise and abilities of its key management personnel and factory personnel in overseeing the day-to-day operations of the Group's subsidiaries. In addition, the Company considers that its well regarded research and development as core power of its growth and development. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees or contractors or researchers cease their relationship with the Group's subsidiary companies.

6.1.10 Risks associated with the human resource capacity as the Group grows

The Group entities have established a stable and efficient management team and operational teams. Guangdong Santia recognises that the recruitment of high-skilled staff as the foundation for the development of new production techniques and innovation. The Group's key team members have extensive experience in arts, crafts and textiles production, design, technical craft and specialised embroidery techniques, and are involved in the strategic decision-making and day-to-day decision making for the various aspects of the businesses, including marketing and operations. However, as the Group expands and grows in the next few years (including an increase in the scale of production, the expansion of marketing network and raise funds for new projects), there is a risk that the Group may face risks of insufficient human resource capacity in the short term.

6.1.11 Risks associated with insufficient financial control and record keeping

Cash sales form part of the revenue from sales of goods for the Group and were contributed from a retail outlet based in Guangzhou. As the jurisdictional retail practice and culture differs significantly from that of Australia's, there is a common lack of consistent recording and receipting of cash sales of low cost items at a retail level for businesses such as the Group's. The controls over the recording and receipting of cash sales at Guangzhou outlet were limited and insufficient as there is no proper invoicing system. The outlet only maintains a spread-sheet in recording cash sales on a monthly basis hence the potential risk of un-recorded cash sales. As a result of the Group's insufficient controls over the recording and receipting of cash sales in local retail stores, the evidence of

the cash sales and relevant revenue information was limited. The insufficient financial control and record keeping of the cash sales may impact on the Group's operational growth and level of liquidity. As a result, the Group may be exposed to certain risks, including but not limited to potential misappropriation of funds, tax consequences and misstatement of financial accounts.

In order to mitigate such risks, the Group understands the significance of implementing strong internal controls to ensure the completeness of recording and receipting of cash sales. The Group is in the process of implementing the internal financial controls at the retail agencies and stores level, including the adoption of a proper, secure and reliable invoicing system to ensure the completeness of recording and receipting of cash sales at the local outlets. Since January 2015, the Group has started to use an Enterprise-Resource-Planning-Point-of-sales (ERP-POS) system in its retail outlets. The system helps timely monitor retail outlets' cash sales and inventory.

6.1.12 Risk of significant control by Existing Shareholder

Immediately after the Offer, the Existing Shareholders will beneficially own approximately 75% of the Company's issued capital assuming 40 million New Shares are issued under the Offer. As a result, these Existing Shareholders, if they act together, would be able to exert a significant degree of influence over the Company's management affairs and over matters requiring Shareholder approval.

6.1.13 Operational risks

The operations of the Group may be affected by various factors, including failure to achieve predicted production flow rates, operational and technical difficulties encountered in production, difficulties in commissioning and operating plant and equipment, mechanical failure or factory plant breakdown, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

6.1.14 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Group manages liquidity risk by entering into the relevant loan agreements (refer to Section 3 Company Overview), maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

6.1.15 Potential low liquidity of Shares

Given that the Company is one of the first companies to be listed on the APX, it is possible that Shareholders could become Shareholders in a listed but relatively illiquid company.

6.1.16 Related party risks

As set out in Section 3.10, Mr Zhanwu Yao and Guangdong Santia are parties to a number of related party transactions and contracts including Mr Yao providing loans to Guangdong Santia, personal guarantee loans with respects to China Bank of Communications loan lent to Guangdong Santia and the usage of trademarks for nil consideration. In addition, as outlined in Section 3.10, Mr Yao's wife, Xiaoru Chen, currently leases her personally owned properties to Guangdong Santia and its subsidiaries' usage in Guangdong. Therefore, the Group entities in Guangdong are largely dependent on Mr Yao and Xiaoru Chen in respect of such items that are essential to the Group entities' business operations and financial obligations. There is no guarantee that Mr Yao will continue to provide loans to the Group entities after the end term of the loans or to provide personal guarantees to Guangdong Santia under the China Bank of Communications loan agreement after the end of the term of that agreement. There can be no assurance that Xiaoru Chen will continue to lease their properties as office premises for Guangdong Santia on the same commercial terms.

The withdrawal of support from Mr Yao and Ms Xiaoru Chen with respect to the abovementioned matters may have an adverse impact on the Group entities' ability to continue to operate smoothly such that business activities may be materially disrupted. Any material breaches of the terms of the contracts described above may trigger termination rights by Mr Yao in which case may have an adverse impact on the relevant contracting Group entity's business. In addition, any material breaches of the terms of the related party contracts may impact on the likelihood of any further financing or similar support provided by Xiaoru Chen under the lease agreement, which would have a materially adverse effect on business operations.

6.1.17 Risks associated with short term material contracts

As set out in Section 3.10, Guangdong Santia has a number of material contracts (including material agency contracts, supply contracts and a processing contract) that have expiry dates ending on 31 December 2014. These are between two to seven years of signing and two years of signing (respectively). Whilst it is anticipated that Guangdong Santia will enter into new agreements with its material agents, suppliers and processors on the same terms prior to the end of the term of such material contracts and, historically, none of Guangdong Santia's material agents, suppliers or processors have exercised early termination rights or refused to extend the term of the contracts, there can be no assurance that the material agents, suppliers and processors will not exercise these rights, refuse to enter into new or extend contracts. These occurrences could result in Guangdong Santia's revenues declining and its operating results being materially and adversely affected.

6.1.18 Risks associated with the ability to remit dividends and profits back to Australia Santia

As a holding company, Australia Santia will rely predominantly on dividends from Guangdong Santia and its subsidiaries in the PRC for its cash requirements, including any debt the Group may incur. Current PRC regulations permit Guangdong Santia to pay dividends only out of accumulated after-tax profits less any recovery of accumulated losses and required allocations to statutory capital reserve funds, if any. This is determined in accordance with the PRC accounting standards and regulations. In addition, Guangdong Santia and its subsidiaries are required to set aside a certain amount of after-tax profits each year, if any, to fund certain statutory reserves. These reserves are not distributable as cash dividends. Furthermore, in the future, if Guangdong Santia and the Company's subsidiaries incur debt on their own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other payments to the Company. Any inability of the Guangdong Santia and the Company's subsidiaries to distribute dividends or profits or other payments to the Company could materially and adversely limit the Group's ability to grow, make investments or acquisitions that could be beneficial to its businesses, pay dividends or remit profits, or otherwise fund and conduct its businesse.

6.1.19 Additional capital for funding and dilution

The Board believes that the Group's cash and cash equivalents following the Offer will be sufficient to meet its anticipated cash needs in the short term. The Group may, however, require additional cash resources to finance its medium term growth or new business opportunities, or to undertake an identified acquisition opportunity. The amount and timing of such additional financing needs will vary principally on the opportunities available to the Group as well as the internal resources of the Group. The funding of any future ongoing capital requirements beyond the requirements as set out in this Prospectus will depend upon many factors, including the extent of the Company's ability to generate any income from activities, which the Company cannot forecast with any certainty. Any additional equity financing will be dilutive to the shareholders and debt financing, if available, may involve restriction on financing and operating activities. If the Company is unable to obtain additional financing from financial institutions or the shareholders as needed, it may not be able to take advantage of business opportunities and may be required to reduce the scope of its operations or anticipated expansion.

6.2 General Risks

6.2.1 Potential acquisitions

As part of its business strategy, the Company may from time to time undertake acquisitions of, or significant investments in, complementary companies or prospects in China or Australia or other Asia-Pacific countries. Any such acquisitions will be accompanied by risks commonly encountered in making such acquisitions.

6.2.2 Political risks

Changes in the general political climate in the countries in which the Group has interests and on a global basis could impact on economic growth, the rate of inflation, taxation and tariff laws and domestic security. These political risks may affect the value and viability of the operations that are or may be conducted by the Group.

6.2.3 General economic risks

General economic conditions (both domestic and internationally) may have an adverse effect on the Group's production activities, as well as on its ability to fund those activities.

6.2.4 Interest rate risk

The Company is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest bearing financial instruments. The Company does not use derivatives to mitigate these exposures.

6.2.5 Foreign currency risk

The Group is exposed to currency risk on purchases and lending that are denominated in a currency other than the respective functional currencies of the entities making up the Consolidated Entity, which is primarily the RMB. The Group has not entered into any derivative financial instrument to hedge such transactions.

As a result of subsidiaries whose functional currency is RMB, the Group's statement of financial performance can be affected significantly by movements in the RMB/A\$ exchange rate. As a result of the parent entity whose functional currency is in Australian Dollars, the Group's statement of financial performance can be affected significantly by movements in the RMB/A\$ exchange rate.

6.2.6 Market conditions and price of Shares

Share market conditions may affect the value of the Company's Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Group or any return on an investment in the Group.

7 Key people, interests and benefits

7.1 Board of Directors

The Company currently has a Board of 3 Executive Directors, including the Chairman as the founder of the Group and 2 Non-Executive Directors.

The Board recognises that as the Company develops its related activities, there may be a need for further Directors to be appointed either in substitution for any of the present Directors or as additional Directors. Consequently, it is the Directors' intention that the skill base of the Board should be constantly reviewed to ensure they are capable of adequately and appropriately carrying out and managing the activities of the Company as well as to ensure that the Board has the competency, knowledge and ability to exercise independent judgment in order to review and/or challenge the performance of management and to discharge its duties imposed by law.

The Board has been appointed to ensure the Company has the benefit of members with appropriate and complementary skill sets. Board members are chosen based on their skills and experience in the cultural assets industry, corporate governance, financial management, risk management and strategic planning.

The Board has considered the Company's immediate requirements as it transits to becoming an APX-listed company and is satisfied that the composition of the Board reflects an appropriate range of independence, experience and skill for the Company in the period immediately after listing on the APX.

Directors	Experience
Zhanwu Yao Executive Director and Chairman	As founder of the Group, Mr Zhanwu Yao has over 28 years of experience in the artistic textiles industry, and is a renowned entrepreneur in China. Mr Yao founded Yao's Fashion Co in 1986, Guan Gang Fashion Co in 1989, and Guangdong Santia in 1997. Mr Yao graduated from Harbin University and holds a degree in finance.
	Mr Yao is responsible for the management and decision making with regards to the overall operations of the Group. In the development of his business, Mr Yao is committed to incorporating the art of Teochew embroidery into lifestyle products, arts and crafts and fashion. Undertaking the responsibility of promoting the traditional art of Teochew embroidery, Mr Yao arranges for the training of talented embroidery artisans, and aims to bring the traditional art to the daily lives of customers in China and overseas.
10	Mr Yao and his team have represented Santia on multiple occasions at important fashion exhibitions in Paris, Las Vegas, Germany and Hong Kong.
	Mr Yao has extensive experience and application of sound judgment to issues falling within the scope of the role of Chairman. Under Mr Yao's leadership, the Group has grown to become of one of the most famous fashion brands in Southern China. In 2005, Mr Yao was shortlisted as one of the 10 "Most Influential Chinese CEOs" at the prestigious Chinese Corporate Managers "Charisma" Awards jointly held in Beijing by the Chinese Association of Productivity Science, China Association for Promotion of Private Sci-Tech Enterprises, University of Beijing and China Professional Managers Association. On the same occasion, Santia was awarded Best Pioneering Force.
Xiaolu DengMs Xiaolu Deng is the Executive Director of Australia Santia, an appointed as the Group's Company Secretary and Public Officer s 2014.	
Public Officer	Ms Deng holds a Bachelor of Law from the University of Shenzhen, PRC, and a Masters of Accounting from Macquarie University and a Graduate

Director position, experience, qualifications and expertise

Directors	Experience
	Diploma of Management from Central Queensland University.
	Ms Deng has two years of experience in the sales consultancy field. She has worked in Mesh Marketing where she acted as demonstrator for Nespresso, and in D2C as a brand ambassador for Samsung Home Appliances. In addition, Ms Deng is currently a volunteer marketing assistant at Mahboba's Promise Inc.
	Ms Deng is fluent in English, Mandarin and Cantonese. Her education and background enable her to have a sound understanding and appreciation of cross-border business needs and cultures.
Ying Lin Non-Executive Director	Dr Lin was appointed as a Non-Executive Director of Australia Santia on 22 September 2014.
	Dr Lin is a founding partner of the 'China Commercial Law Firm', a leading law firm in Shenzhen, China since 1993. Dr Lin has also been a registered foreign lawyer with the Law Society of New South Wales since 2005 and the foreign principle of Preece Lin Lawyers in Australia.
	Dr Lin has been practising Chinese law since 1993 and has specialised in a number of areas of law including foreign investment in China, contract law, corporate law and litigation and arbitration in China. She is currently assisting Chinese corporations investing in Australia.
	Dr Lin holds a Bachelor of Laws from the University of Shenzhen, China as well as a Masters degree in Law and a PhD from the University of Wollongong in Australia. Dr Lin is also the subject coordinator for Foreign Investment Law in China in the School of Law at the University of Wollongong and is involved in continuing research into Chinese and Asian law as a member of the 'Asian Law Forum' at the School of Law, University of Wollongong.
	Dr Lin is fluent in English, Mandarin and Cantonese. As a Non-Executive director of Australia Santia, Dr Lin's educational and legal background will be valuable in assisting the company in dealing with legal, regulatory and international issues arising from the operation of Australia Santia.
Huahui Yao Executive Director	Ms Huahui Yao is the Executive Director of Australia Santia. Ms Yao has also been appointed as company secretary and human resources director of Guangdong Santia.
	Ms Yao graduated from the Law program of the Nan Hua College of Industry and Commerce, PRC, and holds a Graduate Diploma of Communication in PR from the Waikato Institute of Technology, New Zealand.
	Ms Yao has over 10 years of experience in the human resources management field. Ms Yao has previously worked as Training Manager in Walmart China Headquarter and PARKnSHOP. Ms Yao obtained National Vocational Qualification as a senior Human Resources technician in 2009.
2	Ms Yao is responsible for coordinating matters relating to Australia Santia's listing in Australia, as well as reviewing the human resources management policy of the Group.

Directors	Experience
Huiling Yao	Ms Huiling Yao is the Non-Executive Director of Australia Santia.
Non-Executive Director	Ms Yao has over 30 years of experience working in the textiles industry.

7.2 Senior Management

Executive Committee

The role of the Executive Committee is to support and advise the Board, implement Board strategy, and to exercise the executive powers of the companies in the Group.

Currently, the members of the Executive Committee are:
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Senior Management	Experience
Zhanhao Yao General Manager	Mr Zhanhao Yao is the General Manager of Guangdong Santia. Mr Yao established Santia's first garment factory in 1986 and Santia's first boutique in Guangdong in 1993.
	Mr Yao has extensive experience in the artistic textiles industry. In 2006, Mr Yao was shortlisted as "Excellent Entrepreneur (Guangdong Fashion Industry)". He is responsible for making decisions relating to the promotion of the Santia brand.
	Under Mr Yao's leadership, Santia was named one of the "Fashion 800" by the Chinese Textile Garment Market Union in 2007 and one of the Top 10 Brands by Guangzhou Baima Garment Market Co Ltd in 2013.
Guoxiong Chen	Mr Guoxiong Chen is the CFO of Guangdong Santia.
Chief Financial Officer	Mr Chen studied Accounting at Shantou Gongxiao University. He possesses extensive experience in accounting, financial management and corporate audit work.
	He became the CFO of Guangdong Santia between 2008-2009, during which he contributed to improving the company's financial and accounting system. In July 2014, he returned to Guangdong Santia and was responsible for developing and implementing financing plans. He also contributed to the development strategy of the company.

Senior Management	Experience
Meijuan Yuan	Ms Meijuan Yuan is the Design Director of Guangdong Santia.
Design Director	Ms Yuan is the student of well-known Teochew embroidery artisan, Zhi Cheng Lin. She has also undertaken training in fashion design.
	Ms Yuan has over 30 years of experience in the textiles industry. She has been a Factory Manager for multiple textiles factories.
	Since 1996, Ms Yuan has been appointed Manager of Santia's Evening Gown Centre, as well as Chief Designer of the Group.
	Ms Yuan's work was well-received at the 1st Fashion Expo in China in 1998. In 2011, Ms Yuan's work "Peony" was declared an Intangible Cultural Heritage for the Jin Ping area. Ms Yuan is also the author of a textbook on embroidery and multiple articles in widely circulated magazines on embroidery.
Qingping Liao	Mr Quingping Liao is the Marketing Director of Guangdong Santia.
Marketing Director	Mr Liao graduated from Hunan Normal University in Arts and Crafts, and attained a Diploma in Management from Central South University. He has over 15 years of experience in fashion retail and marketing and possesses extensive knowledge in apparel business management, market operations and retail channels.
	In August 2014, Mr Liao assumed the role of Marketing Director at Guangdong Santia. He is responsible for the development of marketing strategies and promotional activities, as well as the conduct of ongoing business verification and revision to ensure that marketing objectives are met. He is also responsible for implementing training programs and public relations.
Zhuo Xu	Mr Zhuo Xu is the Information Centre Director of Guangdong Santia.
Information Centre Director	Mr Xu holds a Bachelor degree in Computer Science from Huazhong University of Science.
	Since 2013, Mr Xu has been responsible for providing information technology support, including the maintenance of computer servers, office software and hardware configuration. Mr Xu leads the development and implementation of the ERP systems to ensure organisational efficiency.
Changyao Wang	Mr Changyao Wang is the Manufacturing Centre Director of Guangdong Santia.
Manufacturing Centre Director	Mr Wang studied Visual Design in Shantou Special District Clothing School. He has been working at Guangdong Santia since 1991, and he is experienced in garment production planning, quality control and manufacture.
	In recognition of Mr Wang's contributions, he has been appointed to manage the manufacturing centre and is responsible for production, implementation of cost control and quality assurance.

7.3 Interests and benefits

This Section sets out the extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of Australia Santia;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- financial services licensee involved in the Offer and identified in this Prospectus; or
- promoter of Australia Santia,

holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Australia Santia;
- property acquired or proposed to be acquired by Australia Santia in connection with its formation or promotion, or in connection with the Offer; or
- the Offer.

No amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid. No benefit has been given, or has been agreed to be given, to any such persons for services in connection with the formation or promotion of Australia Santia or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of Australia Santia.

7.3.1 Interests of advisers

The Company has engaged the following professional advisers:

- AIMS Capital has acted as the Australian corporate advisers for the Group. AIMS Capital is part of the AIMS Financial Group, which currently owns 100% of APX. Australia Santia has paid and agreed to pay:
 - A fee of RMB 2,000,000 or the equivalent in Australian dollars (approximately A\$392,200) in respect of the services;
 - An IPO Capital Raising Fee within 7 days of listing on the APX. Guangdong Santia must pay an IPO Capital Raising Fee of 3% of the funds raised in the IPO plus 10% GST to AIMS' designated bank account.
 - If there is private placement of the Shares in the Company, an amount equal to 6% of the Private Placement Amount must be paid into AIMS' designated bank account within 3 business days of receipt of funds raised from the successful private placement.
- Shantou Jinzi Management Consulting has acted as the Chinese listing consultants of the Group. Australia Santia has paid and agreed to pay a total fee of RMB 1,200,000 (approximately A\$235,300) with respects to the services. Australia Santia has also agreed to pay the greater of (i) 1% of the funds raised in the IPO and (ii) 1 million of the Shares.
- BDO Guangzhou has acted as the Chinese auditors for the Group in connection with the Offer and has performed work in relation to the financial due diligence enquiries on Chinese financial matters. With respects to this work, Australia Santia has paid or agreed to pay a total fee of RMB 800,000 (approximately A\$156,881) (excluding GST and disbursements).
- BDO ECP, acting as the Australian auditors to the Group, has prepared and audited the financial report for the Company. The Company has paid or agreed to pay a total fee of A\$80,000 (excluding GST and disbursements).
- BDO ECP, acting as the Group's Investigating Accountant, has prepared the Investigating Account Report for the Company. The Company has paid or agreed to pay a total fee of A\$20,000 (excluding GST and disbursements).

- BDO ECP, acting as the Group's Australian tax advisers, has prepared the Group's Taxation Report for the Company. The Company has paid or agreed to pay a total fee of A\$2,000 (excluding GST and disbursements).
- Baker & McKenzie, acting as the Australian legal adviser to the Company in connection to the Offer, has performed work in relation to due diligence enquiries on Australian legal matters. The Company has paid or agreed to pay an amount of approximately A\$125,000 (excluding GST and disbursements) for these services. Further amounts may be paid to Baker & McKenzie in accordance with time-based charges. Further amounts may be paid to Baker & McKenzie in accordance with time-based charges. The Company has also appointed Baker & McKenzie to act as its sponsor (as required under the APX Listing Rule 3). Further amounts may be paid to Baker & McKenzie in accordance with time-based charges for the services provided by Baker & McKenzie as the sponsor of the Company.
- China Commercial Law Firm, acting as the Chinese legal adviser to the Company, has performed the work in relation to due diligence enquiries on Chinese legal matters. The Company has paid or agreed to pay an amount of RMB 700,000 (approximately A\$137,271) for these services.
- JKB Accounting Solutions, acting as the Financial Reporter to the Company, has performed work in relation to the financial reporting of the past three financial years on the Company. The Company has paid or agreed to pay an amount of approximately A\$6,000 for these services.

These amounts and other expenses of the Offer will be paid by the Company (or one of its subsidiaries) out of funds raised under the Offer. Further information on the use of proceeds from the Offer and costs of the Offer is set out in Section 8.1.3.

Under APX Listing Rule 3, it is a requirement that an applicant to APX must during the first two years (or such shorter period as APX may, at the request of the applicant and its own discretion, agree) of being admitted to the official list of the APX engage a sponsor to advise it in relation to its obligations under the APX Listing Rules and the operation of the APX Business Rules. Where a listee engages a sponsor or otherwise consults a sponsor to give guidance or advice in relation to the application or interpretation of the APX Listing Rules or APX Business Rules, that sponsor must, with due care and skill, advise the listee as to the application or interpretation of the relevant APX Listing Rules or APX Business Rules (as applicable). While the sponsor is engaged by the applicant or listee and owes duties to the applicant or listee, the sponsor owes its primary duty of care and good faith to APX and if any duty owed by the sponsor to the applicant or listee conflicts with its duty to APX, the sponsor must give preference to its duty to APX.

7.3.2 Interests of directors and senior management

Name	Role	Details of the shareholding
Zhanwu Yao	Executive Director and Chairman	 Mr Zhanwu Yao is the sole owner of the Seychelles company ROSY GOLD INTERNATIONAL LIMITED which holds 68% of the Company Issued Shares. Mr Yao is also the controlling shareholder of XIAOFA LIMITED, which holds 5.83% of the Company Issued Shares. Accordingly, Mr Yao currently holds 73.83% of the indirect interest in the Company. At the conclusion of the Offer, Mr Yao's indirect shareholding in the Company will be diluted to approximately 55.38% (in the case of Maximum Subscription) and approximately 68.15% (in the case of Minimum Subscription).
Xiaolu Deng	Executive Director, Company Secretary and Public Officer	Nil shareholding (direct or indirect).
Ying Lin	Non-Executive Director	Nil shareholding (direct or indirect).

Shareholdings of all Directors at the date of this Prospectus are as follows:

Name	Role	Details of the shareholding
Huahui Yao	Executive Director	Ms Huahui Yao is the controlling shareholder of BRILLIANT WORTH GLOBAL LIMITED which holds 2.16% of the Company Issued Shares. At the conclusion of the Offer, Ms Yao's indirect shareholding of the Company will be diluted to approximately 1.62% (in the case of Maximum Subscription) and approximately 1.99% (in the case of Minimum Subscription).
Huiling Yao	Non-Executive Director	Nil shareholding (direct or indirect).

Shareholdings of all of the senior management personnel at the date of this Prospectus are as follows:

Name	Role	Details of the shareholding
Zhanhao Yao	General Manager	Nil shareholding (direct or indirect).
Guoxiong Chen	Chief Financial Officer	Nil shareholding (direct or indirect).
Meijuan Yuan	Design Director	Nil shareholding (direct or indirect).
Qingping Liao	Marketing Director	Nil shareholding (direct or indirect).
Zhuo Xu	Information Centre Director	Nil shareholding (direct or indirect).
Changyao Wang	Manufacturing Centre Director	Nil shareholding (direct or indirect).

7.3.3 Remuneration of directors and senior management

(a) Directors' service agreements

The table below sets out the remuneration payable to the Directors of Australia Santia.

Name	Role	Details	of the directors' service agreements
Zhanwu Yao	Executive Director and Chairman	Directo and Mi	anwu Yao's role as the Chairman and Executive r is governed by a contract between the Company r Yao. The agreement stipulates the following nd conditions:
		(a)	Rate: A fee of A\$63,158 per annum is payable to Mr Yao and subject to annual review by the Board and the Nomination and Remuneration Committee.
		(b)	A discretionary annual bonus may be awarded by the Board's Remuneration Committee subject to Mr Yao meeting annual targets set at the commencement of each year.
		(c)	Shares: The total shareholding (indirect) by Mr Yao in the Company is summarised in Section 7.3.2.
		(d)	Term and Termination: No fixed term. Mr Yao's employment continues on a rolling basis from

Name	Role	Details of the directors' service agreements
		the date of appointment unless terminated earlier in accordance with the terms of appointment.
		(e) Other: Non-solicitation and non-compete provisions apply.
Huahui Yao	Executive Director	Ms Huahui Yao's role as the Executive Director is governed by a contract between the Company and Ms Yao. The agreement stipulates the following terms and conditions:
		 (a) Rate: A fee of A\$48,000 per annum is payable to Ms Yao and subject to annual review by the Board and the Nomination and Remuneration Committee.
		(b) A discretionary annual bonus may be awarded by the Board's Remuneration Committee subject to Ms Yao meeting annual targets set at the commencement of each year.
		(c) Shares: The total shareholding (indirect) by Ms Yao in the Company is summarised in Section 7.3.2.
		 (d) Term and Termination: No fixed term. Mr Yao's employment continues on a rolling basis from the date of appointment unless terminated earlier in accordance with the terms of appointment.
		(e) Other: Non-solicitation and non-compete provisions apply.
Xiaolu Deng	Executive Director, Company Secretary and Public Officer	Ms Xiaolu Deng's role as the Executive Director and Company Secretary is governed by a contract between the Company and Ms Deng. The agreement stipulates the following Terms and Conditions:
		 (a) Rate: a fee of A\$48,000 per annum is payable to Ms Deng and subject to annual review by the Board and the Nomination and Remuneration Committee.
		 (b) A discretionary annual bonus may be awarded by the Board's Remuneration Committee subject to Ms Deng meeting annual targets set at the commencement of each year.
		(c) Shares: The total shareholding (indirect) by Ms Deng in the Company is summarised in Section 7.3.2.
		 (d) Term and Termination: No fixed term. Mr Deng's employment continues on a rolling basis from the date of appointment unless terminated earlier in accordance with the terms of appointment.
		(e) Other: Non-solicitation and non-compete

Name	Role	Details of the directors' service agreements
		provisions apply.
Ying Lin	Non-Executive Director	Ms Ying Lin's role as the Non-Executive Director is governed by a contract between the Company and Ms Lin. The agreement stipulates the following Terms and Conditions:
		 (a) Rate: Ms Lin agrees to act in the agreed role on a voluntary basis, subject to annual review by the Board and the Nomination and Remuneration Committee.
		(b) A discretionary annual bonus may be awarded by the Board's Remuneration Committee subject to Ms Lin meeting annual targets set at the commencement of each year.
		(c) Shares: The total shareholding (indirect) by Ms Lin in the Company is summarised in Section 7.3.2.
		 (d) Term and Termination: No fixed term. Ms Yao's employment continues on a rolling basis from the date of appointment unless terminated earlier in accordance with the terms of appointment.
		(e) Other: Non-solicitation and non-compete provisions apply.
Huiling YAO	Non-Executive Director	Ms Huiling Yao's role as the Non-Executive Director is governed by a contract between the Company and Ms Yao. The agreement stipulates the following Terms and Conditions:
		 (a) Rate: A fee of A\$6,316 per annum is payable to Ms Yao and subject to annual review by the Board and the Nomination and Remuneration Committee.
		(b) A discretionary annual bonus may be awarded by the Board's Remuneration Committee subject to Ms Yao meeting annual targets set at the commencement of each year.
		(c) Shares: The total shareholding (indirect) by Ms Yao in the Company is summarised in Section 7.3.2.
		(d) Term and Termination: No fixed term. Ms Yao's employment continues on a rolling basis from the date of appointment unless terminated earlier in accordance with the terms of appointment.
		(e) Other: Non-solicitation and non-compete provisions apply.

(b) Non-Executive Director remuneration

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for their time, commitment and responsibilities. The Board as a whole determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability.

(c) Senior management's service agreements

Name Role Details of the directors' service agreements Zhanhao Yao General Manager Mr ZhanhaoYao's role entitles him to a salary of RMB 360,000 (approximately A\$70,596) per annum, subject to annual review by the Board and the Nomination and Remuneration Committee. Guohong Chen Chief Financial Officer Mr Guohong Chen's role entitles him to a salary of RMB 180,000 (approximately A\$35,298) per annum, subject to annual review by the Board and the Nomination and Remuneration Committee Zhuo Xu Information Centre Director Mr Zhuo Xu's role entitles him to a salary of RMB 66,000 (approximately A\$12,942) per annum, subject to annual review by the Board and the Nomination and Remuneration Committee. Meijuan Yuan **Design Director** Ms Meijuan Yuan's role entitles her to a salary of RMB 144,000 (approximately A\$28,238) per annum, subject to annual review by the Board and the Nomination and Remuneration Committee. Mr Changyao Wang's role entitles him to a salary of Changyao Manufacturing Centre RMB 96,000 (approximately A\$18,825) per annum, Wang Director subject to annual review by the Board and the Nomination and Remuneration Committee. Qingping Liao Marketing Director Mr Quingping Liao's role entitles him to a salary of RMB 300,000 (approximately A\$58,830) per annum, subject to annual review by the Board and the Nomination and Remuneration Committee.

The table below sets out the remuneration payable to the senior management of Australia Santia.

7.4 Corporate governance

The Board of Australia Santia is committed to administering its corporate governance policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with Australia Santia's needs.

The Company's corporate governance framework was constructed in recognition of, and with regard to, the *Corporations Act* and an extensive range of varying legal, regulatory and governance requirements applicable to publicly listed companies in Australia and China.

The Board supports the principles of effective corporate governance and is committed to adopting high standards of performance and accountability, commensurate with the size of the Company and its available

resources. Accordingly, the Board has adopted corporate governance principles and practices designed to promote responsible management and conduct of the Company's business.

Details of Australia Santia's key policies and practices and the charters for the Board and each of its committees are available on Australia Santia's website at en.santia.cn.

Australia Santia has adopted a securities trading policy. This policy is summarised in Section 7.4.4 and available in full on Australia Santia's website (see above).

7.4.1 The Board of Directors

The Board of Directors comprises of 3 executive Directors and 2 Non-Executive Directors. Two of these Directors, Ying Lin and Xiaolu Deng, are considered to be independent Directors.

The Board consists of:

Name	Position	Date of appointment
Zhanwu Yao	Chairman and Executive Director	7 July 2014
Huahui Yao	Executive Director	22 September 2014
Xiaolu Deng	Executive Director, Company	7 July 2014
	Secretary and Public Officer	
Huiling Yao	Non-Executive Director	24 June 2014
Ying Lin	Non-Executive Director	22 September 2014

Detailed biographies of the Board members are provided above in Section 7.1.

Each Director has confirmed to Australia Santia that they anticipate being available to perform their duties without constraint from other commitments. Zhanwu Yao, Huahui Yao, Xiaolu Deng, and Guohong Chen have confirmed their ability to appropriately discharge their duties as Executive Directors and Chief Financial Officer (respectively) of Australia Santia.

Independence

The Board considers an independent Director to be a non-executive Director who is not a member of Australia Santia's management and who is free of any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their judgment. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted guidelines to assist it in this regard, as set out in the Board Charter. The Board reviews the independence of Directors in light of interests disclosed to the Board from time to time.

The Board considers that, Ying Lin and Xiaolu Deng, being 40% of the Directors of the Board, are independent Directors as they are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to be interfered with, the independent exercise of their judgment and is able to fulfil the role of an independent Director for the purposes of the APX recommendations.

Zhanwu Yao, Huahui Yao and Huiling Yao are currently considered by the Board not to be independent. Zhanwu Yao is the founder of the Group and holds interests in the Company. Guohong Cheng is the CFO of the Group and Zhanhao Yao is the Managing Director of the Group.

The Board has considered the recommendations set out in APX Listing Rules Procedure 15.3.2(b)(i) in relation to the Board of a listee consisting of a majority of independent Directors and chaired by an independent Director. The Board has considered the Company's immediate requirements as it transits to an APX-listed company and is satisfied that the composition of the Board reflects an appropriate range of independence and skill and experience in the period immediately after listing on the APX.

In addition, the Board recognises the APX's recommendation in APX Listing Rules Procedure 15.3.2(b)(ii) that the Chairman should be an independent non-executive Director. However, the Board believes that Zhanwu Yao is the most appropriate person to act as Chairman and lead the Board given his extensive experience and application of sound judgment to issues falling within the scope of the role of Chairman. Furthermore, Zhanwu Yao has unmatched and extensive knowledge of the Group's operations and important business relationships that the Group as a whole benefits from.

Having considered the above factors, the Board have decided that it is appropriate to not follow the recommendations or guidelines set out in APX Listing Rules Procedure 15.3.2(b).

Board Charter

The Board has adopted a charter to provide a framework for the effective operation of the Board. The charter sets out the Board's responsibilities in greater detail such as driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance, reviewing and ratifying systems of risk management and internal compliance and control. It outlines the codes of conduct and legal compliance to ensure a high standard of corporate governance practice, regulatory compliance and to promote ethical and responsible decision making.

The responsibility of the day-to-day operations and administration of the Company is delegated by the Board to the Managing Director, CFO and other senior management of the Company.

Members of the Board are encouraged to have direct communications with management and other employees within the Group to facilitate the carrying out of their duties as Directors.

The Board, Board Committees or individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.

Performance evaluation

Review of the performance of the Board is delegated to the Nomination Committee.

The Board has established formal practices to evaluate the performance of the Board, Committees, Non-Executive Directors, the CEO, the CFO and senior management. Details of these practices are described in the corporate governance plan available on the Company's website. No formal performance evaluation of the Board, individual Directors or senior management took place during the year of 2014.

Appointment of new Directors

Before any new Director of Australia Santia is appointed by the Board to fill a casual vacancy or as an additional Director or a candidate is put forward for election by shareholders a Director of Australia Santia, Australia Santia must provide, to the APX, any documents and declarations required by the APX Listing Rules in relation to that person.

7.4.2 Board committees

The Board may, from time to time, establish appropriate committees to assist with the discharge of its responsibilities. The Board has established the Internal Audit and Risk Committee, the Remuneration and Nomination Committee and the Continuous Disclosure Committee.

Other committees may be established by the Board as, and when, required. Membership of Board committees will be based on the needs of Australia Santia, relevant legislative and other requirements, and the skills and experience of individual Directors.

Internal Audit and Risk Committee

The role of the Internal Audit and Risk Committee is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance.

Currently, the members of the Internal Audit and Risk Committee are Huiling Yao, Xiaolu Deng and Huahui Yao, with Huiling Yao being the Chair of the Committee.

Remuneration and Nomination Committee

The role of the Remuneration and Nomination Committee is to, among other things, support and advise the Board in fulfilling its responsibilities to shareholders by:

(a) reviewing and approving the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;

- (b) ensuring that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- (c) maintaining a Board that has an appropriate mix of skills and experience to be an effective decisionmaking body; and
- (d) ensuring that the Board is comprised of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance.

See Section 7.3 for further information on Directors' remuneration.

Currently, the members of the Remuneration and Nomination Committee are Xiaolu Deng, Huahui Yao and Hui Ling Yao, with Xiaolu Deng being the Chair of the Committee.

Continuous Disclosure Committee

The Company has established a Continuous Disclosure Committee which prepares (in conjunction with other relevant parties) and recommends all announcements for final approval and sign off by the Board or its delegate.

Currently, the members of the Continuous Disclosure Committee are Xiaolu DENG, Huahui YAO and Hui Ling YAO, with Xiaolu DENG being the Chair of the Committee.

7.4.3 Continuous disclosure policy

Once listed on APX, Australia Santia will be required to comply with the continuous disclosure requirements of the APX Listing Rules and the *Corporations Act*. This policy sets out information disclosures and relevant procedures to ensure compliance with these obligations. Continuous disclosure announcements will be made available on the APX website and Australia Santia's website at en.santia.cn.

7.4.4 Securities trading policy

The Company has developed a policy for the sale and purchase of its securities. This policy details and explains the relevant *Corporation Act* provisions applicable to insider trading and imposes constraints on Directors and senior executives of the Company dealing in securities of the Company. It also imposes disclosure requirements on Directors.

Under the Company's Securities Trading Policy, a Director, executive or other employee must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

In addition, Directors and senior executives may not trade in securities during designated "Blackout Periods" without the prior written consent from the Board or Chairman in the circumstances of "severe financial hardship" or other exceptional circumstances.

- The "Blackout Periods" are: within the period of one (1) month prior to the release of annual or half yearly results; and
- if there is, in existence, price sensitive information that has not been disclosed because of an APX exception.

Before commencing to trade, a Director or senior executive must obtain the approval of the Chairman in the case of a Director, or the CEO, CFO or Chairman in the case of a senior executive, of their intention to do so.

As required by the APX Listing Rules, the Company will notify the APX of any transaction conducted by a Director in the securities of the Company and will follow the same requirements for the APX, when applicable.

7.4.5 Code of conduct

The Company has in place a code of conduct which aims to encourage appropriate standards of behaviour for Directors, officers, employees and contractors. All are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Directors are subject to additional code of conduct requirements.

7.4.6 Communication with Shareholders

The Company has adopted a shareholder communication strategy to set out the Company's policy for communicating with its shareholders.

The purpose of the policy is to ensure that the Company deals fairly, transparently and promptly with its current and prospective shareholders. It encourages and facilitates active participation by Shareholders at Shareholder meetings and deals promptly with Shareholder enquiries. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with APX and by publishing information on Australia Santia's website, en.santia.cn.

7.4.7 External audit

The Company, in General Meetings, is responsible for the initial appointment of the external auditors of the Company. The Board, from time to time, will review the scope, performance and fees of those external auditors.

7.4.8 Risk management programme

The Company's primary objective in relation to risk management is to ensure that risks facing the business are appropriately managed.

The Board and senior management are committed to managing risks in order to both minimise uncertainty and to maximise business opportunities. The function and responsibility for maintaining the Company's risk management systems is delegated to the Company's Audit and Risk Committee.

Further information regarding the risk management programme can be found in the corporate governance plan available on Australia Santia's website, en.santia.cn.

8 Details of the Offer

8.1 The Offer

By this Prospectus, Australia Santia offers for subscription of up to 40,000,000 Shares at an Offer Price of A\$0.39 per Share to raise up to A\$15,600,000 before costs of the Offer. The Offer is subject to minimum spread requirements of having at 25% of its main class of securities held by security holders who are not related parties of the applicants, as governed by Rule 4.28 of the APX Listing Rules. The Offer will not proceed if the minimum spread requirements are not met.

The minimum subscription for the Offer is 10,000,000 New Shares to raise A\$3,900,000 before costs of the Offer. The Offer will not proceed if the minimum subscription amount is not raised. Australia Santia may, in its discretion, accept subscriptions above this amount. The Offer will not be underwritten.

Shares will be issued as fully paid Shares. When issued, Shares will rank equally with the existing Shares on issue.

8.1.1 Structure of the Offer

The Offer is a general public Offer of Shares. The allocation of Shares between the Applicants is determined by Australia Santia at its absolute discretion.

8.1.2 How to apply for Shares under the Offer

Applications for New Shares may only be made on an Application Form attached to or accompanying this Prospectus. Application Forms must be completed in accordance with the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus together with an Application Form. The *Corporations Act* prohibits any person from passing an application form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applicants are to contact their financial advisers about the maximum Application Amount. Australia Santia reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person.

Applicants are, therefore, encouraged to submit their Applications as early as possible.

(a) Payment Methods

Applicants under the Offer must pay their Application Monies in accordance with instructions set out on the reverse of the Application Form.

(b) Application Monies

Australia Santia reserves the right to decline any Application and all Applications, in whole or in part, without giving any reason.

Applicants under the Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

(c) Allocation policy under the Offer

The allocation of Shares will be determined by Australia Santia, who has the absolute discretion regarding the basis of allocation of Shares among the Applicants.

Allocation will be influenced by the following factors:

• The number of Shares applied by particular Applicants;

- The timeliness of the application by particular Applicants;
- Australia Santia's desire for an informed and active trading market following Listing;
- Australia Santia's desire to establish a wide spread of institutional Shareholders;
- The size and type of funds under management of particular Applicants;
- The likelihood that particular Applicants will be long-term Shareholders; and
- Any other factors that Australia Santia considered appropriate.

8.1.3 Purpose of the Offer and use of funds

The purpose of the Offer is to:

- provide Australia Santia with working capital and access to equity capital markets in order to pursue further growth and development opportunities;
- strengthen the Company's ability to attract and retain high quality personnel and to provide an additional remuneration instrument for the Company's Directors, executives and employees to access a marketplace for trading;
- gain exposure to international equity markets through a respected stock exchange in a similar time zone;
- raise its profile with investors;
- diversify the Company's Shareholder base.

The Offer is to raise a maximum of A\$15,600,000, which equates to a raising of at least A\$12,946,002 net of Offer expenses at Maximum Subscription. and of A\$1,618,292 net of Offer expenses at Minimum Subscription. The allocation of the funds raised under the Offer is summarised in the table below.

Please note that in the case of Minimum Subscription the amount raise net of the expenses of the offer is A\$1,618,292 from the total amount of A\$3,900,000, as 58.5% of the funds raised in Minimum Subscription would go towards the expenses of the offer.

Use of funds	AS (Based on amount raised from Minimum Subscriptions net of Offer expenses)	%	A\$ (Based on amount raised from Maximum Subscriptions net of Offer expenses)	%
Costs of the Offer ⁽¹⁾	2,281,708	58.51%	2,653,998	17.01%
Marketing and brand building investment activities	161,829.2	4.15%	1,294,600.2	8.3%
Channel expansion investment - building of chain stores *: • in Sydney, Xi'an, Shenzhen and Hong Kong in the case of Maximum Subscription • in Sydney only in the case of Minimum Subscription	566,402.2	14.52%	4,531,100.7	29.05%

Total	3,900,000	100%	15,600,000	100%
Liquidity funds - for cash reserves during retail periods	228,179.17	5.85%	1,825,386.28	11.7%
Liquidity funds - for purchasing raw materials for production and inventory	532,418.07	13.65%	4,259,234.66	27.3%
Research and development investment (includes laboratory construction, equipment procurement and staffs recruitment)	129,463.36	3.32%	1,035,680.16	6.64%

*The number of chain stores will be subject to the amount raised, with Sydney being the first chain store to receive channel expansion investment funds.

(1) Refer to Section 9.8 for the detailed costs of the Offer.

The Directors expect that net of the Offer expenses, the funds will be allocated in the following proportions if an amount within the range of Maximum Subscription and Minimum Subscription is achieved:

Use of funds	Proportion if any amount within the range of Maximum Subscription and Minimum Subscription is achieved (as a percentage of total use of funds net of costs of the offer)
Marketing and brand building investment activities	10%
 Channel expansion investment - building of chain stores*: in Sydney, Xi'an, Shenzhen and Hong Kong in the case of Maximum Subscription in Sydney only in the case of Minimum Subscription 	35%
Research and development investment (includes laboratory construction, equipment procurement and staffs recruitment)	8%
Liquidity funds - for purchasing raw materials for production and inventory	33%
Liquidity funds - for cash reserves during retail periods	14%
Total	100%

*The number of chain stores will be subject to the amount raised, with Sydney being the first chain store to receive channel expansion investment funds.

The Directors believe that following the Offer, Australia Santia will have sufficient working capital (in the case of Maximum Subscription or Minimum Subscription) to meet its stated objectives above. The use of funds set out above represents the Group's current intentions based upon its present plans and business conditions. The amounts and timing of the actual expenditures may vary significantly and will depend upon numerous factors, including the timing and success of the development efforts of the Group.

8.1.4 Pro Forma Balance Sheet

Australia Santia's Pro Forma Balance Sheet upon Completion of the Offer, including details of the Pro Forma adjustments, is set out in Section 4.

8.1.5 Capital structure

At the date of lodgement of this Prospectus, the Existing Share structure detailed below has been lodged with ASIC. The details of the ownership of Shares and the ownership after Completion of the Offer are as below:

Shareholders	Shareholding pre Offer		Shareholding if 10 million shares issued under the Offer	
	No.	%	No.	%
Rosy Gold International Limited	81,600,000	68%	81,600,000	62.77%
Xiaofa Limited	7,000,000	5.83%	7,000,000	5.38%
Global Tycoon Ventures Limited	5,717,200	4.76%	5,717,200	4.40%
Perfect Plan Global Limited	5,600,000	4.67%	5,600,000	4.31%
Magic Spell Trading Limited	5,400,000	4.50%	5,400,000	4.15%
Esteemed Favour Limited	5,000,000	4.17%	5,000,000	3.85%
Seek Talent Limited	4,680,000	3.90%	4,680,000	3.60%
Brilliant Worth Global Limited	2,587,000	2.16%	2,587,000	1.99%
New Maple Global Limited	740,000	0.62%	740,000	0.57%
Tin, Wa	445,800	0.37%	445,800	0.34%
Bliss Yield International Limited	360,000	0.30%	360,000	0.28%
Charm Favour International Limited	310,000	0.26%	310,000	0.24%
Cheer On Group Limited	300,000	0.25%	300,000	0.23%
Hero Innovation Limited	260,000	0.22%	260,000	0.20%
Successful Applicants	Nil	0%	10,000,000	7.69%
Total	120,000,000		130,000,000	100%

8.1.6 Control implications of the Offer

Australia Santia's Major Shareholder is ROSY GOLD INTERNATIONAL LIMITED, which currently holds 68% of the Company's issued shares. Zhanwu Yao is currently the sole Shareholder and sole Director in ROSY GOLD INTERNATIONAL LIMITED. At the conclusion of the Offer, this shareholding will be diluted to approximately 62.77%.

8.1.7 Effect of the fundraising on the future of Australia Santia

The Directors believe that on Completion of the Offer, Australia Santia will have sufficient funds available from the cash proceeds of the Offer and its existing cash resources to fulfil the purposes of the Offer and meet its stated business objectives as set out in Section 8.1.3.

8.1.8 Broker to the Offer

The Company has not appointed an underwriter or broker to the Offer. However, it reserves the ability to appoint a broker and pay fees or commissions in relation to amounts raised under the Offer.

8.1.9 PRC residents

The information in this document does not constitute a public offer of the New Shares, whether by way of sale or subscription, in the PRC (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The New Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors".

8.1.10 Hong Kong residents

WARNING: This document has not been, and will not be, registered as a Prospectus under the Companies Ordinance, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the SFO. No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Offer Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Offer Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offer Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Offer Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

8.1.11 United States residents

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

8.2 **Restrictions on distribution**

This Prospectus and the Offer do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia.

The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any State of the United States and may not be offered or sold in the United States except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable U.S. state securities laws is available.

The Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

8.3 Discretion regarding the Offer

Australia Santia may withdraw the Offer at any time before the issue of Shares to successful Applicants in the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

Australia Santia also reserve the right to extend or shorten the Offer or any part of it, accept late Applications, reject any Application, or allocate to any Applicant fewer Shares than applied or bid for.

8.4 APX listing

8.4.1 Application to APX for listing and quotation of Shares

Australia Santia has applied to APX for admission to the Official List and quotation of Shares on APX within seven days of the date of the Original Prospectus being 23 December 2014. It is anticipated that Australia Santia's APX code will be 868.

APX takes no responsibility for this Prospectus or the investment to which it relates. The fact that APX may admit Australia Santia to the Official List is not to be taken as an indication of the merits of Australia Santia or the Shares.

If Australia Santia is not granted permission for the Official Quotation of the Shares within three months after the date of this Prospectus (or any later date permitted by law), all Application Monies received by Australia Santia will be refunded without interest, as soon as practicable, in accordance with the requirements of the *Corporations Act*.

Subject to certain conditions (including any waivers obtained by Australia Santia from time to time), Australia Santia will be required to comply with the APX Listing Rules.

8.5 Description of rights attaching to Shares

8.5.1 Introduction

The rights and liabilities attached to ownership of Shares arise from a combination of the Company's Constitution, the *Corporations Act*, APX Listing Rules, APX Business Rules and the general law. A summary of the significant rights attached to the Shares and a description of other material provisions of the Constitution is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders.

8.5.2 Voting at a general meeting

Shareholders are entitled to be present in person, or by proxy, an attorney or representative can attend on the Shareholder's behalf, and vote at general meetings of the Company. Shareholders may requisition meetings in accordance with Section 249D of the *Corporations Act* and the Constitution of the Company.

Subject to any rights or restrictions attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders, the following are applicable:

- Each Shareholder is entitled to vote may vote in person or by proxy, attorney or representative;
- On a show of hands, every person present who is a Shareholder or a proxy, attorney or representative, of a Shareholder has one vote; and
- On a poll, every person present who is a Shareholder or a proxy representative of a Shareholder shall, in respect of each fully paid share held by that Shareholder, have one vote for the Share. However, with respect to partly paid Shares shall have the same number of votes as proportionate to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

8.5.3 Notice of general meeting

Unless a shorter notice of meeting is agreed by the Shareholders, the Company is required to give Shareholders at least 28 days notice of a meeting of Shareholders. Each Shareholder is entitled to receive notice of, attend and vote at general meetings of Australia Santia and to receive all notices, accounts and other documents required to be sent to Shareholders under the *Corporations Act*, Constitution and the APX Listing Rules.

8.5.4 Dividends

The Directors may from time to time declare a dividend to be paid to Shareholders entitled to the dividend. The dividend shall (subject to Clause 66.5 of the Company's Constitution and to the rights of any preference Shareholders and to the rights of the holders of any Shares created or raised under any special arrangement as to dividends) be payable on all Shares in accordance with the *Corporations Act*. The Directors may, from time to time, pay to the Shareholders such interim dividends as they may determine. No dividends shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

8.5.5 Transfer of Shares

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of the Constitution, the *Corporations Act* or the APX Listing Rules and APX Business Rules (as applicable).

8.5.6 Issue of further Shares

Subject to the *Corporations Act*, Constitution and APX Listing Rules and any rights and restrictions attached to a class of Shares, Australia Santia may issue, or grant options in respect of further Shares on such terms and conditions as the Directors resolve.

8.5.7 Changes to capital structure

The Company may by ordinary resolution and subject to the *Corporations Act* and applicable APX Listing Rules:

- consolidate and divide all or any of its Share capital into Shares of larger amounts than its existing Shares;
- sub-divide all or any of its Shares into Shares of a smaller amount than is fixed by the Constitution. So that the proportion between the amount paid and the amount (if any) unpaid on each such Share of a smaller amount is the same as it was in the case of the share from which the share of a smaller amount is derived; and
- cancel Shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, or have been forfeited and reduced its share capital by the amount of the shares so cancelled.

8.5.8 Winding up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided. The liquidator may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

8.5.9 Variation of class rights

Pursuant to Section 246B of the *Corporations Act*, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

9 Additional information

9.1 Registration

Australia Santia was incorporated on 7 July 2014.

9.2 Related party contracts

The related party contracts that the Company or its Group subsidiaries have entered into with its related parties are as described in Section 3.

9.3 Employee and executive incentive plans

There are no employee or executive equity plans in place at present.

9.4 Escrow requirements under the APX Listing Rules

The APX Listing Rules require that certain persons such as the substantial holder of the Company's Shares or a service provider or related party of the Company who have paid cash consideration for the Shares prior to the Company is admitted to APX to enter into a restricted agreement with the controller of such person and the Company under which they are restricted from dealing in a specified number of Shares in the Company held by them, for up to 2 years from the date of quotation of those Shares.

At the time of lodgement of this Prospectus, Australia Santia has lodged a request for the conditional inprinciple confirmation from APX that APX considers the Company to have an acceptable track record of revenue, for the purposes of satisfying the requirement of the APX Listing Rule in relation to escrow, such that the escrow restrictions in Appendix 21-2 of the APX Listing Rules would not apply in relation to the Existing Shares, subject to the Company submitting the required information and documentation to APX at the time of the listing application and as part of pre-quotation disclosure.

APX has notified Australia Santia that approximately 6 to 8 weeks is required to process the request for the conditional in-principle confirmation. In the event that APX rejects Australia Santia's request, shares held by all existing shareholders of Australia Santia, as mentioned in section 8.1.5, will be subject to escrow arrangements imposed by the APX under Appendix 21-2 of the APX Listing Rules.

9.5 Voluntary escrow arrangements

In the event that Australia Santia receives a conditional in-principle confirmation from APX as outlined in Section 9.4, Shares held by the Existing Shareholders will be subject to voluntary escrow arrangements. The Existing Shareholders have entered into voluntary escrow deeds in respect of their shareholdings retained following the Offer.

During the period of voluntary escrow, the Existing Shareholders must not do any of the following with respect to the escrowed Shares:

- dispose of, or agree or offer to dispose of, any escrowed Shares; or
- do, or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of the escrowed Shares.

This is subject to the exceptions set out below.

During the escrow period, the Existing Shareholders may deal in any of their escrowed Shares in the following manner:

- A transfer pursuant to an order of a court of competent jurisdiction compelling any escrowed Shares to be disposed of or a security interest granted over them;
- A transfer by the personal representatives of the Existing Shareholder to whomever such escrowed Shares have been bequeathed, or to the Existing Shareholder's spouse or infant children provided that

the transferee has previously undertaken to the Company by deed in a form acceptable to the Company to be bound by the escrow deed in respect of such escrowed Shares;

- A transfer by the Existing Shareholder to any company, fund or other Company under the full and effective control or for the benefit of the Existing Shareholders or one or more of his or her immediate family members, provided that the transfer if made off-market and the transferee has previously undertaken to the Company by deed in a form acceptable to the Company to be bound by the escrow deed in respect of such escrowed Shares;
- Action taken with the prior written consent of the Company following a representation to the Board by the Existing Shareholder which demonstrates to the Board that the action is necessary to alleviate financial hardship.
- Create, or agree or offer to create, any Security Interest in the Restricted Securities applicable to that escrow period under any financing arrangement for the benefit of the Entity.

An overview of Existing Shareholders subject to the voluntary escrow arrangements is set out in the table below.

Existing Shareholder	Number of escrowed Shares under the voluntary escrow arrangements	Period of voluntary escrow
Rosy Gold International Limited	81,600,000 shares (68% of pre Offer shares)	2 years
Xiaofa Limited	7,000,000 shares (5.83% of pre Offer shares)	6 months
Global Tycoon Ventures Limited	5,717,200 shares (4.76% of pre Offer shares)	6 months
Perfect Plan Global Limited	5,600,000 shares (4.67% of pre Offer shares)	6 months
Magic Spell Trading Limited	5,400,000 shares (4.50% of pre Offer shares)	6 months
Esteemed Favour Limited	5,000,000 shares (4.17% of pre Offer shares)	6 months
Seek Talent Limited	4,680,000 shares (3.90% of pre Offer shares)	6 months
Brilliant Worth Global Limited	2,587,000 shares (2.16% of pre Offer shares)	1 year
New Maple Global Limited	740,000 shares (0.62% of pre Offer shares)	6 months
Tin, Wa	445,800 shares (0.37% of pre Offer shares)	6 months
Bliss Yield International Limited	360,000 shares (0.30% of pre Offer shares)	6 months
Charm Favour International Limited	310,000 shares (0.26% of pre Offer shares)	6 months
Cheer On Group Limited	300,000 shares (0.25% of pre Offer shares)	6 months
Hero Innovation Limited	260,000 shares (0.22% of pre Offer shares)	6 months

9.6 Taxation implications

Set out below is a general overview of the Australian taxation implications for investors who acquire the New Shares on capital account. This report is based on legislation applicable at the time of its preparation. Given the complexity of taxation laws, it does not cover all possible implications for particular investors.

As the tax position of each investor may vary depending on their individual circumstances, this report should not be considered advice specific to any particular investor. Before lodging an application, each investor should seek independent professional advice with respect to the tax consequences applicable to their individual circumstances.

9.6.1 Taxation of Dividends

The treatment of the dividends which are paid to investors will vary depending on whether or not the investor is an Australian resident or foreign resident. The taxation treatment will also vary depending on the extent to which any dividends carry a franking credit.

Dividends Received By Australian Resident Shareholders

For Australian resident individuals, dividends on the New Shares will be taxable income of the shareholder in the tax year in which they are paid (or deemed to be paid) to the shareholder.

If the dividend carries a franking credit (for imputed Australian corporate tax paid by Australia Santia) then the dividend paid (or deemed to be paid) plus the franking credit will be included in the shareholder's taxable income and subject to tax at the shareholder's marginal tax rate. The shareholder will be entitled to offset the franking credit against tax payable by the shareholder if the shareholder is a qualifying person. A qualifying person is a shareholder who satisfies the holding period rule (by holding shares on which the dividend is 'at risk' for at least 45 days) and the related payments rule.

Individuals and complying superannuation funds are entitled to a refund of any part of the franking credits that exceed their tax payable.

Australian resident companies can convert excess franking credits to tax losses that can potentially be deductible against income in future years.

Unfranked dividends received by Australian resident shareholders will be taxable at the shareholder's marginal tax rate. For individuals, this tax rate may be up to 46.5% (including Medicare levy). For companies and complying superannuation funds, rates of tax are generally 30% and 15% respectively.

Dividends Received By Non-Resident Shareholders

Dividend withholding tax is not imposed on fully franked dividends paid to foreign shareholders.

It may be necessary for Australia Santia to withhold tax from unfranked dividends paid to foreign shareholders and remit the tax to the Australian Taxation Office.

Where unfranked dividends are paid to non-resident shareholders, and the unfranked dividend is not 'conduit foreign income', dividend withholding taxes must be deducted from the gross dividends paid. If the shareholder is a resident of a country that does not have a Double Tax Agreement ("**DTA**") with Australia then a 30% withholding tax rate will be applied to dividends paid to the non-resident shareholder. If the shareholder is a resident of a country that does have a DTA with Australia then the DTA will determine the maximum amount of withholding tax that can be imposed. DTA dividend withholding tax rates generally range from 0% to 15%.

9.6.2 Disposal of Shares

As noted above, the following overview of Australian tax implications associated with disposal of New Shares is confined to investors who hold their shares on capital account. Australian income tax laws impose tax on capital gains ("CGT").

Persons who acquire New Shares on revenue account or for a share trading purpose should seek independent professional advice as the issues are complex and the tax implications depend heavily on individual circumstances.

Disposal of Shares by Australian Resident Shareholders

Disposal of some or all of the New Shares held on capital account by Australian resident investors will give rise to a CGT event and investors may become liable to pay CGT if they make a capital gain on disposal, or another CGT event occurs in respect of the New Shares.

An investor will be taken to have acquired New Shares when these are issued or transferred to the investor and to have disposed of the New Shares when the investor transfers (or agrees to transfer) the New Shares to another person. Taxation law also deems a disposal to have occurred in some other circumstances as well.

To calculate the amount of gain that is subject to tax initially requires the cost base of shares to be subtracted from the consideration (money or property) received from their disposal. If the calculation results in a negative number, a capital loss has been made.

Market value of shares at the time of their disposal may be substituted as consideration if the disposal is for nil or not undertaken on an arm's length dealing basis. In the case of New Shares acquired pursuant to the Prospectus, the cost base for CGT purposes will generally be the amount paid for the New Shares (A\$0.39 per New Share), plus incidental transaction costs (such as brokerage fees) incurred in selling the shares.

If the shareholder has also derived capital losses in the income year, or has accumulated capital losses that are deductible, then those losses may be offset against the capital gain derived from the disposal of the shares. A capital loss cannot be offset against ordinary taxable income but may be carried forward and offset against future capital gains. However, utilisation of carried forward capital losses is subject to various loss integrity tests.

Consideration of these loss provisions is beyond the scope of this report.

For those investors that are companies, a net capital gain made on the disposal of New Shares (after any capital losses are offset) must be included in the company's taxable income and subject to tax at the prevailing general corporate tax rate (30%).

Investors who are either individuals or complying superannuation funds (or another similar form of qualifying entity), and dispose of New Shares held for at least 12 months, may be entitled to a CGT discount of 50% and 33 1/3% respectively. Companies are not entitled to any discount and special rules apply for trusts.

The net capital gain remaining after permitted offsets and discounts is added to the investor's other taxable income and the total amount is then subject to tax at the investor's marginal tax rate.

Where shares are held by a trust (and the trust is not taxed as a company for Australian tax purposes) then a CGT discount of 50% is generally available. When the capital gain is distributed to the beneficiary by the trustee of the trust, the capital gain needs to be grossed up and the relevant beneficiary(s) will need to determine for themselves whether or not they are able to access the CGT discount provisions.

Disposal of Shares by Non-Australian Resident Shareholders

Foreign residents are only subject to CGT on the disposal of taxable Australian property. For tax purposes, New Shares will generally only be considered taxable Australian property where the following conditions are satisfied:

- the investor owns an interest of 10% or more in Australia Santia; and
- more than 50% of the value of Australia Santia relates to assets that are taxable Australian real property such as land and buildings or interests in land and buildings. For example, leasehold rights over land situated in Australia are considered to be taxable Australian real property.

Based on information contained in the Prospectus regarding the planned operation of the business, Australia Santia shares are unlikely to be taxable Australian property. As such, foreign residents that dispose of their shares are unlikely to be subject to CGT on any gains made in Australia. However, the circumstances of the company should be reviewed by investors as at the time they dispose of some or all New Shares.

9.6.3 Tax File Number Quotation

It is not compulsory for Australian resident shareholders to provide Australia Santia with details of their TFN or ABN. However, a failure to quote a TFN or ABN to Australia Santia will result in Australia Santia being required to withhold and remit tax of 46.5% from unfranked dividends paid to the relevant shareholder.

9.6.4 GST & Transfer Duty

No GST is applicable to the issue or transfer of the New Shares given that, under current law, shares in a company are a financial supply for GST purposes.

Transfer duty will not be payable on New Shares issued pursuant to the Prospectus.

9.6.5 Investors should obtain their own advice

The summary set out above is based on Australian tax law current at the date of drafting. It is a summary only and does not take into account any individual's, or other entity's, particular circumstances. The particular circumstances of each investor may affect the implications of the investment of that investor.

It is the responsibility of each Applicant to be satisfied as to the particular taxation treatment that applies to each investment. Persons who are considering making an investment in Australia Santia should seek independent professional advice with respect to the tax consequences applicable to their individual circumstances before investing.

9.7 Consents

Written consents to be named in, or for the inclusion of attributed statements in, this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- AIMS Capital has given and not withdrawn, prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the corporate adviser to the Company in the form and context it is so named;
- BDO Guangzhou has given, and not withdrawn, prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Chinese Auditors of the Company in the form and context it is so named;
- BDO ECP has given, and not withdrawn, prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian auditors of the Company in the form and context it is so named;
- BDO ECP has given, and not withdrawn, prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountants to the Company in the form and context it is so named and to the inclusion of its Investigating Accountant's Report on the Historical Financial Information in Section 5;
- BDO ECP has given, and not withdrawn, prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian tax advisers of the Company in the form and context it is so named;
- China Commercial Law Firm has given, and not withdrawn, prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Chinese legal adviser to the Company in the form and context it is so named;
- Baker & McKenzie has given, and not withdrawn, prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser and sponsor to the Company in the form and context it is so named; and
- ShareBPO Pty Ltd has given, and not withdrawn, prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Share Registry in the form and context it is so named.

No entity or person referred to above has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above has not authorised or caused the issue of this Prospectus, does not make any offer of New Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus except as stated above in Section 9.7.

In addition, as permitted by ASIC Class Order [CO 00/193], this Prospectus may include or be accompanied by certain statements fairly representing a statement by an official person, or from a public official document or a published book, journal or comparable publication.

9.8 Costs of the Offer

Actual and estimated expenses connected with the Offer are as follows:

Expenses	Minimum Subscription	Maximum Subscription					
Corporate Advisory Fees	 RMB 2,000,000 (approx. A\$392,200); and A\$117,000 	 RMB 2,000,000 (approx. A\$392,200); and A\$468,000 					
PRC Listing Consultant Fees	 RMB 1,200,000 (approx. A\$235,300); and A\$390,000 	 RMB 1,200,000 (approx. A\$235,300); and A\$390,000 					
Australian Audit and Investigating Accountants Fee	A\$108,000	A\$108,000					
PRC Audit and Investigating Accountants Fee	RMB 800,000 (approx. A\$156,881)	RMB 800,000 (approx. A\$156,881)					
Taxation Report	A\$2,000	A\$2,000					
PRC Legal Fees	RMB 700,000 (approx. A\$137,271)	RMB 700,000 (approx. A\$137,271)					
Australian Legal Fees	A\$125,000	A\$125,000					
APX Fees (for escrow in- principle advice and initial listing fee)	A\$112,266	A\$133,556					
ASIC Fees	A\$2,290	A\$2,290					
Share Registry Fees	A\$3,500	A\$3,500					
Marketing and Advertising Fees	A\$400,000	A\$400,000					
Printing, Administration, Translation and Others	A\$100,000	A\$100,000					
Total Estimated Expenses	A\$2,281,708	A\$2,653,998					

9.9 Privacy

By filling out the Application Form to apply for New Shares you are providing personal information to Australia Santia through their Share Registry, ShareBPO Pty Ltd, which is contracted by the Company to manage Applications. The Company and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and administer the Company.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application. Your personal information may also be used, from time to time, to inform you about other products and services offered by the Company, which it considers may be of interest to you. Your personal information may also be provided to the Company's members, agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy. The members, agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- The Share Registry for ongoing administration of the Shareholder register;
- The Australian Tax Office and other government bodies as required by law;
- Printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- Market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- Legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information held by (or on behalf of) the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

Within Australia: 1300 658 680 Outside Australia: +61 2 8259 8885

Address: ShareBPO Pty Ltd Level 1, 51 - 57 Pitt Street Sydney NSW 2000 Australia

9.10 Auditor

The Australian auditor of the Group is BDO ECP. The Chinese auditor of the Group is BDO Guangzhou.

9.11 Litigation

So far as the Company is aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material in which the Group is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of the Group.

9.12 Statement of Directors

The Directors consent to the lodgement and issue of this Prospectus. They have not withdrawn their consent.

Signed for an on behalf of Australia Santia by:

1/1/50/25

Zhanwu Yao

Chairman

10 Glossary

A\$ or AUD means Australian dollar, the lawful currency of the Commonwealth of Australia.

ABN means Australian Business Number.

AEST means Australian Eastern Standard Time.

AIMS Capital means AIMS Capital Limited (ABN 49 107 132 178; AFSL No. 405894).

Applicant means a person who has applied to subscribe for New Shares under the Offer.

Application Form means the form accompanying or attached to this Prospectus by which an Applicant may apply for New Shares.

Application Money or Application Amount means the money payable for New Shares applied for by an Applicant.

APX means Asia Pacific Stock Exchange Limited of Level 16, Central Square, 323 Castlereagh Street, Sydney, NSW Australia.

APX Business Rules means the business rules of APX.

APX Listing Rules means the listing rules of APX.

APX Recommendations means the corporate governance principles and recommendations of APX, as amended from time to time.

ASIC means the Australian Securities and Investments Commission.

Australia Santia or Company means Australia Santia Jinnai Culture Development Holdings Group Limited (ACN 600 569 042).

BDO ECP means BDO East Coast Partnership.

BDO Guangzhou means BDO China Shu Lun Pan Certified Public Accountants LLP.

Board means the board of directors of the Company.

CEO means Chief Executive Officer of the Company.

CFO means Chief Financial Officer of the Company.

CHESS means Clearing House Electronic Subregister System.

China or PRC means the People's Republic of China.

Closing Date means 5:30pm (AEST) on 20 March 2015 or such other date as the Board may decide, and is the date on which the Offer closes.

Companies Ordinance means the Companies Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance"),

Completion means the issue of the New Shares to successful Applicants.

Constitution means the constitution of Australia Santia Jinnai Culture Development Holdings Group Limited.

Corporations Act means Corporations Act 2001 (Cth).

Cultural Exchange Centre means Shantou Santia Jinnai Arts and Cultural Exchange Centre (汕头市圣地亚金 鼐艺术文化交流中心), a private non-enterprise unit incorporated in the PRC (Registration No: Yue Shan Min Zheng Zi 030065).

Directors mean the directors of Australia Santia Jinnai Culture Development Holdings Group Limited, and **Director** means any one of them.

EBITDA means earnings before interest, taxes, depreciation and amortisation.

Existing Shareholders means those persons or entities who are holders of Shares of the Company as at the date of this Prospectus.

Exposure Period means the seven day period from the Prospectus Date which may be extended by ASIC for up to an additional seven days.

Financial Information has the same meaning as defined in Section 4.6.

FY means a financial year ending on 30 June and **FY12**, **FY13** and **FY14** means the financial year ending 30 June 2012, 30 June 2013 and 30 June 2014 (respectively).

Gansu Santia means Gansu Santia Fashion Company Limited (甘肃圣地亚服饰有限公司), a limited liability company incorporated in the PRC (Company Registration No: 620102000018612).

Group or Santia means the consolidated group comprising Australia Santia and its Subsidiaries.

GST has the meaning given in section 195-1 of the A New Tax System (Goods and Services) Tax Act 1999 (Cth).

Guangdong Santia means Guangdong Santia Fashion Company Limited (广东圣地亚服饰有限公司), formerly named Shantou Santia Woollen Fabric Company limited (汕头市圣地亚毛织有限公司), a limited liability company incorporated in the PRC (Company Registration No: 440500400005725).

Holding Statement means a holding statement of Shares under CHESS.

Hong Kong means Hong Kong Special Administrative Region of the People's Republic of China.

Hong Kong Santia means Hong Kong Santia Trading Co., Limited (香港聖地亞貿易有限公司), a private company limited by shares incorporated in Hong Kong (Company Registration No: 2090162).

Huishang Import & Export Co means Shantou Santia Huishang Import and Export Company Limited (汕头 圣地亚汇商进出口有限公司), a limited liability company incorporated in the PRC (Company Registration No: 440500000162088).

Huishang Trading Co means Shantou Santia Huishang Trading Company Limited (汕头市圣地亚汇商贸易有限公司), a limited liability company incorporated in the PRC (Company Registration No: 440500000162070).

Institutional Investors means professional investors and sophisticated investors as defined in section 708(8) and 708(11) of the *Corporations Act*, respectively.

IPO means the initial public offering of the New Shares.

Listing Date means the date that the Company is admitted to the official list of APX.

Maximum Subscription means the maximum subscription amount under the Offer, being A\$15,600,000.

Minimum Subscription means the minimum subscription amount under the Offer, being A\$3,900,000.

New Shares means Shares issued under this Prospectus.

NPAT means net profit after tax.

Offer means the offer by the Company of 40 million New Shares at an Issue Price of A\$0.39 each to raise up to A\$15,600,000 under this Prospectus.

Offer Period means the period from the Opening Date until the Closing Date.

Offer Price means A\$0.39 per New Share.

Official List means the official list of entities that APX has admitted and not removed.

Official Quotation means the quotation of the Shares on APX.

Opening Date means 8:30 a.m. (AEST) on 19 January 2015.

Original Prospectus means the Original Prospectus dated 19 December 2014, lodged with ASIC on 19 December 2014 and lodged with APX on 23 December 2014.

Pro Forma Balance Sheet means the pro forma consolidated adjusted statement of financial position as at 30 June 2014 as presented in Section 8.

Prospectus means this document and any supplementary or replacement prospectus in relation to this document.

Register means the register of Shareholders of the Company.

Replacement Prospectus means the replacement Prospectus dated 13 January 2015, lodged with ASIC on 13 January 2015 and lodged with APX on 14 January 2015.

RMB means Renminbi, the lawful currency of the PRC.

SAFE means the State Administration of Foreign Exchange of the PRC.

SAFE Circular No. 37 means the Notice on Issues Relating to Administration of Foreign Exchange in Fundraising a Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Vehicles issued by SAFE on 14 July 2014.

Safe Circular No. 75 means the Notice on Issues Relating to Administration of Foreign Exchange in Fundraising a Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Vehicles issued by the State Administration of Foreign Exchange on 21 October 2005.

Section means a section of this Prospectus.

Seychelles means the Republic of Seychelles.

SFO means the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong.

Share means an ordinary fully paid share in the Company (and includes the Shares).

Shareholder means a holder of Shares.

Share Registry means ShareBPO Pty Ltd (ACN 122 708 169).

Shares mean shares offered by the Company under this Prospectus.

Successful Applicant means an Applicant who is issued New Shares under the Offer.

TFN means Tax File Number.

US Securities Act means US Securities Act of 1933, as amended.

USD or US\$ means US dollar, the lawful currency of the United States of America.

Registry use only

Australia Santia Jinnai Culture Development Holdings Group Limited ABN Offer Closes 5.30 pm (

Application form

Offer Closes 5.30 pm (AEST) 20 March 2015

Fill out this Application Form if you wish to apply for New Shares (see Section 8 of the Prospectus) in Australia Santia Jinnai Culture Development Holdings Group Limited.

- Please read the Prospectus dated 16 January 2015
- Follow the instructions to complete this Application Form (see reverse).
- Print clearly in capital letters using black or blue pen.

Α	Number of New Shares you are applying for	
		x A\$0.39 per New Share =

В	Total	amount	pay	vable	

A\$

Minimum value of A\$2,028 worth of New Shares to be applied for, being at least 5,200 New Shares, and thereafter in multiples of A\$507 worth of New Shares, being at least 1,300 New Shares.

C	Write the name(s)	you wish to regis	ter the Offer S	Shares in (′see reverse f	or instructions)
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G Cheque payment details – **PIN** CHEQUE(S) HERE

Please enter details of the bank draft or cheque(s) that accompany this application. Make your cheque or bank draft payable to "ShareBPO Pty Ltd IPO Account".

	Name of drawer of cheque	Cheque No.	BSB No.	Account No.	Cheque Amount A\$	
н	Contact telephone number (daytime/wor	k/mobile)	Email addres	SS		

By submitting this Application Form, I/We declare that this Application is completed and lodged according to the Prospectus and the instructions on the reverse of the Application Form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the Constitution of Australia Santia Jinnai Culture Development Holdings Group Limited (the **Company**). I/We was/were given access to the Prospectus together with the Application Form at the same time. I/We represent, warrant and undertake to the Company that our subscription for the above New Shares will not cause the Company or me/us to violate the laws of Australia or any other jurisdiction.

Important Notice

This Prospectus is dated 16 January 2015 and expires 13 months after the date of the prospectus. No securities will be issued on the basis of this Prospectus after the expiry date.

If you give another person access to this Application Form, the *Corporations Act 2001* (Cth) requires that you must at the same time and by the same means give the other person access to the Prospectus.

The Prospectus contains information about investing in the New Shares. If you would like to receive a copy of the Prospectus and an Application Form, please contact us at <u>registry@sharebpo.com.au</u> or by telephone on 1300 658 680 (within Australia) or +61 2 8259 8885 (outside Australia) during the Offer Period and a paper copy will be sent to you free of charge.

Guide to the Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

F.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

- A. If applying for New Shares insert the *number* of New Shares for which you wish to subscribe at Item A (minimum value of A\$2,028 worth of New Shares to be applied for, being at least 5,200 New Shares, and thereafter in multiples of A\$507 worth of New Shares, being at least 1,300 New Shares. Multiply by A\$0.39 to calculate the total for New Shares and enter the A\$*Amount* at B.
- C. Write your *full name*. Initials are not acceptable for first names.
- D. Enter your **postal address** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
 NB: your registration details provided must match your CHESS account exactly.

- Enter your Australian *tax file number* (**TFN**) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN /ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
- G. Complete bank draft or *cheque details* as requested. Make your cheque payable to "ShareBPO Pty Ltd IPO Account" and cross it and mark it **"Not negotiable"**. Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
- H. Enter your *contact details* so we may contact you regarding your Application Form or Application Monies.
- Enter your *email address* so we may contact you regarding your Application Form or Application Monies or other correspondence.

Correct Forms of Registrable Title

Note that ONLY legal entities can hold the New Shares. The Application must be in the name of a Nature person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each Nature person.

Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <j a="" c="" d="" family="" smith=""></j>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <est a="" c="" john="" lte="" smith=""></est>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <smith a="" c="" investment=""></smith>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <j a="" c="" fund="" smith="" super=""></j>	John Smith Superannuation Fund

Lodgement

Mail your completed Application Form with bank draft or cheque(s) attached to the following address by no later than 5:30pm (AEST) on 20 March 2015. You should allow sufficient time for this to occur.

Mailing address:Delivery address:Australia Santia Jinnai Culture Development Holdings
Group Limited
C/- ShareBPO Pty Ltd
GPO Box 4968
Sydney NSW 2001
AustraliaAustralia Santia Jinnai Culture Development Holdings Group Limited
C/- ShareBPO Pty Ltd
Level 1, 51-57 Pitt Street
Sydney NSW 2000
AustraliaIt is not necessary to sign or otherwise execute the Application Form. If you have any questions as to how to complete the

Application Form, please contact ShareBPO Pty Ltd on 1300 658 680 within Australia and +61 2 8259 8885 outside

Privacy Statement:

Australia.

ShareBPO Pty Ltd advises that Chapter 2C of the *Corporations Act 2001* (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your share holding and if some or all of the information is not collected then it might not be possible to administer your share holding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form. Our privacy policy is available on our website (http://www.mainstreambpo.com.au/).

Corporate directory

Australia Santia Jinnai Culture Development Holdings Group Limited

C/- Preece Lin Lawyers Unit 2, 112 Terralong Street Kiama NSW 2533 Australia

Corporate Adviser

AIMS Capital Limited C/- Level 16 Central Square 323 Castlereagh Street Sydney NSW 2000

Australian Legal Adviser and Sponsor

Baker & McKenzie Level 27, 50 Bridge Street Sydney NSW 2000

Chinese Legal Adviser

China Commercial Law Firm 14/F, Times Finance Centre No.4001, Shennan Road Shenzhen, Guangzhou PRC China

Chinese Auditors

BDO China Shulun Pan Certified Public Accountants LLP 11/F South, China Chine Plaza 9 Linhe Road West Tianhe District Guanzhou, Guangdong PRC China 510610

Australian Auditors

BDO East Coast Partnerhsip Level 14, 140 William Street Melbourne 3000 Australia

Australian Investigating Accountants BDO East Coast Partnership.

Australian Tax Advisers

BDO East Coast Partnership

Share Registry

ShareBPO Pty Ltd Level 1, 51-57 Pitt Street Sydney NSW 2000 Australia

Australia Santia Jinnai Culture Development Share Offer Hotline

Within Australia: 0469334093 Outside Australia: +8675488168286 Open 8:30am to 5:30pm AEST Monday to Friday APX Code: 868

Offer website: <u>en.santia.cn</u>

