

Australia Santia

Roadshow Presentation

January 2015

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1/ INTRODUCTION: Santia at a Glance

Summary overview	
Santia	<ul style="list-style-type: none"> • Leading Chinese manufacturer of Teochew Embroidery craft and artistic boutique fashion products • Founded in 1997 • Headquarters: Shantou, Guangdong Province, China
Business	<ul style="list-style-type: none"> • Design, development, research, manufacture and distribution of clothing, textiles and artistic ornaments incorporating Teochew Embroidery elements • Compliance with ISO 10012.1
Teochew Embroidery	<ul style="list-style-type: none"> • Stemming from 805 AD • First batch of national intangible cultural heritages recognised by Chinese State Council • Diplomatic gifts appointed by PRC government officials
Distribution	<ul style="list-style-type: none"> • Employing a diverse range of sales platforms • Using e-commerce and mobile platforms to further expand online distribution channels

Key figures			
A\$ '000	2014	2013	2012
Revenue	7,796	5,837	4,181
<i>% growth</i>	33.6%	39.6%	
EBITDA	3,539	1,375	897
<i>% growth</i>	157.4%	53.3%	
EBIT	3,425	1,283	803
<i>% growth</i>	167.0%	59.7%	
Net profit	2,496	833	540
<i>% growth</i>	199.6%	54.3%	

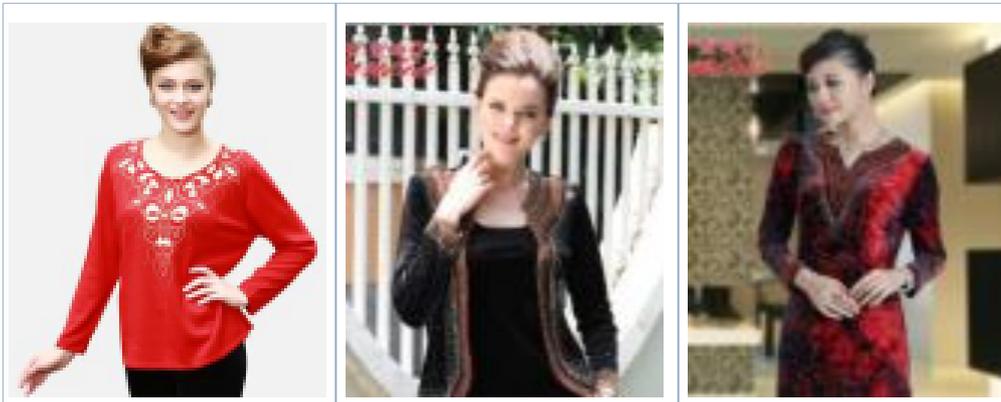
A leading actor in the proliferation of China's intangible cultural heritage Teochew Embroidery

1/ INTRODUCTION: Product Portfolio

Teochew Embroidery Style Garment

Garments incorporating Teochew Embroidery elements

Sweaters, casual clothing, evening gowns and others



Teochew Embroidery Artistic Work

Employing Teochew Embroidery techniques
Known for the dept of dimension and look realistic

Example:
Golden Dragon Fish



Sophisticatedly designed and manufactured product portfolio with large expansion potential

1/ INTRODUCTION:

Key Investment Highlights

Well positioned to exploit growth opportunities domestically and globally

Strong domestic and international reputation as a high quality manufacturer

Inheritor of Teochew Embroidery and high entry barriers for competitors

Strategic location in Shantou with direct access to Teochew Embroidery culture and techniques

Abundant qualified local workforce at low cost in combination with low fluctuation

Highly flexible organisation with efficient design, research and manufacturing capabilities

Diverse and scalable product lines with huge potential to expand Teochew Embroidery product portfolio

Committed management team with long-standing industry expertise

Track record of high growth, profitability and cash generation

Santia presents a compelling equity story about Teochew Embroidery and traditional culture

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2/ MARKET AND COMPETITION: The Growing Economy

China Disposable Income Per Capita 2004-2014

(RMB)

CAGR 11.08%

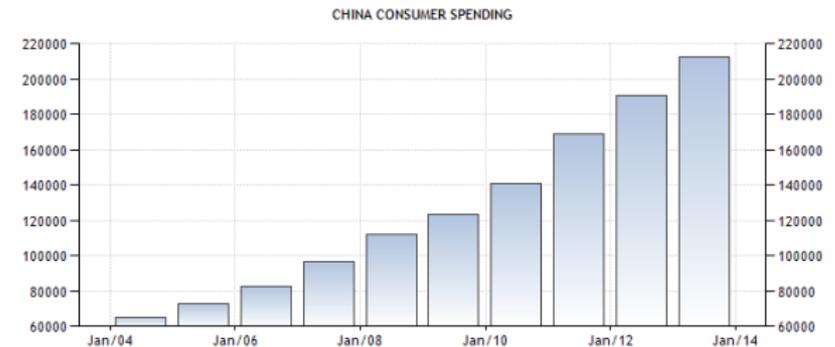


SOURCE: WWW.TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS OF CHINA

China Consumer Spending 2004-2014

(RMB)

CAGR 12.95%



SOURCE: WWW.TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS OF CHINA

Source: National Bureau of Statistics of China

China's economy has been growing rapidly in the past few decades

2/ MARKET AND COMPETITION: Teochew Embroidery Industry

A sub-industry of the cultural asset sector in China

Highly supported by the Chinese government – in 2011 the National People's Congress passed the *Intangible Cultural Heritage Law*, emphasising and providing a policy basis for the industrialisation of intangible cultural heritage including Teochew Embroidery

Opportunities for Teochew Embroidery manufacturers led by Chinese consumers' increasing demand for lifestyle products

Aligned with China's "Go Global" strategy, Teochew Embroidery Industry pursues internationalisation and potential growth in overseas markets.

Below: Nine Prosperous Provinces



A dynamic industry inheriting and proliferating Teochew Embroidery

2/ MARKET AND COMPETITION: Competitive Landscape

Chinese Four Schools of Embroidery

- Teochew Embroidery
- Suzhou Embroidery
- Hunan Embroidery
- Sichuan Embroidery

Teochew Embroidery

- Using over 100 traditional needle stitching techniques with finely coloured silk threads
- Encompassing three-dimensional qualities - vivid colours, dynamic texture and design

High barriers to entry

- Obtain recognition for representing Teochew Embroidery
- Access to Teochew Embroidery resources
- Stricter quality and safe control

Santia's competitive positioning

- Inheritor of Teochew Embroidery in China
- Representative of Teochew Embroidery along with other schools of embroidery

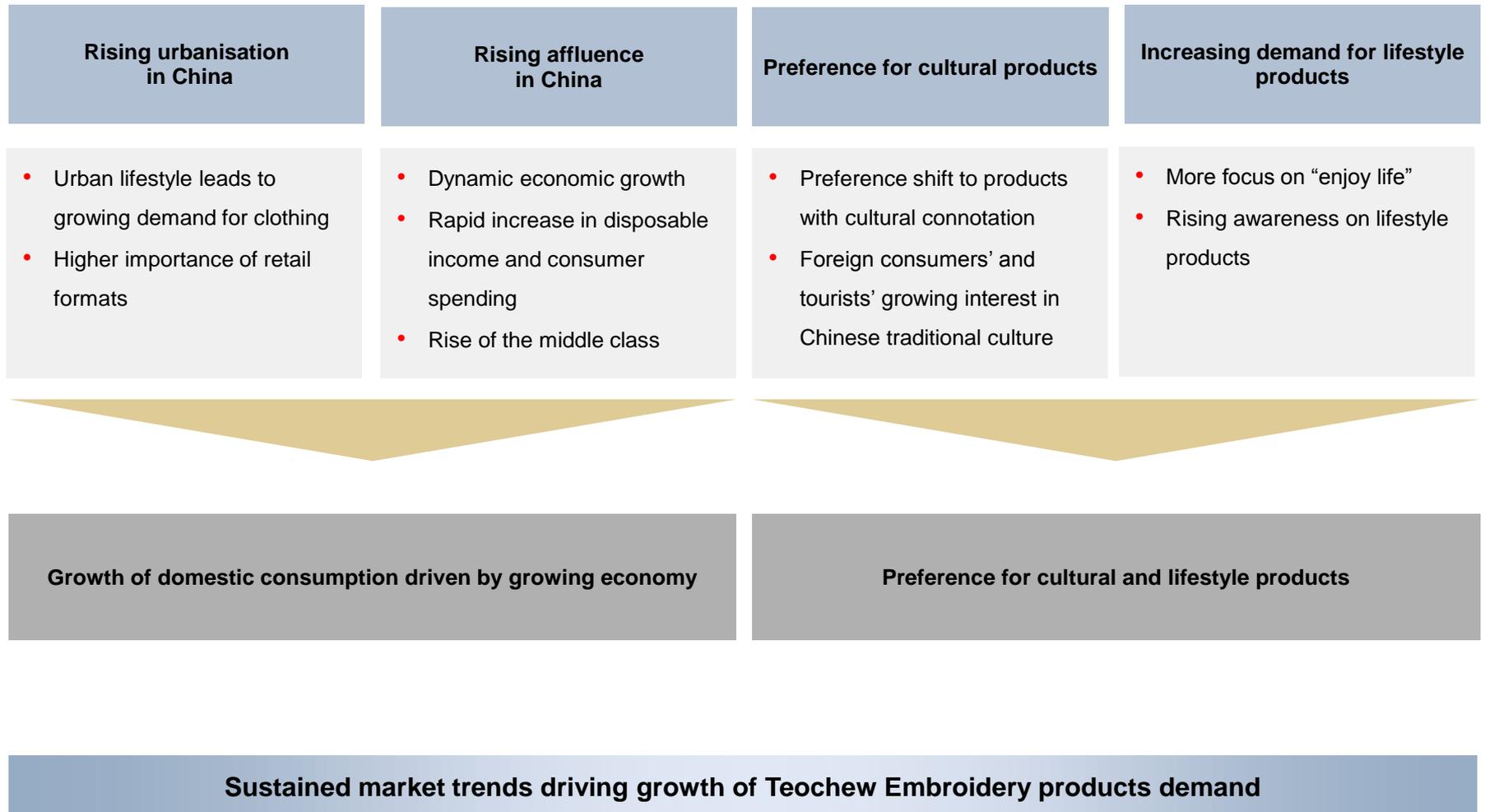


Top: Peony

Bottom: National Treasure Pandas

Inheritor of Teochew Embroidery in China

2/ MARKET AND COMPETITION: Key Market Drivers

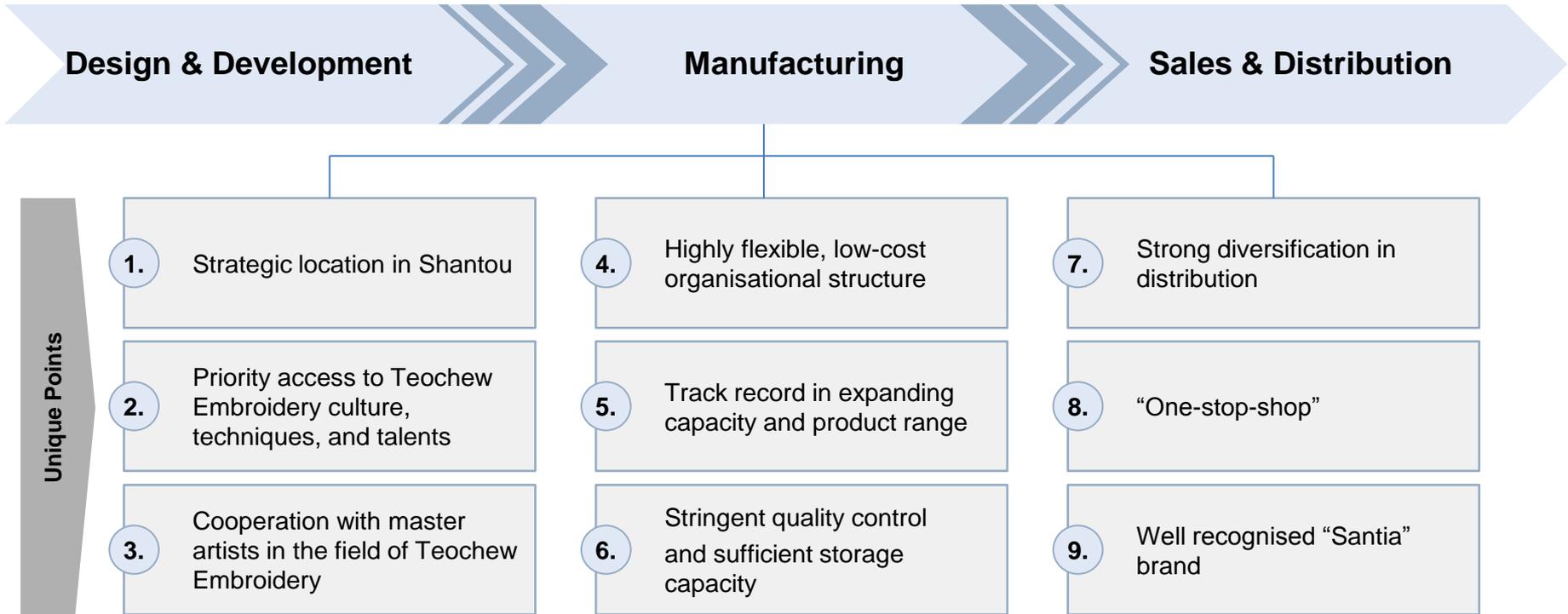


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3/ CORPORATE PROFILE:

Santia's Strengths within the Value Chain



Flexible and efficient organisation, well adapted to the prevailing market environment

3/ CORPORATE PROFILE:

Design & Development

Shantou's strategic location



Cooperation with master artists

- Santia has invited artists considered masters in their respective field to further strengthen the creative prowess of Santia's designs team
- **Mr Qingxian Sun**
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
- **Mr Youyi Si**
A renowned Chinese calligraphy and Chinese painting artist

▶ **Located within Guangdong Province, Shantou is the hometown of Teochew Embroidery**

- Direct and first-class access to Teochew Embroidery culture, techniques and talents
- Large potential for further integration of Teochew culture

Strategic location in Shantou with easy access to everything about Teochew Embroidery

3/ CORPORATE PROFILE:

Manufacturing: Quality Control System

Internal quality control system

Strict quality control procedures to safeguard high quality of end products and compliance with relevant standards



Certificates and accreditations

Compliance with international clothing quality, safety and hygiene standards allows export to overseas regions

Approved by Administration of Quality Supervision, Inspection and Quarantine of the PRC (AQSIQ) & Adopting AQL 4.0 standard

- Allows products to be exported to overseas market
- Adopting internationally accepted quality standard

ISO 10012.1 Certification

- Demonstrates quality of the management system
- Received 2006

Stringent control procedures to comply with high national and international quality standards

3/ CORPORATE PROFILE: Sales and Distribution

Santia's distribution channels

- Traditional marketing models and retail contracts with a number of agents based in different provinces
- Conference marketing including the Cultural Exchange Centre, Fashion Lifestyle Gallery of Teochew embroidery and exhibitions both domestically and internationally
- Online distribution and marketing platforms including the largest e-commerce platforms in China

Enduring and stable relationships with key distributors

No “real” dependency on any particular distributor

“One-stop-shop” for distributors due to multi-species product range

High flexibility to shift sales between global regions and to react to changing economic conditions



Awarded “China Famous Brand” in 2005



Santia Flagship Store



Santia Jinnai Arts and Cultural Exchange Centre



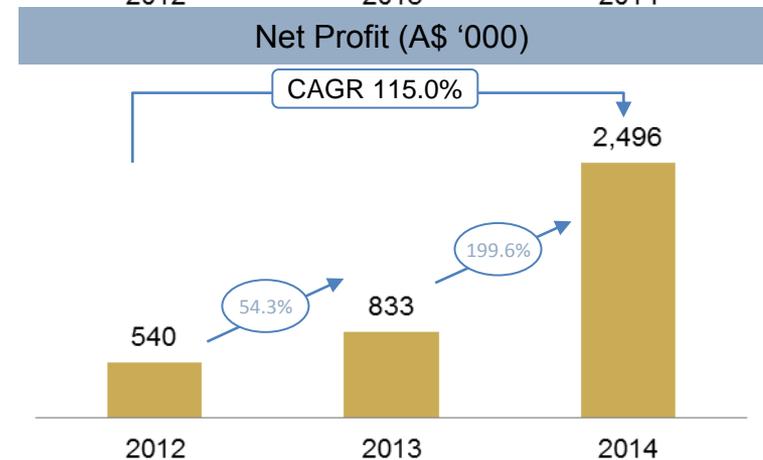
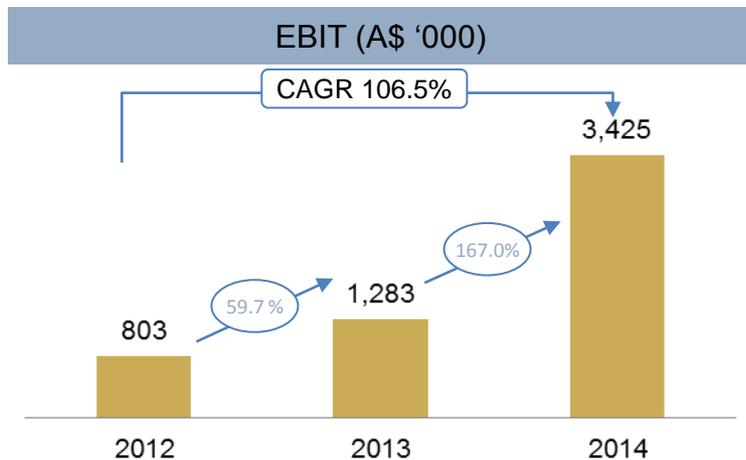
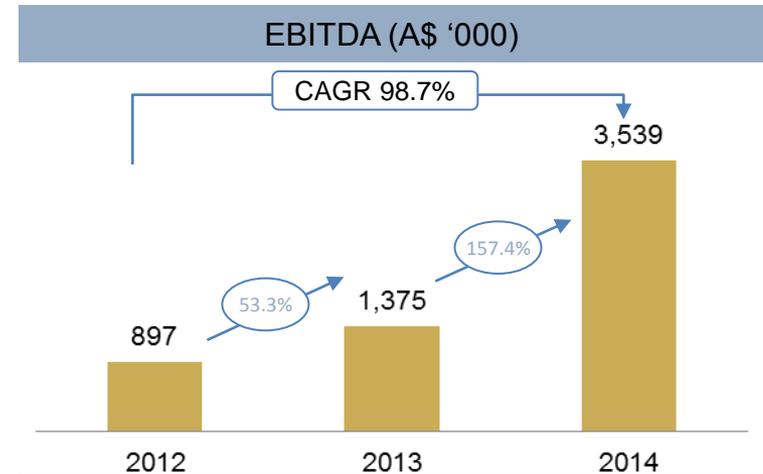
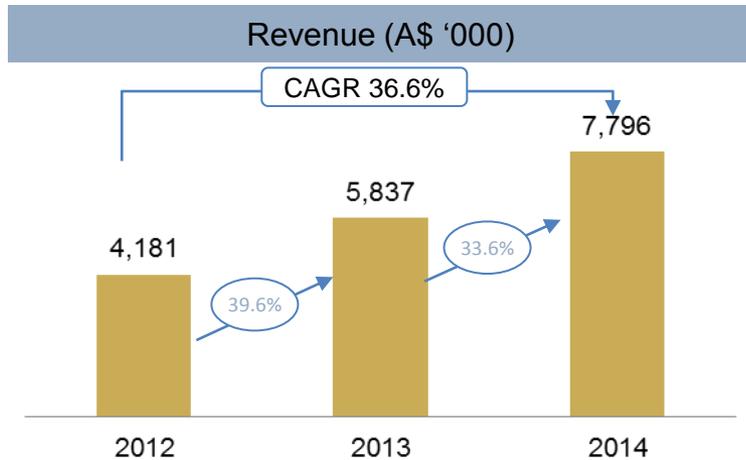
Display Centre

Well-established “Santia” brand to leverage on and further penetrate domestic and international markets

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4/ FINANCIAL PERFORMANCE: Key Financial Performance



Strongly growing and highly profitable business

4/ FINANCIAL PERFORMANCE: Balance Sheet

Historical Balance Sheet

	2014 A\$	2013 A\$	2012 A\$
ASSETS	17,016,527	12,361,445	9,218,856
Non-current assets	3,325,147	779,550	769,655
Current assets	13,691,380	11,581,895	8,449,201
<i>Cash and cash equivalents</i>	614,877	181,986	183,766
<i>Inventories</i>	3,397,331	3,512,116	2,530,173
<i>Trade and other receivables</i>	5,205,112	7,615,836	5,523,873
<i>Other current assets</i>	4,474,060	271,957	211,389
EQUITY AND LIABILITIES	17,016,527	12,361,445	9,218,856
Equity	7,578,155	7,239,815	5,531,000
Borrowings	158,351	532,113	1,410,716
Current liabilities	9,280,021	4,589,517	2,277,140
<i>Thereof: Trade and other payables</i>	5,234,149	2,985,806	1,150,729

Comments

- Other current assets mainly consist of prepayments to suppliers made in the context of agreement
- Strong capacity to meet financial obligations with no default in debt payments in 2012-2014
- Business mainly requiring working capital to achieve operational target

Solid capital structure mainly affected by working capital requirements

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5/ GROWTH STRATEGY: Strategic Cornerstones



I.

BRAND BUILDING

1

The preservation of traditional Teochew Embroidery culture and art crucial to Santia

2

Initiatives across both domestic PRC market and overseas markets

II.

SALES CHANNELS EXPANSION

1

Establishing diverse range of sales channels

2

Engaging in e-commerce and mobile platforms

Growth strategy with strong focuses on building brand and expanding sales channels

5/ GROWTH STRATEGY: Growth Initiatives

Expansion of Sales Channels

- Establish Santia's own "Brand Image" store both domestically and internationally
Xi'an and Shenzhen - both commercial hubs in the Silk Road economic zone
Shantou, Shenzhen, Hong Kong and Bangkok, Thailand - to develop the southern Chinese and southeast Asian markets
Sydney and Toronto – to tap into Western markets
- Set up e-commerce platforms including WeiStore (a mobile platform) to cater for the young generation

Brand Building

- Participate in community events to promote Teochew Embroidery
- Invest in establishing a cultural industry quarters for Teochew Embroidery including:
 - Set up its headquarter in Australia to promote Chinese traditional culture as the core of the Group's image
 - Set up of facilities for the exhibition of exceptional embroidery artworks, and for the research and education of traditional techniques

Attracting Embroidery Talent

- Human resource critical to the achievement of growth strategies and the success of Santia
- Keep a continuous in-flow of talented staff
- Invest in the training and education centre of Teochew Embroidery in Shantou to foster talented artisans from the young generation

Well-positioned to launch a number of growth initiatives to achieve future development

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6/ THE OFFERING: Transaction Structure

Offering structure	<ul style="list-style-type: none">• Initial public offering in Australia
Listing	<ul style="list-style-type: none">• Asia Pacific Stock Exchange
Offer volume	<ul style="list-style-type: none">• Offer of up to 40 million new shares by the Company at an Issue price of A\$0.39 each to raise up to A\$15,600,000
Lock-up	<ul style="list-style-type: none">• Voluntary escrow arrangements: 6 months to 2 years
Free float post IPO	<ul style="list-style-type: none">• Min. 7.7% up to ~ Max. 25.0% post offer
Roadshow	<ul style="list-style-type: none">• 19/01/2015 – 20/03/2015
Start of trading	<ul style="list-style-type: none">• 30/03/2015
Syndicate structure	<ul style="list-style-type: none">• Lead manager: AIMS Capital

6/ THE OFFERING: Use of Net IPO Proceeds

10%

- Marketing and brand building investment activities

35%

- Channel expansion investment - building of chain stores

8%

- Research and development investment (includes laboratory construction, equipment procurement and staffs recruitment)

47%

- Liquidity funds for the Santia's usual operations
 - 33% Purchasing raw materials for production and inventory
 - 14% Cash reserves during retail periods

SUMMARY

Well positioned to exploit growth opportunities domestically and globally

Strong domestic and international reputation as a high quality manufacturer

Inheritor of Teochew Embroidery and high entry barriers for competitors

Strategic location in Shantou with direct access to Teochew Embroidery culture and techniques

Abundant qualified local workforce at low cost in combination with low fluctuation

Highly flexible organisation with efficient design, research and manufacturing capabilities

Diverse and scalable product lines with large potential to expand Teochew Embroidery product portfolio

Committed management team with long-standing industry expertise

Track record of high growth, profitability and cash generation

Thank you for your attention

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APPENDIX

APPENDIX 1: Profit and Loss

	2014 A\$	2013 A\$	2012 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	3,280,485	1,111,072	659,802
Income Tax Expense	(784,641)	(277,768)	(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

APPENDIX 2: Management Team

Mr Zhanwu Yao // Founder, Executive Director and Chairman



- Mr Yao has over 25 years of experience in the garments industry, and is a renowned entrepreneur in China.
- Mr Yao is responsible for the management and decision making for the overall operation of the Santia Group
- 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.

Ms Xiaolu Deng // Director, Company Secretary and Public Officer



- Ms Deng has years of experience in the sales consultancy field., working in Mesh Marketing Samsung Home Appliances.
- 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.

Ms Ying Lin // Independent Non-Executive Director and Legal Advisor



- Ms Lin was admitted as a lawyer in 1993. Ms Lin has over 20 years of experience as a legal practitioner as a partner in China Commercial Law Firm in Guangdong and a Registered Foreign Lawyer at Preece Lin Lawyers, Australia.
- Ms Lin has extensive experience in advising Chinese enterprises on overseas investment projects including initial public offerings and joint ventures in Australia. Ms Lin is also experienced in advising on commercial litigation and arbitration matters.

APPENDIX 2: Management Team

Mr Zhanwu 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. She obtained National Vocational Qualification as a senior Human Resources technician in 2009.

Ms Xiaolu Deng // Director, Company Secretary and Public Officer



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

APPENDIX 3:

Why Listing on the Asia Pacific Stock Exchange?

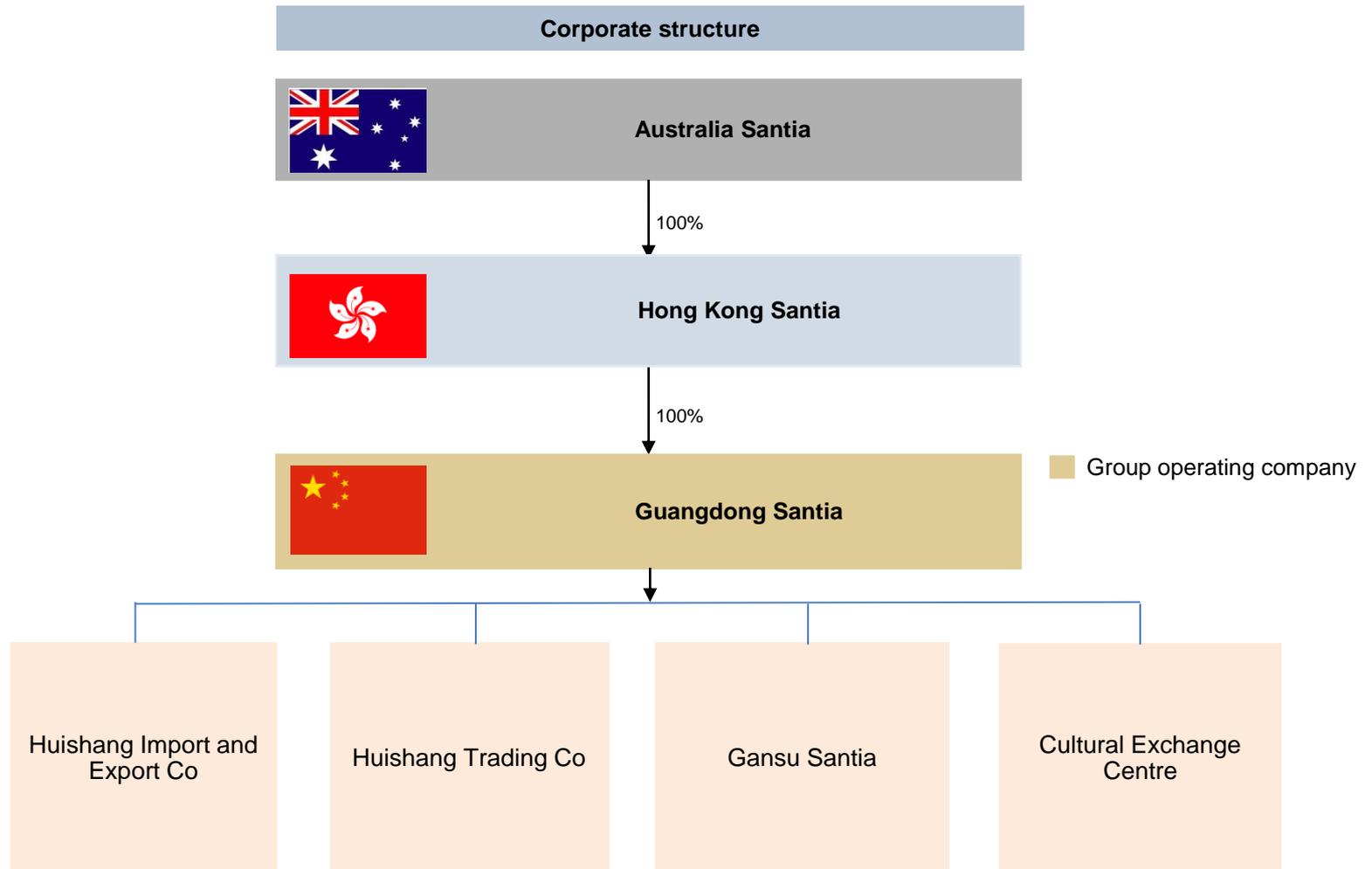
1. Bridging Asian and Australian capital markets
2. High visibility for Asian centric stocks
3. Flexible listing requirements facilitating growing companies
4. Opportunity to leverage on regional especially China's growth in Australia



www.apx.com.au

Asia Pacific Stock Exchange (APX) is a securities exchange in Australia with a market licence granted by the Australian Securities & Investments Commission (ASIC). APX provides opportunities for growth oriented companies to raise the capital they need for expansion from a diversified range of domestic and international investors, especially from the Asia-Pacific region.

APPENDIX 4: Corporate Group Structure



Thank You