

**A. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES****1. Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 14 July 2009. The Company has established a place of business in Hong Kong at Unit 1601, 16/F, Cosco Tower, 183 Queen's Road Central, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 30 November 2009. Ms. Ko Ming Wai, the company secretary of our Company has been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising a memorandum of association and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix VI to this prospectus.

**2. Change in share capital**

The authorised share capital of the Company as at the date of its incorporation was HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each.

On 14 July 2009, one nil-paid subscriber Share was allotted and issued to the initial subscriber and such nil-paid share was transferred to Mr. Liao Chin-Yi on the same date.

In November 2009, 2,096 Shares, 1,035 Shares, 337 Shares, 449 Shares, 208 Shares and 5,874 Shares, all credited as fully-paid, were allotted and issued to More Will, Joyous King, Sunny Beauty, Speedy Grand, Forever Art and Head Pearl, respectively. On the same day, Mr. Liao Chin-Yi transferred the nil paid Share to Head Pearl. Such nil-paid Share was credited as fully paid Share as part of the consideration for Easy Venture, our Company's wholly owned subsidiary, to acquire 100% interest in Fuqing Hong Liong.

Pursuant to the resolutions in writing of all of the Shareholders passed on 27 November 2009 referred to below, the share capital of the Company was altered.

Immediately following the completion of the Global Offering and the Capitalisation Issue but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, the issued share capital of the Company will be HK\$200,000,000 divided into 2,000,000,000 Shares, all fully paid or credited as fully paid.

Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save for the aforesaid and as mentioned in the paragraph headed “Resolutions in writing of all of the Shareholders passed on 27 November 2009” below, there has been no alteration in the share capital of the Company since its incorporation.

### 3. Resolutions in writing of all of the Shareholders passed on 27 November 2009

Pursuant to the written resolutions passed by all of the Shareholders on 27 November 2009:

- (a) the Company approved and adopted the Articles;
- (b) the authorised share capital of the Company was increased from HK\$380,000 to HK\$500,000,000 by the creation of 4,996,200,000 additional Shares;
- (c) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and the Capitalisation Issue (including any additional Shares which may be issued pursuant to the exercise of the Overallotment Option or options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price between the Sole Lead Manager and the Company on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
  - (i) the Global Offering was approved and the Directors were authorised to allot and issue the Shares pursuant to the Global Offering;
  - (ii) the Over-allotment Option was approved and the Directors were authorised to effect the same and to allot and issue the Over-allotment Shares upon the exercise of the Over-allotment Option;
  - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” under the section headed “Other information” in this Appendix, were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and
  - (iv) conditional on the share premium account of the Company being credited as a result of the issue of the Shares by the Company pursuant to the Global Offering, the Directors were authorised to capitalise an amount of HK\$155,999,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,559,990,000 Shares. Such Shares to be allotted and issued to the Shareholders whose names appear on the register of members of the Company on the date of the written resolutions on a pro rata basis.
- (d) a general unconditional mandate was given to the Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant

to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the Over-allotment Option or the options under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

- (e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase Shares on the Stock Exchange or on any other approved stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Listing Rules or equivalent rules or regulations of any other stock exchanges as amended from time to time, and such number of Shares will represent up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or the options under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above provided that such extended amount shall not exceed 10% of the total nominal value of the share capital of the Company in issue immediately following complete of the Global Offering (without taking into account any Shares falling to be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

#### 4. Corporate reorganisation

The companies comprising the Group underwent the Reorganisation in preparation for the listing of the Shares on the Stock Exchange. The Reorganisation involved the following:

*Incorporation of our Company*

- (a) on 14 July 2009, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. Upon incorporation, one nil-paid Share was held by Mr. Liao Chin-Yi, representing the entire issued share capital of the Company, which was subsequently transferred to Head Pearl on 27 November 2009;

*Incorporation of More Will, Joyous King, Sunny Beauty, Speedy Grand, Head Pearl and Forever Art*

- (b) More Will was incorporated in the BVI on 23 January 2008, with an issued share capital of US\$1 representing 1 share of US\$1 and is wholly owned by Shao Ten-Po;
- (c) Joyous King was incorporated in the BVI on 22 April 2008, with an issued share capital of US\$1 representing 1 share of US\$1 and is wholly owned by Hsu Chieh-Jung;
- (d) Sunny Beauty was incorporated in the BVI on 29 May 2009, with an issued share capital of US\$1 representing 1 share of US\$1 and is wholly owned by Tseng Chung-Cheng;
- (e) Speedy Grand was incorporated in the BVI on 8 August 2008, with an issued share capital of US\$1 representing 1 share of US\$1 and is wholly owned by Liao Chin-Yi;
- (f) Head Pearl was incorporated in the BVI on 7 February 2008, with an issued share capital of US\$10,000 divided into 10,000 shares of US\$1 each and is held as to 53.53% by Mr. Shao Ten-Po, 26.43% by Mr. Hsu Chieh-Jung, 8.6% by Mr. Tseng Chung-Cheng and 11.44% by Mr. Liao Chin-Yi, respectively;
- (g) Forever Art was incorporated in the BVI on 28 April 2008, with an issued share capital of US\$1 divided into 1 share of US\$1 each and is wholly owned by Hu Chin-Shu;

*Incorporation of Easy Era*

- (h) Easy Era was incorporated in the BVI on 6 February 2008, with an issued share capital of US\$1 representing 1 share of US\$1 and is wholly owned by the Company;

*Incorporation of the Hong Kong Holding Companies*

- (i) Easy Venture was incorporated in Hong Kong on 23 February 2009, with an issued share capital of HK\$1 representing 1 share of HK\$1, and is wholly owned by Easy Era;
- (j) Prospen Advance was incorporated in Hong Kong on 30 March 2009, with an issued share capital of HK\$1 representing 1 share of HK\$1, and is wholly owned by Easy Era;

- (k) First Heritage was incorporated in Hong Kong on 22 June 2009, with an issued share capital of HK\$1 representing 1 share of HK\$1, and is wholly owned by Easy Era;
- (l) Star Guide was incorporated in Hong Kong on 22 June 2009, with an issued share capital of HK\$1 representing 1 share of HK\$1, and is wholly owned by Easy Era;

*Transfer of equity interest in each of Fuqing Hong Liong, Fuzhou Aike, Shishi Maigen and Fuqing Ecotex*

- (m) On 24 November 2009, the entire equity interest in Fuqing Hong Liong was transferred to Easy Venture from Hong Liong Textile as part of our reorganisation in preparation for the Listing at a consideration equivalent to RMB249,310,000 in shares of Easy Venture which was determined based on its net asset value as at 30 June 2009 and was settled by the allotment and issue of 1,500 Shares, 720 Shares, 112 Shares and 3,999 Shares, all credited as fully-paid, to More Will, Joyous King, Speedy Grand and Head Pearl, respectively, at the direction of Hong Liong Textile and the one nil-paid Share held by Head Pearl being credited as a fully paid Share;
- (n) On 24 November 2009, the entire equity interest in Fuzhou Aike was transferred to Star Guide from Hong Liong Textile as part of our reorganisation in preparation for the Listing at a consideration equivalent to RMB6,555,000 in shares of Star Guide which was determined based on its net asset value as at 30 June 2009 and was settled by the allotment and issue of 40 Shares, 20 Shares and 118 Shares, all credited as fully-paid, to More Will, Joyous King and Head Pearl, respectively, at the direction of Hong Liong Textile;
- (o) On 24 November 2009, the entire equity interest in Shishi Maigen was transferred to Prosper Advance from Hong Liong Textile as part of our reorganisation in preparation for the Listing at a consideration equivalent to RMB93,576,000 in shares of Prosper Advance which was determined based on the investment costs incurred by Hong Liong Textile in the acquisition of Shishi Maigen in 2008, and was settled by the allotment and issue of 556 Shares, 295 Shares and 1,757 Shares, all credited as fully-paid, to More Will, Joyous King and Head Pearl, respectively, at the direction of Hong Liong Textile; and
- (p) in 24 November 2009, in preparation of the Reorganisation for the Listing, Chen Li-Chuan, Huang Sze-Ching, Hsu Fu-Mei and Hsueh Hui-Chen transferred their shares in Lucky Dragon (i.e. the investment holding company holding 100% interest in Fuqing Ecotex before the Reorganisation), representing approximately 64% of Lucky Dragon, to Tseng Chung-Cheng and Liao Chin-Yi at a consideration of RMB9,000,000 determined with reference to the annual compound growth rate of 3.8% from the amount of their initial registered capital of US\$1,024,000 made, as agreed upon between 1) Chen Li-Chuan, Huang Sze-Ching, Hsu Fu-Mei and Hsueh Hui-Chen, and 2) Tseng Chung-Cheng and Liao Chin-Yi. Upon such transfer, Fuqing Ecotex was owned as to 16% by Hu Chin-Shu, 42% by Tseng Chung-Cheng and 42% by Liao Chin-Yi; and
- (q) On 24 November 2009, the entire equity interest in Fuqing Ecotex was transferred to First Heritage from Lucky Dragon as part of our reorganisation in preparation for the Listing at a consideration equivalent to RMB35,324,000 in shares of First Heritage which was determined

based on its net asset value as at 30 June 2009 and was settled by the allotment and issue of 337 Shares, 337 Shares and 208 Shares, all credited as fully-paid, to Sunny Beauty, Speedy Grand and Forever Art, respectively, at the direction of Lucky Dragon.

#### 5. Changes in share capital of subsidiaries

The Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. The following sets out the changes in the share capital of the subsidiaries of the Company during the two years preceding the date of this prospectus:

- (a) On 20 November 2007, the registered capital of Fuqing Hong Liong was increased from US\$11,600,000 to US\$13,300,000 which was fully paid.

Save as set out above, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

#### 6. Particulars of the PRC subsidiaries of the Group

The Group has interests in a number of PRC subsidiaries. Set out below is a summary of the corporate information of these PRC subsidiaries:

(a) Fuqing Hong Liong

Date of Establishment	:	16 April 1993
Place of Establishment	:	PRC
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	US\$13,300,000
Shareholder	:	Easy Venture (100%)

(b) Fuqing Ecotex

Date of Establishment	:	16 July 2002
Place of Establishment	:	PRC
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	US\$1,600,000
Shareholder	:	First Heritage (100%)

## (c) Fuzhou Aike

Date of Establishment	:	26 July 2007
Place of Establishment	:	PRC
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	US\$700,000
Shareholder	:	Star Guide (100%)

## (d) Shishi Maigen

Date of Establishment	:	20 June 2002
Place of Establishment	:	PRC
Nature	:	Wholly foreign-owned enterprise
Registered Capital	:	US\$200,000
Shareholder	:	Prosper Advance (100%)

The registered capital of each of the PRC subsidiaries of the Group has been fully paid up.

## 7. Repurchase by the Company of Shares

### (a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

#### (i) *Shareholders' approval*

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to resolution passed by all of the Shareholders on 27 November 2009, a general unconditional mandate (the "Buyback Mandate") was granted to the Directors authorising the repurchase by the Company on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned herein (but take no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or the options as may be granted under the Share Option Scheme), at any time until the conclusion of the next annual general meeting of the Company, the expiration of the period within

which the next annual general meeting of the Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and its Shareholders for the Directors to have a general authority from shareholders to enable the Company to repurchase Shares in the market. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit the Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares would be made out of profits of the Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of the profits of the Company or from sums standing the credit of the share premium account of the Company or, subject to the Companies Law, out of capital.

The Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

(d) *Share capital*

Exercise in full of the Buyback Mandate, on the basis of 2,000,000,000 Shares in issue immediately after the listing of the Shares and the Capitalisation Issue (taking no account of the Over-allotment Shares that may be issued pursuant to the exercise of the Over-allotment Option), could accordingly result in up to 200,000,000 Shares being repurchased by the Company during the period until:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles to be held; or



- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

(e) *General*

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No repurchases of Shares has been made by the Company since its incorporation.

No connected person (as defined in the Listing Rules) has notified the Company that he or it has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. The Directors are not aware of any consequences which may arise under the Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and which may fall to be allotted and issued pursuant to the exercise of the any options which may be granted under the Share Option Scheme), the total number of Share which will be repurchased pursuant to the Buyback Mandate shall be 200,000,000 Shares (being 10% of the issued share capital of the Company based on the aforesaid assumptions). The percentage shareholding on Controlling Shareholders will be increased to approximately 83.3% of the issued share capital of the Company immediately following the exercise of the Buyback Mandate in full, which would result in the public shareholding of the Company to fall below the minimum public float requirement under Rule 8.08(1) of the Listing Rules. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the public float requirement under Rule 8.08(1) of the Listing Rules. However, the Directors do not propose to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under Rule 8.08(1) of the Listing Rules.

**B. FURTHER INFORMATION ABOUT THE BUSINESS****1. Summary of material contracts**





The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years preceding the date of this prospectus and are or may be material:













- (a) the Non-compete, Confidentiality and Intellectual Property Rights Agreement dated 21 October 2009 entered into between Chen, Pin-Chou, Kuo, Yuan-Li, Su, Ming-Che and Chen, Li-Nuan (the “Sellers”), Hong Liong Textile and Shishi Maigen pursuant to which the Sellers have agreed to undertake with Hong Liong Textile and Shishi Maigen not to engage in any competing business and provide certain confidentiality undertakings and undertakings in respect of certain intellectual property rights with respect to Shishi Maigen for a consideration of RMB138,600,400;
- (b) the share transfer agreement dated 24 November 2009 between Hong Liong Textile and Prosper Advance in relation to the transfer of the entire share capital in Shishi Maigen from Hong Liong Textile to Prosper Advance for a consideration equivalent to RMB93,576,000 in shares of Prosper Advance;
- (c) the share transfer agreement dated 24 November 2009 between Hong Liong Textile and Star Guide in relation to the transfer of the entire share capital in Fuzhou Aike from Hong Liong Textile to Star Guide for a consideration equivalent to RMB6,555,000 in shares of Star Guide;
- (d) the share transfer agreement dated 24 November 2009 between Hong Liong Textile and Easy Venture in relation to the transfer of the entire share capital in Fuqing Hong Liong from Hong Liong Textile to Easy Venture for a consideration equivalent to RMB249,310,000 in shares of Easy Venture;
- (e) the share transfer agreement dated 24 November 2009 between Lucky Dragon and First Heritage in relation to the transfer of the entire equity interest in Fuqing Ecotex from Lucky Dragon to First Heritage for a consideration equivalent to RMB35,324,000 in shares of First Heritage;
- (f) the deed of indemnity dated 27 November 2009 given by the Controlling Shareholders in favour of the Company and our subsidiaries in respect of, among others, taxation referred to in the sub-section entitled “Estate duty, tax and property indemnity” in this Appendix;
- (g) Deed of Non-Competition; and
- (h) the Underwriting Agreement.



## 2. Intellectual property rights of the Group

## (a) Trade mark






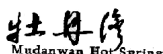
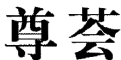
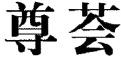








As at the Latest Practicable Date, the Group is the registered proprietor and beneficial owner of the following trade marks:






Trade Mark	Place of Registration	Registration number	Class	Effective period
	Hong Kong	199811010	24	19/11/1997 to 19/11/2014
	Hong Kong	199811011	24	19/11/1997 to 19/11/2014
	Hong Kong	199901235	22	19/11/1997 to 19/11/2014
	PRC	1275728	24	21/5/2009 to 20/5/2019
	PRC	1285721	24	21/6/1999 to 20/6/2019
<b>HO-COOLING</b>	PRC	1621085	24	21/8/2001 to 20/8/2011
	PRC	3096267	25	7/7/2004 to 6/7/2014
	PRC	3096268	24	21/6/2003 to 20/6/2013
	PRC	3339819	25	28/6/2004 to 27/6/2014
	PRC	3339820	25	28/7/2004 to 27/7/2014
	PRC	3339821	25	7/6/2004 to 6/6/2014
	PRC	3339822	25	7/6/2004 to 6/6/2014
	PRC	3339823	25	7/6/2004 to 6/6/2014
	PRC	3339824	25	7/6/2004 to 6/6/2014
	PRC	3732772	35	21/1/2006 to 20/1/2016

Trade Mark	Place of Registration	Registration number	Class	Effective period
	PRC	3732773	40	7/11/2005 to 6/11/2015
	PRC	4197951	24	14/3/2008 to 13/3/2018
	PRC	4197952	24	14/3/2008 to 13/3/2018
	PRC	4197961	24	14/3/2008 to 13/3/2018
	PRC	4544495	24	28/11/2008 to 27/11/2018
	PRC	4901846	35	14/7/2009 to 13/7/2019
	Japan, United Kingdom	790797	25	5/8/2002 to 5/8/2012
	United States of America	830283	35, 40	9/3/2004 to 9/3/2014
	France, Germany, United Kingdom	916964	25	22/2/2007 to 22/2/2017
	Portugal, Switzerland, Seden	917891	25	21/3/2007 to 21/3/2017
	Denmark, Singapore, United Kingdom	980796	24	22/8/2008 to 22/8/2018
	PRC	1525214	25	21/2/2001 to 20/2/2011

Trade Mark	Place of Registration	Registration number	Class	Effective period
	PRC	3311494	25	7/7/2004 to 6/7/2014
	PRC	3311648	25	14/4/2004 to 13/4/2014

As at the Latest Practicable Date, the Group has applied for registration of the following trade marks:

Trade Mark	Place of Application	Application number	Class	Date of Application
	PRC	5873933	25	29/1/2007
	PRC	6193216	44	30/7/2007
	PRC	6193217	43	30/7/2007
	PRC	6193218	41	30/7/2007
	PRC	6193219	39	30/7/2007
	PRC	6193220	35	30/7/2007
	PRC	6288858	25	24/9/2007
	PRC	6288859	18	24/9/2007
	PRC	6374068	40	12/11/2007
	PRC	6374069	35	12/11/2007
	PRC	6374070	28	12/11/2007
	PRC	6374071	25	12/11/2007
	PRC	6374072	18	12/11/2007
	PRC	6374073	40	12/11/2007
	PRC	6374074	35	12/11/2007
	PRC	6374075	25	12/11/2007

Trade Mark	Place of Application	Application number	Class	Date of Application
	PRC	6374076	18	12/11/2007
	PRC	6680349	24	24/4/2008
	PRC	5487962	25	19/7/2006
	PRC	6354744	25	12/12/2007
麦根	PRC	7457441	25	9/6/2009
	PRC	7489456	18	22/6/2009

(b) *Patent*

As at the Latest Practicable Date, the Group has applied for registration of the following invention patent:

Invention Patent	Name of Applicant	Place of Application	Application number	Date of Application
A type of imitation of woven and knitted fabrics and manufacturing methods	Fuqing Hong Liong	PRC	2008101701982	10 October 2008

(c) *Domain Name*

As at the Latest Practicable Date, the Group is the registered proprietor of the following domain name in the PRC:

Domain Name	Name of the Proprietor	Place of Registration	Effective Period
hontex.cn	Fuqing Hong Liong	PRC	23/6/2003 to 23/6/2013
mxn.com.cn	Shishi Maigen	PRC	24/2/2002 to 24/2/2011

## C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

## 1. Directors

(a) *Disclosure of interest — interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations*

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the Capitalisation Issue, the interest or short position of Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed are as follows:

(i) *Long and short positions in the Shares*

<b>Name of Director</b>	<b>Capacity in which interests are held</b>	<b>Number of Shares</b>	<b>Approximate percentage</b>
Shao Ten-Po	Interest of controlled corporation	1,184,724,000 <sup>(1)</sup>	59.24%
Liao Chin-Yi	Interest of controlled corporation	70,044,000 <sup>(2)</sup>	3.50%
	Interest of controlled corporation	857,748,000 <sup>(3)</sup>	42.89%
Tseng Chung-Cheng	Interest of controlled corporation	52,572,000 <sup>(4)</sup>	2.63%
	Interest of controlled corporation	857,748,000 <sup>(3)</sup>	42.89%
Hu Chin-Shu	Interest of controlled corporation	31,200,000 <sup>(5)</sup>	1.56%

*Notes:*

1. Shao Ten-Po is interested in the entire issued share capital of More Will and 53.35% of Head Pearl, he is deemed to be interested in all the Shares held by Head Pearl by virtue of the SFO.
2. Liao Chin-Yi is interested in the entire issued share capital of Speedy Grand.
3. Head Pearl is interested in 857,748,000 Shares and is owned as to 53.53% by Shao Ten-Po, as to 26.43% by Hsu Chieh-Jung, who is not a Director, as to 11.44% by Liao Chin-Yi and as to 8.60% by Tseng Chung-Cheng.
4. Tseng Chung-Cheng is interested in the entire issued share capital of Sunny Beauty.
5. Hu Chin-Shu is interested in the entire issued share capital of Forever Art.

(ii) *Long position in the shares of associated corporation*

<b>Name of Director</b>	<b>Associated Corporation</b>	<b>Nature of interest</b>	<b>Number of shares</b>	<b>Approximate percentage of shareholding</b>
Mr. Shao Ten-Po	Head Pearl	Beneficial interest	5,353	53.53%
Mr. Tseng Chung-Cheng	Head Pearl	Beneficial interest	860	8.60%
Mr. Liao Chin-Yi	Head Pearl	Beneficial interest	1,144	11.44%

(b) *Particulars of service contracts*

Each of the executive Directors has entered into a service contract with the Company for a term of 3 years commencing from the Listing Date unless and until terminated by not less than 3 months' notice in writing served by either party on the other.

(c) *Directors' remuneration*

During the Track Record Period, Mr. Shao Ten-Po, Mr. Hsu Chieh-Jung, Mr. Liao Chin-Yi and Mr. Tseng Chung-Cheng acted in the capacity of both a director and a founder of our Group and they have chosen to receive dividend income in lieu of directors' remuneration. All these directors agreed to waive any emoluments in full or receive a low remuneration during the Track Record Period.

Upon and after Listing, each of the executive Directors is entitled to a director's fee. on the basis of 12 months in a year. In addition, each of the executive Directors is also entitled to a discretionary bonus. An executive Director may not vote on any resolution of our Directors regarding the amount of the bonus payable to him. Under the arrangement currently in force, the aggregate amount of emoluments, excluding the discretionary bonus, if any, payable by the Group to our Directors for the year ending December 31, 2009 will be approximately HK\$3,000,000.



The non-executive Director and independent non-executive Directors have been appointed for a term of one year. Our Company intends to pay an aggregate director's fee of RMB400,000 per annum to the non-executive Director and independent non-executive Directors.

## 2. Substantial Shareholders

So far as the Directors are aware, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the Capitalisation Issue, the following persons (other than the Directors) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity in which interests are held	Number of Shares	Approximate percentage
Head Pearl	Beneficial owner	857,748,000 <sup>(1)</sup>	42.89%
More Will	Beneficial owner	326,976,000 <sup>(1)</sup>	16.35%
Joyous King	Beneficial owner	161,460,000 <sup>(2)</sup>	8.07%

### Notes:

1. Shao Ten-Po is interested in the entire issued share capital of More Will and 53.35% of Head Pearl, he is deemed to be interested in all the Shares held by Head Pearl by virtue of the SFO.
2. Hsu Chieh-Jung is interested in the entire issued share capital of Joyous King.
3. More Will, Joyous King, Sunny Beauty, Speedy Grand, Forever Art, Shao Ten-Po, Hsu Chieh-Jung, Tseng Chung-Cheng, Liao Chin-Yi and Hu Chin-Shu, who together hold 75% interest in our Company, are considered parties acting in concert under the Hong Kong Takeovers Code and entitled to exercise or control the exercise of more than 30% of the voting power at general meetings of the Company, they are regarded as the controlling shareholders of our Company. Details of the concert party arrangements are set out in the section headed "Reorganisation and Group Structure — Concert Party Arrangement in connection with Fuqing Hong Liong, Fuzhou Aike and Shishi Maigen, and Voting Arrangement in Relation to Fuqing Ecotex" of this prospectus.

## 3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of the Group.

## 4. Disclaimers

Save as disclosed herein:

- (a) none of the Directors or chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to

therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;

- (b) none of the Directors or experts referred to under the heading “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Global Offering and the Capitalisation Issue, none of the Directors knows of any person (not being a Director or chief executive of the Company) who will, immediately the following completion of the Global Offering and the Capitalisation Issue, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;
- (f) none of the experts referred to under the heading “Consents of experts” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (g) none of the Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group.

## **D. OTHER INFORMATION**

### **1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the Shareholders passed on 27 November 2009.

#### *(a) Purpose*

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group.

(b) *Who may join*

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group.

(c) *Acceptance of an offer of options to subscribe for Shares granted pursuant to the Share Option Scheme (“Options”)*

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an Option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to the Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), the Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the Grantee certificates in respect of the Shares so allotted.

The exercise of any Option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company.

(d) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date (but taking no account of any Shares which may be issued under the exercise of the Over-allotment Option), being 200,000,000 Shares (the “**Scheme Limit**”), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue (the “**New Scheme Limit**”) as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time (the “**Maximum Limit**”). No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, open offer (if there is a price-dilutive element), consolidation, sub-division of shares or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

(e) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other

scheme of the Company) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:
  - (aa) the Eligible Participant's name, address and occupation;
  - (bb) the date on which an Option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
  - (cc) the date upon which an offer for an Option must be accepted;
  - (dd) the date upon which an Option is deemed to be granted and accepted in accordance with paragraph (c);
  - (ee) the number of Shares in respect of which the Option is offered;
  - (ff) the exercise price and the manner of payment of such price for the Shares on and in consequence of the exercise of the Option;
  - (gg) the date of the notice given by the grantee in respect of the exercise of the Option;
  - (hh) the method of acceptance of the Option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and
- (iii) such other terms and conditions (including, without limitation, any minimum period for which an Option must be held before it can be exercised and/or any performance targets which must be achieved before the Option can be exercised) relating to the offer of the Option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the Listing Rules.

(f) *Price of Shares*

The exercise price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) *Granting options to connected persons*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue or such other percentage as may be from time to time provided under the Listing Rules; and
- (ii) having an aggregate value in excess of HK\$5,000,000 or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant,

such further grant of options will be subject to the approval of the independent non-executive Directors as referred to in this paragraph, the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by the Company to the Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
  - (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
  - (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
  - (iv) the information required under Rule 2.17 of the Listing Rules.
- (h) *Restrictions on the times of grant of Options*

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of the results for any year, or half-year, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of actual publication of such results announcement, and where an option is granted to a Director:

- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) *Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle the Company to cancel any outstanding options or any part thereof granted to such Grantee.

(j) *Time of exercise of Option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme by the sole shareholder of the Company (the “**Adoption Date**”). Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date.

(k) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) *Rights on ceasing employment/death*

If the grantee of an option ceases to be an Eligible Participant:

- (i) by any reason other than death, ill-health, injury, disability or termination of his relationship with the Company and/or any of its subsidiaries on one or more of the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month (or such longer period as the Board may determine) from such cessation which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as the Company may determine); or
- (ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Company and/or any of its subsidiaries under paragraph (m) has occurred, the grantee or his personal representative(s) may exercise the option within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the Options in full (to the extent not already exercised).



(m) *Rights on dismissal*

If the grantee of an Option ceases to be an Eligible Participant on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, or in relation to an employee of the Group (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, his Option will lapse and not be exercisable after the date of termination of his employment.

(n) *Rights on takeover*

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) *Rights on winding-up*

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) *Rights on compromise or arrangement between the Company and its members or creditors*

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which the Company was incorporated, the Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and the Company shall as soon as possible in any event no later than 12:00 noon

(Hong Kong time) on the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of issue.

(r) *Effect of alterations to capital*

In the event of any alteration in the capital structure of the Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer (if there is a price-dilutive element), consolidation, subdivision or reduction of share capital of the Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the exercise price per Share of each outstanding option, the New Scheme Limit and the Maximum Limit as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issues relating to share option schemes and any future and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of the Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on the Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of the Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issues relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of the Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of the Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of the Company or any of its subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) *Cancellation of Options*

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (i).

(v) *Termination of the Share Option Scheme*

The Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as result of the waiver of any such condition(s) by the Sole Lead Manager (on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within two calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

The Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/ interim reports in accordance with the Listing Rules in force from time to time.

(z) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 200,000,000 Shares in total.

## 2. Estate duty, tax and property indemnity

Each of the Controlling Shareholder, pursuant to the deed of indemnity referred to in the paragraph headed “Summary of material contracts” of this Appendix, has given joint and several indemnities in respect of, among other things (a) any liability for Hong Kong estate duty which might be incurred by any member of the Group by virtue of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) to any member of the Group prior to the date on which The Revenue (Abolition Estate Duty) Ordinance 2005 came into effect, being 11 February 2006, and (b) any tax liabilities which might be payable by any member of the Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the date on which the Global Offering becomes unconditional (the “**Effective Date**”) or any event or transaction entered into or occurring on or before the Effective Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company, save to the extent:

- (a) provision has been made for such taxation in the audited accounts of the Companies or any of them, for each of three years ended 31 December 2008 and the half year ended 30 June 2009; or
- (b) falling on any of member of the Group on or after the Effective Date except liability for such taxation would not have arisen as a result of some act or omission of, or transaction voluntarily effected by, any of member of the Group or any of them (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Effective Date; or
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Effective Date; or

- (iii) consisting of any of member of the Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of such taxation; or
- (c) to the extent of any provisions or reserve made for such taxation in the audited accounts of any member of the Group or any of them for each of the three years ended 31 December 2008 and the half year ended 30 June 2009 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant to the deed of indemnity to reduce the Indemnifiers' liability in respect of such taxation shall not be available in respect of any such liability arising thereafter; or
- (d) that such claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or practice coming into force after the Effective Date or to the extent that such claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect.

In addition, pursuant to the deed of indemnity, the Indemnifiers have also given indemnity in connect with some properties owned by the Group (the “**Affected Properties**”) and certain lease agreements (the “**Lease Agreements**”) in respect of the lease properties currently used by the Group (the “**Leased Properties**”). Each of the Indemnifiers has jointly and severally undertaken to indemnify and to keep each of the member of the Group fully indemnified in respect of any loss, damages, liability, relocation cost and disruption in operation suffered and all costs and expenses incurred by any member of the Group as a result of or otherwise arising from, whether directly or indirectly, any property claim in relation to the properties of the Group including, without limitation the forfeiture of the tenancy under any of the Lease Agreements due to any failure of any of the lessors (the “**Lessors**”) of the Leased Properties under the Lease Agreements and/or any of the Lessors or the Group does not have the building ownership right or land use right in respect of the Leased Properties and/or the Affected Properties or has not obtained the required land use right certificate and building ownership certificate in respect thereof, or otherwise does not have the right, authority or capacity to grant the tenancy of the Leased Properties under the Lease Agreements or the actual use of any of the Leased Properties and/or the Affected Properties does not comply with the permitted use under the relevant land use right certificate and building ownership certificate.

Furthermore, each of the Indemnifiers has also jointly and severally undertaken to indemnify and keep each of the Group members fully indemnified against all claims (including but not limited to any taxation claim issued or action taken by any statutory or governmental authority whatsoever in Hong Kong, Taiwan and the PRC or any part of the world), actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses, fines and of whatever nature suffered or incurred by any member of the Group directly or indirectly as a result of or in connection with any of the following:

- (a) the Concert Party Arrangement as referred to in the sub-section headed “Concert Party Arrangement in Connection with Fuqing Hong Liang, Fuzhou Aike and Shishi Maigen, and voting arrangement in relation to Fuqing Ecotex” under the section headed “Corporate Reorganisation and Group Structure” in this prospectus; and
- (b) the cross strait investment as referred to in the sub-section headed “Cross Strait Investment” under the section headed “Regulations” in this prospectus.

### 3. Litigation

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

### 4. Sponsor

The Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and any options as may be granted under the Share Option Scheme).

### 5. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately HK\$185,000 and are payable by the Company.

### 6. Promoter

The Company does not have any promoter. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to such promoter in connection with the Global Offering and the related transactions described in this prospectus.

### 7. Taxation of holders of Shares

#### (a) *Hong Kong*

The sale, purchase and transfer of Shares registered with the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Shares are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong). The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of the Shares whose death occurs on or after 11 February 2006.

#### (b) *Cayman Islands*

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

#### (c) *Consultation with professional advisers*

Intending holders of Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of the Company, the Directors or the other parties

involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise any rights attaching to them.

#### 8. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualifications</b>
Mega Capital	Licensed corporation to conduct type 1 and 6 regulated activities under the SFO
KPMG	Certified public accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jones Lang LaSalle Sallmanns Limited	Professional property surveyors and valuers
Jingtian & Gongcheng Attorneys at Law	Qualified PRC lawyers
Chien Yeh Law Offices	Qualified Taiwan lawyers

#### 9. Consents of experts

Each of Mega Capital, KPMG, Conyers Dill & Pearman, Jones Lang LaSalle Sallmanns Limited, Jingtian & Gongcheng Attorneys at Law and Chien Yeh Law Offices has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

#### 10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

#### 11. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;



- (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
  - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries;
- (b) there are no founder, management or deferred shares nor any debentures in the Company or any of its subsidiaries;
  - (c) none of the persons named in the sub-paragraph headed “Consents of experts” in this Appendix is interested beneficially or otherwise in any shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group;
  - (d) the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 30 June 2009 (being the date to which the latest audited financial statements of the Group were made up);
  - (e) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus;
  - (f) the principal register of members of the Company will be maintained in the Cayman Islands by Butterfield Fulcrum Group (Cayman) Limited and a branch register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Company’s share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
  - (g) no company within the Group is presently listed on any stock exchange or traded on any trading system;
  - (h) the Directors have been advised that, under the Companies Law, the use of a Chinese name by the Company for identification purposes only does not contravene the Companies Law; and
  - (i) the English text of this prospectus shall prevail over the Chinese text.

**12. Particulars of the Selling Shareholders**

Particulars of the Selling Shareholders are as follows:

- |                       |   |   |
|-----------------------|---|---|
| (1) Name              | : | Head Pearl International Limited  |
| Description           | : | Corporation   |
| Address               | : | P.O. Box 957, Offshore Incorporations Centre<br>Road Town, Tortola, British Virgin Islands            |
| Shareholders          | : | Shao Ten-Po — 53.53%<br>Hsu Chieh-Jung — 26.43%<br>Tseng Chung-Cheng — 8.60%<br>Liao Chin-Yi — 11.44% |
| Number of Sale Shares | : | 58,752,000 Shares   |
|                       |   |   |
| (2) Name              | : | Forever Art Holdings Limited  |
| Description           | : | Corporation   |
| Address               | : | P.O. Box 957, Offshore Incorporations Centre<br>Road Town, Tortola, British Virgin Islands            |
| Shareholders          | : | Hu Chin-Shu — 100%  |
| Number of Sale Shares | : | 1,248,000 Shares  |

*Note:* Shao Ten-Po, Hsu Chieh-Jung, Tseng Chung-Cheng and Liao Chin-Yi collectively own the entire issued share capital of Head Pearl. Each of Shao Ten-Po, Tseng Chung-Cheng and Liao Chin-Yi is a Director of the Company. Hu Chin-Shu, who is the sole shareholder of Forever Art, is a Director of the Company.

**13. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).