The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the auditors and reporting accountants of the Group, Ernst & Young.

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

26 January 2010

The Directors
Sijia Group Company Limited
Piper Jaffray Asia Limited

Dear Sirs,

We set out below our report on the financial information relating to Sijia Group Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the years ended 31 December 2006, 2007 and 2008 and the eight-month period ended 31 August 2009 (the "Relevant Periods"), and the eight-month period ended 31 August 2008 (the "31 August 2008 Financial Information"), prepared on the basis of presentation set forth in note 2 of Section II, for inclusion in the initial public offering document of the Company dated 26 January 2010 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 7 October 2009. On 15 December 2009, the Company acquired the entire issued share capital of China Grandsoo Holdings Limited ("China Grandsoo"), a company incorporated in the British Virgin Islands, which is the holding company of the other subsidiaries comprising the Group as set out in note 1 of Section II pursuant to a group reorganization (the "Reorganization"). Apart from the aforesaid acquisition, the Company has not commenced any business or operation since its incorporation.

The Group is principally involved in the design, development, manufacture and sale of reinforced PVC coated fabric materials and related downstream inflatable and waterproof products in the People's Republic of China (the "PRC" or "Mainland China").

The financial information set out in this report, including the combined statements of income, comprehensive income, changes in equity and cash flows of the Group for the Relevant Periods, and the combined statements of financial position of the Group as at 31 December 2006, 2007 and 2008, and 31 August 2009, together with the notes thereto (collectively referred to as the "Financial Information"), has been prepared based on the combined financial statements of the Group in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and is presented on the basis set out in note 2 of Section II which were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA. In preparing this report, no adjustments were considered necessary to restate the audited combined financial statements of the Group.

Respective Responsibilities of Directors and Reporting Accountants

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

The Financial Information set out in this report has been prepared based on the audited combined financial statements of the Group as if the Reorganization had been completed as at the beginning of the Relevant Periods.

The 31 August 2008 Financial Information has been prepared solely for the purpose of this report. The directors of the Company are responsible for preparing this comparative financial information. It is our responsibility to form an independent review conclusion, based on our review on the comparative financial information and to report our conclusion to you.

Procedures Performed in Respect of the Financial Information

We have audited the combined financial statements of the Group for each of the three years ended 31 December 2006, 2007 and 2008 and the eight-month period ended 31 August 2009, which were prepared by the directors of the Company in accordance with HKFRSs. We conducted our audit in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

For the purpose of this report, we have examined the audited combined financial statements of the Group for the Relevant Periods, and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Procedures Performed in Respect of the 31 August 2008 Financial Information

For the purpose of this report, we have also performed a review of the 31 August 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists principally of making enquiries of management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31 August 2008 Financial Information.

Opinion in Respect of the Financial Information

In our opinion, the Financial Information for the Relevant Periods prepared on the basis of presentation set out in note 2 of Section II gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2006, 2007 and 2008, and 31 August 2009, and of the Group's combined comprehensive income and the combined cash flows for the Relevant Periods in accordance with HKFRSs.

Review conclusion in Respect of the 31 August 2008 Financial Information

Based on our review, which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 31 August 2008 Financial Information does not give a true and fair view of the combined comprehensive income and cash flows of the Group for the eight-month period ended 31 August 2008 in accordance with HKFRSs.

I. FINANCIAL INFORMATION

Combined statements of income

	Notes	Year ended 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000	Eight months ended 31 August 2008 RMB'000 (Unaudited)	2009 RMB'000
CONTINUING OPERATIONS						
REVENUE	6	84,132	148,715	299,644	202,962	351,137
Cost of sales		(62,831)	(102,718)	(180,480)	(114,016)	(200,814)
Gross profit		21,301	45,997	119,164	88,946	150,323
Other income and gains	6	816	348	3,308	2,361	1,318
Selling and distribution costs		(1,087)	(1,660)	(4,317)	(2,238)	(2,529)
Administrative expenses		(9,765)	(13,512)	(20,959)	(15,392)	(26,098)
Other expenses		(282)	(718)	(485)	(457)	(328)
Finance costs	8	(415)	(758)	(1,951)	(1,290)	(1,529)
PROFIT BEFORE TAX	7	10,568	29,697	94,760	71,930	121,157
Tax	11	(1,605)	(3,568)	(15,313)	(10,034)	(20,482)
PROFIT FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS		8,963	26,129	79,447	61,896	100,675
DISCONTINUED OPERATION						
Profit for the year/period from a discontinued operation	7/13	11,921	13,255	1,730	1,730	–
PROFIT FOR THE YEAR/PERIOD		20,884	39,384	81,177	63,626	100,675
Attributable to:						
* Equity holders of the Company		15,671	36,783	61,266	48,300	100,675
Non-controlling interests		5,213	2,601	19,911	15,326	–
		20,884	39,384	81,177	63,626	100,675
DIVIDENDS	14	–	–	29,080	–	–
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
Basic (RMB):						
For profit for the year/period	12	1.96 cents	4.60 cents	7.66 cents	6.04 cents	12.58 cents
For profit from continuing operations	12	0.86 cents	3.05 cents	7.49 cents	5.87 cents	12.58 cents
For profit from a discontinued operation	12	1.10 cents	1.55 cents	0.17 cents	0.17 cents	–
* Profit attributable to equity holders of the Company:						
– from continuing operations		6,902	24,356	59,951	46,985	100,675
– from a discontinued opeartion		8,769	12,427	1,315	1,315	–
		15,671	36,783	61,266	48,300	100,675

Combined statements of comprehensive income

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
PROFIT FOR THE YEAR/PERIOD	20,884	39,384	81,177	63,626	100,675
Exchange differences on translation of foreign operation	445	1,290	705	133	(38)
Other comprehensive income/(loss) for the year/period, net of tax	445	1,290	705	133	(38)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	21,329	40,674	81,882	63,759	100,637
Attributable to:					
Equity holders of the Company	16,116	38,073	61,971	48,433	100,637
Non-controlling interests	5,213	2,601	19,911	15,326	–
	21,329	40,674	81,882	63,759	100,637

Combined statements of financial position

	Notes	As at 31 December 2006 RMB'000	As at 31 December 2007 RMB'000	As at 31 December 2008 RMB'000	As at 31 August 2009 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	61,365	71,815	67,381	80,602
Prepaid land lease payments	16	5,105	5,597	5,499	5,435
Intangible assets	17	–	–	382	325
Advance payments for property, plant and equipment		361	144	11,385	416
Total non-current assets		66,831	77,556	84,647	86,778
CURRENT ASSETS					
Inventories	18	31,067	19,896	36,825	34,175
Trade and notes receivables	19	13,543	31,666	45,462	51,505
Prepayments, deposits and other receivables	20	11,566	15,170	13,997	13,611
Due from directors	33	–	1,281	500	75
Due from related parties	33	2,500	2,820	–	–
Cash and cash equivalents	21	16,133	30,340	87,612	227,673
		74,809	101,173	184,396	327,039
Assets of a disposal group classified as held for sale	13	20,637	16,948	–	–
Total current assets		95,446	118,121	184,396	327,039
CURRENT LIABILITIES					
Trade and bills payables	22	42,991	44,326	50,102	62,628
Other payables and accruals	23	31,309	12,647	11,011	22,842
Interest-bearing bank borrowings	24	9,312	11,317	19,500	33,500
Due to directors	33	17,469	18,850	35,887	36,263
Due to a related party	33	–	2,300	–	883
Tax payable		314	896	3,317	6,029
		101,395	90,336	119,817	162,145

		As at 31 December			As at 31 August
		2006	**2007**	**2008**	**2009**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities directly associated with the assets classified as held for sale	13	8,004	10,272	–	–
Total current liabilities		109,399	100,608	119,817	162,145
NET CURRENT ASSETS/(LIABILITIES)		(13,953)	17,513	64,579	164,894
TOTAL ASSETS LESS CURRENT LIABILITIES		52,878	95,069	149,226	251,672
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	24	–	4,375	3,875	3,542
Deferred tax	25	–	–	1,455	3,597
Total non-current liabilities		–	4,375	5,330	7,139
Net assets		52,878	90,694	143,896	244,533
EQUITY					
Equity attributable to equity holders of the Company					
Issued share capital	26	11	11	11	11
Reserves	27	4,331	22,553	49,988	60,290
Retained profits		35,306	68,130	93,897	184,232
		39,648	90,694	143,896	244,533
Non-controlling interests		13,230	–	–	–
Total equity		52,878	90,694	143,896	244,533

Combined statements of changes in equity

	Attributable to equity holders of the Company								
	Issued share capital RMB'000	Capital surplus* (note 27) RMB'000	Statutory surplus reserve* (note 27) RMB'000	Translation of foreign operations* (note 27) RMB'000	Capital reserve* (note 27) RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2006	11	–	1,783	258	76	21,404	23,532	8,017	31,549
Exchange realignment	–	–	–	445	–	–	445	–	445
Profit for the year	–	–	–	–	–	15,671	15,671	5,213	20,884
Total comprehensive income for the year	–	–	–	445	–	15,671	16,116	5,213	21,329
Appropriation to statutory surplus reserve	–	–	1,769	–	–	(1,769)	–	–	–
At 31 December 2006 and 1 January 2007	11	–	3,552	703	76	35,306	39,648	13,230	52,878
Exchange realignment	–	–	–	1,290	–	–	1,290	–	1,290
Profit for the year	–	–	–	–	–	36,783	36,783	2,601	39,384
Total comprehensive income for the year	–	–	–	1,290	–	36,783	38,073	2,601	40,674
Acquisition of non-controlling interests(i)	–	–	–	–	12,973	–	12,973	(15,831)	(2,858)
Appropriation to statutory surplus reserve	–	–	3,959	–	–	(3,959)	–	–	–
At 31 December 2007 and 1 January 2008	11	–	7,511	1,993	13,049	68,130	90,694	–	90,694
Exchange realignment	–	–	–	705	–	–	705	–	705
Profit for the year	–	–	–	–	–	61,266	61,266	19,911	81,177
Total comprehensive income for the year	–	–	–	705	–	61,266	61,971	19,911	81,882
Dividends paid	–	–	–	–	–	(29,080)	(29,080)	–	(29,080)
Acquisition of non-controlling interests(ii)	–	(1,378)	–	–	14,873	–	13,495	(31,145)	(17,650)
Disposal of non-controlling interests(iii)	–	5,744	–	–	795	–	6,539	11,234	17,773
Disposal of subsidiaries	–	–	–	–	277	–	277	–	277
Appropriation to statutory surplus reserve	–	–	6,419	–	–	(6,419)	–	–	–
At 31 December 2008 and 1 January 2009	11	4,366	13,930	2,698	28,994	93,897	143,896	–	143,896

(i) *On 5 March 2007, Xiamen Grandsoo Industry & Trade Co., Ltd. acquired an additional 23% interest in Fujian Sijia Industrial Material Co., Ltd. ("Fujian Sijia") from Xiamen Ming Lian Da Trading Co., Ltd. at a consideration of HK$2,300,000.*

On 8 September 2007, Sijia International Holding Limited acquired an additional 47.65% interest in Smile in Rain (Fuzhou) Waterproof Garments Co., Ltd. from Mr. Lam at a consideration of RMB405,000.

(ii) *On 20 November 2008, Xiamen Grandsoo acquired an additional 24% interest in Fujian Sijia from Xiamen Kailai Trading, Fuzhou Jutai Trading, Fuzhou Sanfang Trading and Sanming YueHui Investment Co., Ltd. at total consideration of RMB17,650,000.*

(iii) *On 17 December 2007, Xiamen Grandsoo transferred its 5% interest in Fujian Sijia to Sanming YueHui Investment Co., Ltd. at a consideration of HK$3,000,000 and the disposal was completed on 1 January 2008.*

The registered capital of Fujian Sijia was increased from HK$40,000,000 to HK$50,000,000 and the additional HK$10,000,000 registered capital was issued at an amount of RMB15,000,000 to Xiamen Kailai Trading Co., Ltd., Fuzhou Jutai Trading Co., Ltd., Fuzhou Sanfang Trading Co., Ltd. and Sanming YueHui Investment Co., Ltd. on 23 January 2008, 30 January 2008 and 23 February 2008, respectively.

	Attributable to equity holders of the Company								
	Issued share capital RMB'000	Capital surplus* (note 27) RMB'000	Statutory surplus reserve* (note 27) RMB'000	Translation of foreign operations* (note 27) RMB'000	Capital reserve* (note 27) RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2008 and 1 January 2009	11	4,366	13,930	2,698	28,994	93,897	143,896	–	143,896
Exchange realignment	–	–	–	(38)	–	–	(38)	–	(38)
Profit for the period	–	–	–	–	–	100,675	100,675	–	100,675
Total comprehensive income for the period	–	–	–	(38)	–	100,675	100,637	–	100,637
Appropriation to statutory surplus reserve	–	–	10,340	–	–	(10,340)	–	–	–
At 31 August 2009	11	4,366	24,270	2,660	28,994	184,232	244,533	–	244,533

* *These reserve accounts comprise the combined reserves of RMB4,331,000, RMB22,553,000, RMB49,988,000 and RMB60,290,000 in the combined statements of financial position as at 31 December 2006, 2007 and 2008 and 31 August 2009, respectively.*

Combined statements of cash flows

		Year ended 31 December			Eight months ended 31 August	
		2006	2007	2008	2008	2009
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax						
From continuing operations		10,568	29,697	94,760	71,930	121,157
From a discontinued operation	*13*	13,545	15,442	1,983	1,983	–
Adjustments for:						
Finance costs	*8*	415	758	1,951	1,290	1,529
Bank interest income	*6*	(147)	(224)	(463)	(149)	(228)
Foreign exchange differences, net	*7*	236	599	376	358	16
Gain on disposal of subsidiaries	*6*	–	–	(2,158)	(2,158)	–
Depreciation	*7*	4,763	6,420	7,004	4,656	5,858
Loss on disposal of items of property, plant and equipment	*7*	29	–	–	–	300
Amortisation of prepaid land lease payments	*7*	90	102	98	62	64
Amortisation of intangible assets	*7*	–	–	46	–	57
		29,499	52,794	103,597	77,972	128,753
(Increase)/decrease in inventories		(25,326)	13,126	(10,613)	(47,226)	2,650
(Increase) in trade and notes receivables		(4,895)	(16,279)	(13,640)	(14,806)	(6,043)
(Increase)/decrease in prepayments, deposits and other receivables		(9,843)	(3,592)	(1,888)	(13,713)	386
Decrease/(increase) in amounts due from directors		6	(1,281)	781	1,281	425
(Increase) in amounts due from related parties		(2,500)	(320)	–	–	–
Increase/(decrease) in trade and bills payables		21,833	5,048	(3,036)	21,251	12,526
Increase/(decrease) in other payables and accruals		17,307	(18,980)	1,729	3,841	11,793
Increase in amounts due to directors		6,291	1,381	27,844	14,315	376
Increase/(decrease) in an amount due to a related party	*33(b)*	–	2,300	(2,300)	(2,300)	883
Cash generated from operations		32,372	34,197	102,474	40,615	151,749
Tax paid		(2,640)	(5,010)	(11,963)	(6,658)	(15,628)
Interest paid	*8*	(415)	(758)	(1,951)	(1,290)	(1,529)
Net cash inflow from operating activities		29,317	28,429	88,560	32,667	134,592

	Notes	Year ended 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000	Eight months ended 31 August 2008 RMB'000 (Unaudited)	2009 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment	15	(33,450)	(16,438)	(15,325)	(2,454)	(10,173)
Additions to prepaid land lease payments	16	(1,122)	(606)	–	–	–
Additions to intangible assets	17	–	–	(428)	–	–
Proceeds from disposal of property, plant and equipment	13	55	–	2,146	2,146	1,763
Acquisition of non-controlling interests		–	(2,858)	(17,650)	–	–
Disposal of subsidiaries	28	–	–	(45)	(45)	–
Interest received	6	147	224	463	149	228
Net cash outflow from investing activities		(34,370)	(19,678)	(30,839)	(204)	(8,182)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans		10,692	16,382	28,740	28,740	29,000
Repayment of bank loans		(18,380)	(10,002)	(21,057)	(20,890)	(15,333)
Capital contributed by minority shareholders		–	–	15,000	15,000	–
Dividends paid		–	–	(29,080)	–	–
Net cash inflow/(outflow) from financing activities		(7,688)	6,380	(6,397)	22,850	13,667
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(12,741)	15,131	51,324	55,313	140,077
Cash and cash equivalents at beginning of year/period		35,109	22,132	36,664	36,664	87,612
Effect of foreign exchange rate changes, net		(236)	(599)	(376)	(358)	(16)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		22,132	36,664	87,612	91,619	227,673
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents	21	16,133	30,340	87,612	91,619	227,673
Cash and cash equivalents attributable to a discontinued operation	13	5,999	6,324	–	–	–
		22,132	36,664	87,612	91,619	227,673

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND THE REORGANIZATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 7 October 2009. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1–1111, Cayman Islands.

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the section headed "Corporate Reorganization" in Appendix VI "Statutory and General Information" of the Prospectus and the following events occurred:

(1) On 10 September 2009, Hopeland International Holdings Company Limited ("Hopeland International") (浩林國際控股有限公司) was established as a limited liability company under the laws of the British Virgin Islands and was authorized to issue up to 50,000 shares of US$1.00 each. At its establishment, Hopeland International was wholly owned by Lin Shengxiong ("Mr. Lin").

(2) On 7 October 2009, the Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands and was authorized to issue up to 380,000,000 shares of HK$0.001 each. At its establishment, the Company was wholly owned by Hopeland International.

(3) On 7 September 2009, China Grandsoo Holdings Company Limited ("China Grandsoo") (中國浩源控股有限公司) was incorporated as a limited liability company under the laws of the British Virgin Islands and was authorized to issue up to 50,000 shares of US$1.00 each. At its establishment, China Grandsoo is wholly owned by Mr. Lin. On 10 September 2009, Mr. Lin transferred all his interests in China Grandsoo to Hopeland International.

(4) On 21 October 2009, Mr. Lin transferred the entire interest in the share capital of Sijia International Holding Limited ("Hong Kong Sijia") to China Grandsoo for a consideration of US$2.00. Upon the completion of the said transfer, Hong Kong Sijia became a wholly-owned subsidiary of China Grandsoo.

(5) On 15 December 2009, Hopeland International and the Company, among others, entered into a share purchase agreement, pursuant to which the entire interest in the share capital of China Grandsoo was transferred from Hopeland International to the Company. In consideration of the said transfer, the Company allotted and issued 99,990,000 shares with a par value of HK$0.001 each, credited as fully paid, to Hopeland International. Upon the completion of the said transfer, China Grandsoo became a wholly-owned subsidiary of the Company.

At the date of this report, the Company has direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered paid-up capital	Percentage of equity interest attributable to the Group	Principal activities
China Grandsoo *(i)*	British Virgin Islands 7 September 2009	US$50,000	100	Investment holding
Hong Kong Sijia *(ii)*	Hong Kong 15 April 2002	HK$10,000	100	Investment holding
Fujian Sijia Industrial Material Co., Ltd. ("Fujian Sijia") *(iv)*	People's Republic of China 25 September 2002	HK$65,000,000	100	Manufacturing and selling of laminated and coated tarpaulin, fabric materials used for outdoor products and safety garments
Xiamen Grandsoo Industry & Trade Material Co., Ltd. ("Xiamen Grandsoo") *(iii)*	People's Republic of China 26 May 2006	HK$40,000,000	100	Manufacturing of TPU, TPR thermoplastic elastomers laminated materials, PET package materials PVC and TPU tarpaulin and related inflatable products

(i) No statutory audited financial statements have been prepared since its date of incorporation as it is not subject to any statutory audit requirements in its jurisdiction of incorporation.

(ii) No statutory audited financial statements have been prepared since its date of incorporation as it has not commenced its operations.

(iii) No statutory audited financial statements for the period from its date of incorporation to 31 December 2006 have been prepared as it had not commenced its operations during that period. The statutory audited financial statements for the years ended 31 December 2007 and 2008 prepared in accordance with the PRC accounting principles and regulations were audited by Xiamen Yihuaxin Certified Public Accountants registered in the PRC.

(iv) The statutory audited financial statements for the years ended 31 December 2006, 2007 and 2008 prepared in accordance with the PRC accounting principles and regulations were audited by Fujian Tian Yuan Certified Public Accountants registered in the PRC.

During the Relevant Periods, the Company disposed of its direct or indirect interests in the following subsidiaries, all of which are private limited liability companies and the particulars of these subsidiaries are set out below:

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered paid-up capital	Percentage of equity interest attributable to the Group	Principal activities
Fujian Si Tai Di Plastic Co., Ltd. (formerly known as Fujian Fang Ya Plastic Co., Ltd.) ("Fujian Si Tai Di") *(v)*	People's Republic of China 5 December 2000	HK$10,000,000	100	Manufacturing of rain clothes, garments, tents, luggage and other plastic products
Smile in Rain (Fuzhou) Water-proof Garments Co., Ltd. (formerly known as Fujian Fang Ya Garments Co., Ltd.) ("Smile in Rain") *(vi)*	People's Republic of China 24 January 2000	HK$10,000,000	100	Manufacturing of rain clothes, nylon garments and other textile products

(v) The statutory audited financial statements for the years ended 31 December 2006 and 2007 prepared in accordance with the PRC accounting principles and regulations were audited by Fujian Galaxy Certified Public Accountants Co., Ltd. registered in the PRC.

(vi) The statutory audited financial statements for the year ended 31 December 2006 prepared in accordance with the PRC accounting principles and regulations were audited by Fujian Tianlian Certified Public Accountants registered in the PRC. The statutory audited financial statements for the year ended 31 December 2007 prepared in accordance with the PRC accounting principles and regulations were audited by Fujian Haixia Certified Public Accountants Ltd. registered in the PRC.

2. BASIS OF PRESENTATION

Pursuant to the Reorganization, the Company became the holding company of the companies now comprising the Group on 15 December 2009. Since Mr. Lin controlled the Group before and after the Reorganization, the Reorganization is accounted for as reorganization under common control in a manner similar to the pooling of interests. As a result, the Financial Information is prepared under the basis as if the Reorganization had been completed at the beginning of the Relevant Periods.

The Financial Information which is based on the audited combined financial statements of the companies now comprising the Group includes the combined statements of income, comprehensive income, changes in equity, cash flows and financial position of the companies now comprising the Group, as if the current group structure had been in existence throughout the years, or since their respective dates of incorporation, whichever is a shorter period. All significant intra-group transactions and balances have been eliminated on consolidation.

3.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance. The Financial Information has been prepared under the historical cost convention. The accounting policies set out in note 3.3 have been consistently applied throughout the Relevant Periods. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 1 (Revised)	*First-time Adoption of HKFRSs* [1]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* [2]

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** in May 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for annual periods beginning on or after 1 July 2009 and the amendment to Appendix to HKAS 18 which has no specified transitional provisions, the amendments included in *Improvements to HKFRSs* are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for transfers of assets from customers received on or after 1 July 2009

* Improvements to HKFRSs contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendix to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, the other new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Financial Information incorporates the financial statement items of the combining entities or businesses which underwent the Reorganization under common control as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or the excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of the Reorganization under common control. The combined statements of income and comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the Reorganization under common control.

All income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of non-controlling interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized in equity.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's combined statements of income and comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, non-current assets, and a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the combined statements of comprehensive income in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the combined statements of comprehensive income in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the combined statements of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation of the property, plant and equipment is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.5%
Plant and machinery	9% to 18%
Leasehold improvement	30%
Office equipment	18%
Motor vehicles	18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each reporting date.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the combined statements of comprehensive income in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

Software

Purchased software are stated at cost less any impairment losses and amortised on the straight-line basis over their estimated useful lives of five years.

Patents

Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five years.

Research and development costs

All research costs are charged to the combined statements of comprehensive income as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the combined statements of comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the combined statements of comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the combined statements of comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the reporting date.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the combined statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortisation process.

Fair value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognized in the combined statements of comprehensive income. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the combined statements of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and notes receivables and deposits and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, amounts due to directors and a related party and interest-bearing bank borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognized within "finance costs" in the combined statements of comprehensive income.

Gains and losses are recognized in the combined statements of comprehensive income when the liabilities are derecognized as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the combined statements of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the combined statements of comprehensive income, or in equity if it relates to items that are recognized in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the combined statements of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Retirement benefits

The Group's subsidiaries which operate in Mainland China participate in defined contribution retirement benefit schemes organized by the local government authorities in the PRC. These subsidiaries are required to make contributions to the retirement benefit schemes which are based on a certain percentage of the total salary of these employees and have no further obligation for post-retirement benefits. The contributions are charged to the combined statements of comprehensive income of the Group as they become payable in accordance with the rules of the schemes.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the reporting date. All differences are taken to the combined statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of certain entity in the Group is currency other than RMB. As at the reporting date, the assets and liabilities of the entity are translated into the presentation currency of the Group at the exchange rates ruling at the reporting date and its income statements and comprehensive income statement are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are included in the translation of foreign operations.

For the purpose of the combined cash flow statement, the cash flows of certain entity in the Group are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of this entity which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

There is no significant effect on the amounts recognized in the financial statements arising from the judgements, apart from those involving estimations, made by management in the process of applying the Group's accounting policies.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Income tax

The Group is subject to income taxes in various regions. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision of corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the corporate income tax and tax provisions in the period in which the differences are realized.

Impairment of trade and other receivables

Impairment of trade and other receivables is made based on ongoing assessment of the recoverability of trade and other receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact the carrying values of the trade and other receivables and impairment loss in the period in which such estimate has been changed.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residues values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed, at each financial year end date based on changes in circumstances.

5. SEGMENT INFORMATION

For management purposes, the Group is not organized into business units based on their products and services and there are no reportable operating segments.

All of the non-current assets of the Group were located in the PRC during the Relevant Periods and the eight months ended 31 August 2008.

Geographical information

Year ended 31 December 2006

	PRC	**Non-PRC**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Sales to external customers	129,843	43,983	173,826
Attributable to a discontinued operation	(45,917)	(43,777)	(89,694)
Revenue from continuing operations	83,926	206	84,132
Other segment information:			
Non-current assets	66,831	–	66,831

Year ended 31 December 2007

	PRC	Non-PRC	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Sales to external customers	192,520	56,676	249,196
Attributable to a discontinued operation	(46,335)	(54,146)	(100,481)
Revenue from continuing operations	146,185	2,530	148,715
Other segment information:			
Non-current assets	77,556	–	77,556

Year ended 31 December 2008

	PRC	Non-PRC	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Sales to external customers	299,106	22,123	321,229
Attributable to a discontinued operation	(9,263)	(12,322)	(21,585)
Revenue from continuing operations	289,843	9,801	299,644
Other segment information:			
Non-current assets	84,647	–	84,647

Eight months ended 31 August 2009

	PRC	Non-PRC	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Sales to external customers	342,655	8,482	351,137
Revenue from continuing operations	342,655	8,482	351,137
Other segment information:			
Non-current assets	86,778	–	86,778

Eight months ended 31 August 2008 (Unaudited)

	PRC	Non-PRC	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Sales to external customers	205,037	19,510	224,547
Attributable to a discontinued operation	(9,263)	(12,322)	(21,585)
Revenue from continuing operations	195,774	7,188	202,962
Other segment information:			
Non-current assets	73,634	–	73,634

The revenue information is based on the location of the customers.

No revenue from transactions with a single customer amounted to more than 10% of the Group's total revenue.

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of valued-added tax and government surcharges, and after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

		Year ended 31 December			Eight months ended 31 August	
		2006	2007	2008	2008	2009
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue						
Sale of goods from continuing operations		84,132	148,715	299,644	202,962	351,137
Sale of goods from a discontinued operation	*13*	89,694	100,481	21,585	21,585	–
		173,826	249,196	321,229	224,547	351,137
Other income and gains						
Bank interest income		147	224	463	149	228
Government subsidies		613	124	682	54	720
Gain on disposal of subsidiaries	*28*	–	–	2,158	2,158	–
Others		56	–	5	–	370
		816	348	3,308	2,361	1,318

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Eight months ended 31 August	
		2006	**2007**	**2008**	**2008**	**2009**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of inventories sold		62,831	102,718	180,480	114,016	200,814
Depreciation	*15*	4,763	6,420	7,004	4,656	5,858
Amortisation of prepaid land lease payments	*16*	90	102	98	62	64
Amortisation of intangible assets	*17*	–	–	46	–	57
Research and development costs		5,549	7,256	13,125	10,579	21,738
Operating lease expenses*		1,418	1,580	275	187	122
Loss on disposal of items of property, plant and equipment		29	–	–	–	300
Auditors' remuneration		5	8	8	–	–
Employee benefit expense (including directors' remuneration):*	*9*					
Wages and salaries		14,715	15,056	7,462	4,591	4,848
Pension scheme contributions		1,439	1,363	557	360	390
Staff welfare expenses		1,327	1,097	665	500	1,252
		17,481	17,516	8,684	5,451	6,490
Foreign exchange differences, net		236	599	376	358	16
Bank interest income*		147	224	463	149	228
Gain on disposal of subsidiaries	*28*	–	–	2,158	2,158	–

* *The disclosures presented include those amounts charged/credited in respect of the discontinued operations*

8. FINANCE COSTS

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on bank loans wholly repayable within five years	415	758	1,951	1,290	1,529

9. DIRECTORS' REMUNERATION

Details of directors' remuneration during the Relevant Periods and the eight months ended 31 August 2008 are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Other emoluments:					
Salaries, allowances and benefits in kind	237	238	275	180	208
Pension scheme contributions	3	3	3	3	3
	240	241	278	183	211

Executive directors

	Salaries, allowances and benefits in kind	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2006			
Executive directors:			
Lin Shengxiong	96	1	97
Lin Hongting	18	–	18
Cai Zhiguo	72	1	73
Zhang Hongwang	51	1	52
	237	3	240
Year ended 31 December 2007			
Executive directors:			
Lin Shengxiong	96	1	97
Lin Hongting	18	–	18
Cai Zhiguo	72	1	73
Zhang Hongwang	52	1	53
	238	3	241
Year ended 31 December 2008			
Executive directors:			
Lin Shengxiong	114	1	115
Lin Hongting	18	–	18
Zhang Hongwang	94	1	95
Huang Wanneng	49	1	50
	275	3	278

	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Eight months ended 31 August 2009			
Executive directors:			
Lin Shengxiong	85	1	86
Lin Hongting	12	–	12
Zhang Hongwang	69	1	70
Huang Wanneng	42	1	43
	208	3	211
Eight months ended 31 August 2008 (Unaudited)			
Executive directors:			
Lin Shengxiong	74	1	75
Lin Hongting	12	–	12
Zhang Hongwang	62	1	63
Huang Wanneng	32	1	33
	180	3	183

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods and the eight months ended 31 August 2008.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included three directors for each of the Relevant Periods and the eight months ended 31 August 2008. Their remuneration details are set out in note 9 above. Details of the remuneration of the remaining highest paid employees for each of the Relevant Periods and the eight months ended 31 August 2008 are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	105	98	121	79	85
Pension scheme contributions	2	2	2	2	2
	107	100	123	81	87

The remuneration of the highest paid, non-director employee fell within the range of Nil to RMB100,000.

11. TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The income tax expenses of the Group for the Relevant Periods and the eight months ended 31 August 2008 are analysed as follows:

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current – PRC					
Charge for the year/period	1,605	3,568	13,858	8,826	18,340
Deferred *(note 25)*	–	–	1,455	1,208	2,142
Total tax charge for the year/period	1,605	3,568	15,313	10,034	20,482

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax is subject to corporate income tax ("CIT") at the rate of 17.5% for the years ended 31 December 2006 and 2007 and 16.5% for the year ended 31 December 2008 and the eight months ended 31 August 2008 and 2009 on the estimated assessable profits arising in Hong Kong during the Relevant Periods and the eight months ended 31 August 2008. No provision of income tax has been made as Hong Kong Sijia had no taxable income during the Relevant Periods and the eight months ended 31 August 2008.

During the Fifth Session of the Tenth National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. In this connection, Fujian Sijia, Xiamen Grandsoo, Fujian Si Tai Di and Smile in Rain have been subject to CIT at the rate of 25% since 2008.

Fujian Sijia was registered as a foreign-invested enterprise on 25 September 2002. Engaged in manufacturing activities located at the Coastal Special Economic Zone in the PRC, Fujian Sijia is subject to a preferential corporate income tax of 24%. Fujian Sijia was subject to CIT at a rate of 25% for the year ended 31 December 2008 and the eight months ended 31 August 2008 and 2009. Pursuant to the approval of the tax bureau, Fujian Sijia is exempted from CIT for its first two profit-making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the succeeding three years. The first profitable year of Fujian Sijia was 2004. Therefore, Fujian Sijia was subject to CIT at a reduced rate of 12% for the years ended 31 December 2006 and 2007 and of 12.5% for the year ended 31 December 2008 and the eight months ended 31 August 2008. Pursuant to the approval of the tax bureau, Fujian Sijia being a high-tech enterprise, was levied at the reduced tax rate of 15% for the eight months ended 31 August 2009.

Xiamen Grandsoo was registered as a foreign-invested enterprise on 26 May 2006 and subject to CIT at a rate of 15% for the years ended 31 December 2006 and 2007, 18% for the year ended 31 December 2008 and the eight months ended 31 August 2008 and 20% for the eight months ended 31 August 2009. Pursuant to the approval of the tax bureau, Xiamen Grandsoo is exempted from CIT for its first two profit-making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the succeeding three years. In accordance with the New Corporate Income Tax law, a company is still able to enjoy the above mentioned tax holiday within a five-year transitional period from 1 January 2008. The company would be deemed to trigger the tax holiday from 1 January 2008 if it has not yet started to enjoy tax holiday at that time. Since Xiamen Grandsoo was under accumulative loss position and has not yet started to enjoy tax holiday as of 1 January 2008, its tax holiday was deemed to have started in 2008 regardless of whether it makes profit in 2008. Therefore, Xiamen Grandsoo was exempted from CIT for the years ended 31 December 2006, 2007 and 2008 and the eight months ended 31 August 2008 and 31 August 2009.

Fujian Si Tai Di was registered as a foreign-invested enterprise on 5 December 2000 and subject to CIT at a rate of 24% for the years ended 31 December 2006 and 2007 and 25% for the year ended 31 December 2008 and the eight months ended 31 August 2008 and 2009.

Smile in Rain was registered as a foreign-invested enterprise on 24 January 2000 and subject to CIT at a rate of 24% for the years ended 31 December 2006 and 2007 and 25% for the year ended 31 December 2008 and the eight months ended 31 August 2008 and 2009.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates in Mainland China to the tax expense at the effective tax rates is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before tax including profit from the discontinued operation	24,113	45,139	96,743	73,913	121,157
Tax at applicable statutory tax rates of 33% for 2006 and 2007, 25% for 2008 and 2009 in the PRC	7,957	14,896	24,186	18,478	30,289
Lower tax rate for specific province or enacted by local authority	(5,502)	(10,101)	(12,358)	(9,830)	(12,176)
Income not subject to tax	–	(12)	(210)	(210)	–
Expenses not deductible for tax	160	75	372	317	136
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	–	–	3,497	1,208	2,142
Tax losses not recognized	614	897	79	324	91
Tax charge at the Group's effective rate	3,229	5,755	15,566	10,287	20,482
Represented by:					
Tax charge attributable to the discontinued operation *(note 13)*	1,624	2,187	253	253	–
Tax charge attributable to continuing operations reported in the combined statements of income	1,605	3,568	15,313	10,034	20,482
	3,229	5,755	15,566	10,287	20,482

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share for the Relevant Periods and the eight-month period ended 31 August 2008 is based on the profit attributable to equity holders of the Company for each of the Relevant Periods and the eight-month period ended 31 August 2008 and on the assumption that 800,000,000 shares of HK$0.001 each issued and issueable, comprising 100,000,000 shares in issue as at the date of the Prospectus and 700,000,000 shares to be issued as if the shares had been in issue throughout the Relevant Periods.

There were no potential dilutive ordinary shares in existence during the Relevant Periods and the eight-month period ended 31 August 2008 and therefore no diluted earnings per share amounts have been presented.

13. DISCONTINUED OPERATION

On 21 December 2006, the Group decided to cease Fujian Sijia's raincoat and general protective clothing business although it was profit-making because it planned to focus its resources on other businesses with higher profit margin. The plan to sell its raincoat and general protective clothing business took more than a year to be finalized and implemented as the Group needs to finalize the disposal plans, negotiate with buyer and complete all required legal procedures before the completion of the disposal. On 31 May 2008, Smile in Rain (which by then was under the ownership and management of Bestide Int'l as disclosed in note 28) acquired Fujian Sijia's raincoat and general protective clothing business for a consideration of RMB2,146,000 with reference to its relevant net asset value immediately before the disposal. The purchase consideration was settled by Mr. Cai in cash on the same date. As at 31 December 2006 and 2007, final negotiations for the sale were in progress and the related assets for the raincoat and general protective clothing business were classified as a disposal group held for sale.

The results of the raincoat and general protective clothing business are presented below:

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	89,694	100,481	21,585	21,585	–
Cost of sales	(73,923)	(83,123)	(19,160)	(19,160)	–
Expenses	(2,226)	(1,916)	(442)	(442)	–
Profit before tax from the discontinued operation	13,545	15,442	1,983	1,983	–
Tax:					
Related to pre-tax profit	(1,624)	(2,187)	(253)	(253)	–
Profit for the year/period from the discontinued operation	11,921	13,255	1,730	1,730	–

The major classes of assets and liabilities related to the raincoat and general protective clothing business classified as held for sale are as follows:

	As at 31 December			As at 31 August
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Property, plant and equipment	2,645	2,430	–	–
Trade receivables	2,000	156	–	–
Inventories	9,993	8,038	–	–
Cash and cash equivalents	5,999	6,324	–	–
Assets classified as held for sale	20,637	16,948	–	–
Liabilities				
Trade and bills payables	(5,099)	(8,812)	–	–
Other payables and accruals	(2,795)	(1,187)	–	–
Tax payable	(110)	(273)	–	–
Liabilities directly associated with the assets classified as held for sale	(8,004)	(10,272)	–	–
Net assets directly associated with the disposal group	12,633	6,676	–	–

The total assets and liabilities of the disposed raincoat and general protective clothing business as at the date of disposal of 31 May 2008 amounted to RMB4,020,000 and RMB1,874,000, respectively.

The net cash flows incurred by the raincoat and general protective clothing business are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Operating activities	13,333	19,979	(3,121)	(3,121)	–
Investing activities	(10,560)	(19,654)	(3,203)	(3,203)	–
Net cash inflow/(outflow)	2,773	325	(6,324)	(6,324)	–

The following information is provided on the financial assets and financial liabilities of the discontinued operation as at the reporting date:

The aged analysis of the discontinued operation's trade receivables based on the invoice date was as follows:

	As at 31 December			As at 31 August
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 to 30 days	2,000	156	–	–

The above trade receivables were neither past due nor impaired and related to customers for whom there was no recent history of default.

The maturity profile of the discontinued operation's financial liabilities as at the reporting date, based on the contractual undiscounted payments, was as follows:

Year ended 31 December 2006

	On demand	Less than 3 months	3 to 12 months	Over 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	(3,421)	(1,673)	(5)	(5,099)
Other payables and accruals	(2,795)	–	–	–	(2,795)
	(2,795)	(3,421)	(1,673)	(5)	(7,894)

Year ended 31 December 2007

	On demand	Less than 3 months	3 to 12 months	Over 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	(2,721)	(5,945)	(146)	(8,812)
Other payables and accruals	(1,187)	–	–	–	(1,187)
	(1,187)	(2,721)	(5,945)	(146)	(9,999)

14. DIVIDENDS

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Dividends	–	–	29,080	–	–

The dividends of 2008 were approved by the shareholders on 31 December 2008.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2006						
At 1 January 2006:						
Cost	1,871	30,450	735	614	8,367	42,037
Accumulated depreciation	(157)	(6,373)	(77)	(160)	–	(6,767)
Net carrying amount	1,714	24,077	658	454	8,367	35,270
At 1 January 2006, net of accumulated depreciation	1,714	24,077	658	454	8,367	35,270
Additions	–	17,303	149	1,404	14,731	33,587
Disposal	–	–	–	(84)	–	(84)
Assets included in a discontinued operation *(note 13)*	–	(2,645)	–	–	–	(2,645)
Depreciation provided during the year	(627)	(3,813)	(143)	(180)	–	(4,763)
Transfers	14,320	1,613	–	–	(15,933)	–
At 31 December 2006, net of accumulated depreciation	15,407	36,535	664	1,594	7,165	61,365
At 31 December 2006:						
Cost	16,191	46,033	884	1,846	7,165	72,119
Accumulated depreciation	(784)	(9,498)	(220)	(252)	–	(10,754)
Net carrying amount	15,407	36,535	664	1,594	7,165	61,365

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2007						
At 1 January 2007:						
Cost	16,191	46,033	884	1,846	7,165	72,119
Accumulated depreciation	(784)	(9,498)	(220)	(252)	–	(10,754)
Assets included in a discontinued operation *(note 13)*	–	2,645	–	–	–	2,645
Net carrying amount	15,407	39,180	664	1,594	7,165	64,010
At 1 January 2007, net of accumulated depreciation	15,407	39,180	664	1,594	7,165	64,010
Additions	–	727	62	1,731	14,135	16,655
Assets included in a discontinued operation *(note 13)*	–	(2,430)	–	–	–	(2,430)
Depreciation provided during the year	(871)	(4,986)	(162)	(401)	–	(6,420)
Transfers	10,628	7,893	–	–	(18,521)	–
At 31 December 2007, net of accumulated depreciation	25,164	40,384	564	2,924	2,779	71,815
At 31 December 2007:						
Cost	26,819	54,211	946	3,577	2,779	88,332
Accumulated depreciation	(1,655)	(13,827)	(382)	(653)	–	(16,517)
Net carrying amount	25,164	40,384	564	2,924	2,779	71,815

	Buildings	Plant and machinery	Leasehold improvement	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2008							
At 1 January 2008:							
Cost	26,819	54,211	–	946	3,577	2,779	88,332
Accumulated depreciation	(1,655)	(13,827)	–	(382)	(653)	–	(16,517)
Assets included in a discontinued operation *(note 13)*	–	2,430	–	–	–	–	2,430
Net carrying amount	25,164	42,814	–	564	2,924	2,779	74,245
At 1 January 2008, net of accumulated depreciation	25,164	42,814	–	564	2,924	2,779	74,245
Additions	–	1,402	1,018	439	466	759	4,084
Disposal	–	(1,184)	–	(48)	(914)	–	(2,146)
Disposal of subsidiaries *(note 28)*	–	(1,783)	–	(15)	–	–	(1,798)
Depreciation provided during the year	(1,207)	(4,969)	(96)	(197)	(535)	–	(7,004)
At 31 December 2008, net of accumulated depreciation	23,957	36,280	922	743	1,941	3,538	67,381
At 31 December 2008:							
Cost	26,819	53,449	1,018	1,297	2,709	3,538	88,830
Accumulated depreciation	(2,862)	(17,169)	(96)	(554)	(768)	–	(21,449)
Net carrying amount	23,957	36,280	922	743	1,941	3,538	67,381

	Buildings	Plant and machinery	Leasehold improve-ment	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 August 2009							
At 1 January 2009:							
Cost	26,819	53,449	1,018	1,297	2,709	3,538	88,830
Accumulated depreciation	(2,862)	(17,169)	(96)	(554)	(768)	–	(21,449)
Net carrying amount	23,957	36,280	922	743	1,941	3,538	67,381
At 1 January 2009, net of accumulated depreciation	23,957	36,280	922	743	1,941	3,538	67,381
Additions	–	11,436	–	339	621	8,746	21,142
Disposals	–	(1,616)	–	(276)	(171)	–	(2,063)
Depreciation provided during the period	(807)	(4,510)	(226)	(76)	(239)	–	(5,858)
Transfers	294	2,758	–	10	–	(3,062)	–
At 31 August 2009, net of accumulated depreciation	23,444	44,348	696	740	2,152	9,222	80,602
At 31 August 2009:							
Cost	27,113	64,756	1,018	926	2,940	9,222	105,975
Accumulated depreciation	(3,669)	(20,408)	(322)	(186)	(788)	–	(25,373)
Net carrying amount	23,444	44,348	696	740	2,152	9,222	80,602

As at 31 December 2006, 2007 and 2008 and 31 August 2009, certain of the Group's buildings and plant and machinery with aggregate net book values of RMB20,482,000, RMB25,286,000, RMB16,594,000 and RMB28,273,000, respectively, were pledged to secure bank loan facilities granted to the Group (note 24).

At 31 August 2009, certificates of ownership in respect of certain buildings of the Group in the PRC with an aggregate net book value of RMB14,682,000 had not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates of ownership.

16. PREPAID LAND LEASE PAYMENTS

	As at 31 December			As at 31 August
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of year/period	4,157	5,189	5,693	5,595
Additions	1,122	606	–	–
Recognized during the year/period	(90)	(102)	(98)	(64)
Carrying amount at end of year/period	5,189	5,693	5,595	5,531
Current portion included in prepayments, deposits and other receivables	(84)	(96)	(96)	(96)
Non-current portion	5,105	5,597	5,499	5,435

The Group's leasehold lands are held under long term leases and are situated in the PRC.

As at 31 August 2009, certain of the Group's leasehold land with an aggregate carrying value of RMB4,507,000 were pledged to secure bank loan facilities granted to the Group (note 24).

At 31 August 2009, certificates of ownership in respect of certain leasehold lands in the PRC with an aggregate net book value of RMB1,024,000 had not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates of ownership.

17. INTANGIBLE ASSETS

	Software	Patent	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2008			
Cost and accumulated amortisation at 1 January 2006, 31 December 2006 1 January 2007, 31 December 2007, and 1 January 2008	–	–	–
Additions	378	50	428
Amortisation provided during the year	(44)	(2)	(46)
At 31 December 2008	334	48	382
At 31 December 2008:			
Cost	378	50	428
Accumulated amortisation	(44)	(2)	(46)
Net carrying amount	334	48	382
31 August 2009			
Cost at 1 January 2009, net of accumulated amortisation	334	48	382
Amortisation provided during the period	(50)	(7)	(57)
At 31 August 2009	284	41	325
At 31 August 2009:			
Cost	378	50	428
Accumulated amortisation	(94)	(9)	(103)
Net carrying amount	284	41	325

18. INVENTORIES

	As at 31 December			As at 31 August
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	18,205	8,952	19,540	20,787
Work in progress	550	2,360	12,957	1,896
Finished goods	12,312	8,584	4,328	11,492
	31,067	19,896	36,825	34,175

19. TRADE AND NOTES RECEIVABLES

	As at 31 December			As at 31 August
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	13,543	30,266	45,462	51,505
Notes receivables	–	1,400	–	–
	13,543	31,666	45,462	51,505

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade and notes receivables of the Group as at the respective reporting dates, based on the invoice date, is as follows:

	As at 31 December			As at 31 August
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 to 30 days	6,367	16,816	25,127	40,303
31 to 60 days	2,315	8,144	11,263	1,269
61 to 90 days	842	4,185	1,583	2,299
91 to 360 days	3,801	1,906	7,455	7,634
Over 360 days	218	615	34	–
	13,543	31,666	45,462	51,505

The trade receivables included in the disposal group (note 13) of RMB2,000,000 and RMB156,000 were aged within 30 days as at 31 December 2006 and 2007, respectively.

The aged analysis of the trade and notes receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at 31 August
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	8,349	16,791	25,360	40,303
Less than 30 days past due	2,386	8,279	11,601	1,267
31 to 60 days past due	797	4,185	1,262	2,282
61 to 90 days past due	585	1,894	3,533	3,329
91 to 360 days past due	1,426	517	3,672	4,324
Over 360 days	–	–	34	–
	13,543	31,666	45,462	51,505

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at 31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	8,713	8,019	10,308	9,601
Prepayments	2,655	6,868	3,544	3,520
Prepaid expenses	198	283	145	490
	11,566	15,170	13,997	13,611

21. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	16,133	30,340	87,612	227,673

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE AND BILLS PAYABLES

	As at 31 December			As at 31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	12,005	10,907	10,457	20,556
Bills payables	30,986	33,419	39,645	42,072
	42,991	44,326	50,102	62,628

An aged analysis of the trade and bills payables as at the respective reporting dates, based on the invoice date of trade payables and bills payables, respectively, is as follows:

	As at 31 December			As at 31 August
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	18,973	16,225	14,515	19,257
1 to 2 months	13,110	11,292	13,579	11,830
2 to 3 months	10,219	1,655	7,213	14,171
3 to 6 months	156	14,842	14,761	17,311
6 to 12 months	468	290	19	57
12 to 24 months	65	22	15	2
	42,991	44,326	50,102	62,628

The trade and bills payables included in the disposal group (note 13) of RMB2,721,000 (31 December 2006: RMB3,421,000) were aged within three months as at 31 December 2007 and the remaining balance of RMB6,091,000 (31 December 2006: RMB1,678,000) was aged over three months.

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

23. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 31 August
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	22,776	6,732	610	3,454
Advances from customers	7,536	4,546	7,581	10,723
Taxes other than CIT	401	694	1,833	7,827
Payroll payable	402	482	982	838
Accrued liabilities	194	193	5	–
	31,309	12,647	11,011	22,842

Other payables and advances from customers are non-interest-bearing and have an average term of three months.

24. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	As at 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000	As at 31 August 2009 RMB'000
Current						
Bank loans – secured *	5.549-7.245	Within 1 year	9,312	–	–	–
Bank loans – secured *	6.696-8.964	Within 1 year	–	11,317	19,000	–
Bank loans – secured *	5.346-8.964	Within 1 year	–	–	–	33,000
Current portion of long term bank loans – secured *	7.83		–	–	500	500
			9,312	11,317	19,500	33,500
Non-current						
Bank loans – secured *	7.83	2007.9.30-2017.9.29	–	4,375	3,875	3,542
			9,312	15,692	23,375	37,042
Repayable:						
Within one year or on demand			9,312	11,317	19,500	33,500
In the second year			–	500	500	500
In the third to fifth years, inclusive			–	1,500	1,500	1,500
Beyond five years			–	2,375	1,875	1,542
			9,312	15,692	23,375	37,042

Notes:

* The Group's bank borrowings are secured by:

(i) mortgages over the Group's buildings and plant and machinery situated in the PRC with aggregate net book values of RMB20,482,000, RMB25,286,000, RMB16,594,000 and RMB28,273,000 as at 31 December 2006, 2007 and 2008 and 31 August 2009, respectively (note 15);

(ii) mortgages over the Group's leasehold lands situated in the PRC with an aggregate carrying value of RMB4,507,000 as at 31 August 2009 (note 16); and

(iii) guarantees by a third party, Fujian Shunfan Guarantee Co., Ltd. ("Fujian Shunfan") of RMB27,000,000, RMB45,000,000, RMB45,000,000 and RMB63,000,000 as at 31 December 2006, 2007 and 2008 and 31 August 2009, respectively. Fujian Shunfan is a company incorporated in the PRC providing guarantee and security to assist enterprises in the PRC to obtain loans from banks, which is beneficially owned by an independent third party who is also a close friend of Mr. Lin, which equity interests were held in the name of and in trust for the said independent third party by (i) Mr. Lin Rongfeng (brother-in-law of Mr. Lin) and (ii) a niece of Mr. Lin (who is also the wife of Mr. Zhang Hongwang) as to 50% each. The guarantees have been released on 22 October 2009.

25. DEFERRED TAX

The movements in deferred tax liabilities during the Relevant Periods are as follows:

Deferred tax liabilities

	Withholding tax on the distributable profits
	RMB'000
At 1 January 2006, 31 December 2006, 1 January 2007, 31 December 2007 and 1 January 2008	–
Deferred tax charged to the combined statements of income during the year *(note 11)*	1,455
At 31 December 2008 and 1 January 2009	1,455
Deferred tax charged to the combined statements of income during the period *(note 11)*	2,142
At 31 August 2009	3,597

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprise established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax arrangement between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividend distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The Group recognized deferred tax liabilities in respect of accumulated distributable earnings from its subsidiaries established in Mainland China since 1 January 2008, no matter whether such earnings have been declared or not by the subsidiaries at the reporting date.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

26. ISSUED SHARE CAPITAL

As at 31 August 2009, the Reorganization has not been completed. The Company was incorporated in the Cayman Islands on 7 October 2009, with authorized share capital of HK$380,000 divided into 380,000,000 shares of HK$0.001 each, with 1 ordinary share issued and held by Hopeland International.

27. RESERVES

	As at 31 December			As at 31 August
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital surplus	–	–	4,366	4,366
Statutory surplus reserve	3,552	7,511	13,930	24,270
Capital reserve	76	13,049	28,994	28,994
Translation of foreign operations	703	1,993	2,698	2,660
	4,331	22,553	49,988	60,290

Capital surplus

On 23 January 2008, 30 January 2008 and 23 February 2008, HK$10,000,000 registered capital of Fujian Sijia was issued at an amount of RMB15,000,000 to Xiamen Kailai Trading Co., Ltd., Fuzhou Jutai Trading Co., Ltd., Fuzhou Sanfang Trading Co., Ltd. and Sanming YueHui Investment Co., Ltd..

Statutory surplus reserve

In accordance with the PRC Company Law, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of the reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory reserve can be utilized to offset prior years' losses or to increase capital. However, the balance of the statutory reserve must be maintained at a minimum of 25% of the registered capital after such usages.

Xiamen Grandsoo, Fujian Sijia, Fujian Si Tai Di and Smile in Rain were established as foreign invested enterprises in the PRC and therefore are subject to the above mandated restrictions on distributable profits.

Translation of foreign operations

The translation of foreign operations is used to record exchange differences arising from the translation of the financial statements of Hong Kong Sijia.

28. DISPOSAL OF SUBSIDIARIES

In January 2008, the Group disposed of its direct or indirect interests in Fujian Si Tai Di and Smile in Rain to Bestide Int'l. The two disposed subsidiaries were classified as continuing operations as they had remained dormant with no revenue during the Relevant Periods before the disposal. All assets and liabilities of Fujian Si Tai Di and Smile in Rain, though in nature related to their respective raincoat and general protective clothing business, are not classified as part of the discontinued raincoat and general protective clothing business of Fujian Sijia (as disclosed in note 13) since they did not fulfil the requirement of HKFRS 5, and are not related to the Group's continuing Reinforced Material and End Product businesses. Please refer to pages 105 to 107 of the History, Reorganization and Group Structure section of the Prospectus for further details. The related assets and liabilities of the disposed subsidiaries as of the disposal date are as follows:

	31 January 2008 *RMB'000*
Net assets disposed of:	
Property, plant and equipment	1,798
Cash and bank balance	45
Inventories	1,722
Prepayments for raw materials and equipment	6,763
Other payables and accruals	(1,956)
Capital reserve	277
	8,649
Gain on disposal of subsidiaries	2,158
	10,807
Satisfied by:	
Cash*	10,807

* *The consideration was settled by cash by Bestide Int'l. The payment was used to reduce the amount due to Mr. Lin by the Group. Please refer to pages 105 to 107 of the History and Development section of the Prospectus for further details.*

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	31 January 2008 *RMB'000*
Cash consideration	–
Cash and bank balances disposed of	(45)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(45)

29. CONTINGENT LIABILITIES

As at each of the reporting dates during the Relevant Periods, the Group had no significant contingent liabilities.

30. PLEDGE OF ASSETS

Details of the Group's bank borrowings which are secured by the assets of the Group are included in note 24 to the Financial Information.

31. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties and staff accommodations under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At each of the reporting dates during the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	354	60	121	103
In the second to fifth years, inclusive	–	111	76	30
	354	171	197	133

32. COMMITMENTS

The Group had the following capital commitments at each of the reporting dates during the Relevant Periods:

	As at 31 December			As at 31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Plant and machinery	23,822	474	–	–

33. RELATED PARTY TRANSACTIONS

(a) The Group had no material transactions with related parties during the Relevant Periods and the eight months ended 31 August 2008.

(b) Outstanding balances with related parties:

	As at 31 December			As at 31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from related parties:				
Xiamen City Ming Lian Da Trading Co., Ltd.	2,500	–	–	–
Lin Jinxiang	–	2,820	–	–
	2,500	2,820	–	–
Due to a related party:				
Xiamen Daxiang Protective Sheet Co., Ltd.	–	(2,300)	–	(883)
	–	(2,300)	–	(883)

The above balances are unsecured, non-interest-bearing and have no fixed terms of repayment.

(c) Outstanding balances with directors:

	As at 31 December			As at 31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from directors:				
Lin Shengxiong	–	–	500	75
Lin Hongting	–	1,281	–	–
	–	1,281	500	75
Due to directors:				
Lin Shengxiong	(16,850)	(18,850)	(35,887)	(35,928)
Lin Hongting	(619)	–	–	(335)
	(17,469)	(18,850)	(35,887)	(36,263)

The balances with directors were non-trade in nature, unsecured, interest-free and had no fixed terms of repayment. The balances included net cash advances made between the Group and the directors and various payments made by the Group on behalf of the directors.

(d) Compensation of key management personnel of the Group:

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Short term employee benefits	444	463	589	437	486
Pension scheme contributions	8	8	8	7	7
Total compensation paid to key management personnel	452	471	597	444	493

Further details of directors' remuneration are included in note 9 to the Financial Information.

34. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

All the Group's financial assets as at each of the reporting dates during the Relevant Periods, including trade and notes receivables, deposits and other receivables, amounts due from directors and related parties and cash and cash equivalents are categorised as loans and receivables.

Financial liabilities

All the Group's financial liabilities as at each of the reporting dates during the Relevant Periods, including trade and bills payables, other payables and accruals, amounts due to directors and a related party and interest-bearing bank borrowings are categorised as financial liabilities at amortised cost.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings. All these interest-bearing bank borrowings were obtained at fixed interest rates, which have exposed the Group to fair value interest rate risk. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The interest rates and terms of repayment of borrowings are disclosed in note 24 above.

Management does not anticipate any significant impact resulting from the changes in interest rates because all of the Group's borrowings as at 31 August 2009 were at fixed interest rates.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. About 25.3%, 22.7%, 6.9% and 2.4% of the Group's sales for the years ended 31 December 2006, 2007 and 2008 and the eight months ended 31 August 2009, respectively, were denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 100% of costs for the Relevant Periods were denominated in the units' functional currency. At present, the Group does not intend to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity at each of the reporting dates during the Relevant Periods to a reasonably possible change in the United States dollar, Hong Kong dollar and Euro dollar exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in foreign currency rate	Increase/ (decrease) in profit before tax
	%	*RMB'000*
Year ended 31 December 2006		
If RMB weakens against United States dollar	5	2,199
If RMB strengthens against United States dollar	(5)	(2,199)
Year ended 31 December 2007		
If RMB weakens against United States dollar	5	2,825
If RMB strengthens against United States dollar	(5)	(2,825)
If RMB weakens against Hong Kong dollar	5	9
If RMB strengthens against Hong Kong dollar	(5)	(9)
Year ended 31 December 2008		
If RMB weakens against United States dollar	5	1,056
If RMB strengthens against United States dollar	(5)	(1,056)
If RMB weakens against Hong Kong dollar	5	40
If RMB strengthens against Hong Kong dollar	(5)	(40)
If RMB weakens against Euro dollar	5	10
If RMB strengthens against Euro dollar	(5)	(10)
Eight months ended 31 August 2009		
If RMB weakens against United States dollar	5	379
If RMB strengthens against United States dollar	(5)	(379)
If RMB weakens against Hong Kong dollar	5	35
If RMB strengthens against Hong Kong dollar	(5)	(35)
If RMB weakens against Euro dollar	5	10
If RMB strengthens against Euro dollar	(5)	(10)

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the General Manager and Chairman.

The credit risk of the Group's other financial assets, which comprise cash and short term deposits, amounts due from directors and related parties and deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and notes receivables and prepayments, deposits and other receivables are disclosed in note 19 and note 20, respectively, to the Financial Information.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at each of the reporting dates during the Relevant Periods, based on the contractual undiscounted payments, was as follows:

	31 December 2006					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	29,185	13,806	–	–	42,991
Other payables and accruals	31,309	–	–	–	–	31,309
Interest-bearing bank borrowings	–	3,732	5,580	–	–	9,312
Due to directors	17,469	–	–	–	–	17,469
	48,778	32,917	19,386	–	–	101,081

	31 December 2007					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	25,450	18,876	–	–	44,326
Other payables and accruals	12,647	–	–	–	–	12,647
Interest-bearing bank borrowings	–	1,867	9,450	2,000	2,375	15,692
Due to directors	18,850	–	–	–	–	18,850
Due to a related party	2,300	–	–	–	–	2,300
	33,797	27,317	28,326	2,000	2,375	93,815

	31 December 2008					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	34,703	15,399	–	–	50,102
Other payables and accruals	11,011	–	–	–	–	11,011
Interest-bearing bank borrowings	–	4,500	15,000	2,000	1,875	23,375
Due to directors	35,887	–	–	–	–	35,887
	46,898	39,203	30,399	2,000	1,875	120,375

	31 August 2009					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	53,398	9,230	–	–	62,628
Other payables and accruals	22,842	–	–	–	–	22,842
Interest-bearing bank borrowings	–	14,500	19,000	2,000	1,542	37,042
Due to directors	36,263	–	–	–	–	36,263
Due to a related party	883	–	–	–	–	883
	59,988	67,898	28,230	2,000	1,542	159,658

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings, amounts due to directors and a related party, trade and bills payables, other payables and accruals, less cash and cash equivalents and excludes the Group's discontinued operations. Capital includes equity attributable to equity holders of the Company. The gearing ratios as at each of the reporting dates during the Relevant Periods were as follows:

	As at 31 December			As at 31 August
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	42,991	44,326	50,102	62,628
Other payables and accruals	31,309	12,647	11,011	22,842
Interest-bearing bank borrowings	9,312	15,692	23,375	37,042
Due to directors	17,469	18,850	35,887	36,263
Due to a related party	–	2,300	–	883
Less: Cash and cash equivalents	(16,133)	(30,340)	(87,612)	(227,673)
Net debt/(assets)	84,948	63,475	32,763	(68,015)
Equity attributable to equity holders	39,648	90,694	143,896	244,533
Capital and net debt	124,596	154,169	176,659	176,518
Gearing ratio	68%	41%	19%	(39%)

36. NET ASSETS OF THE COMPANY

The Company was incorporated on 7 October 2009. As at 31 August 2009, the Company did not have any assets and liabilities. Pursuant to the Reorganization, the Company became the holding company of the Group on 15 December 2009.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 August 2009.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong