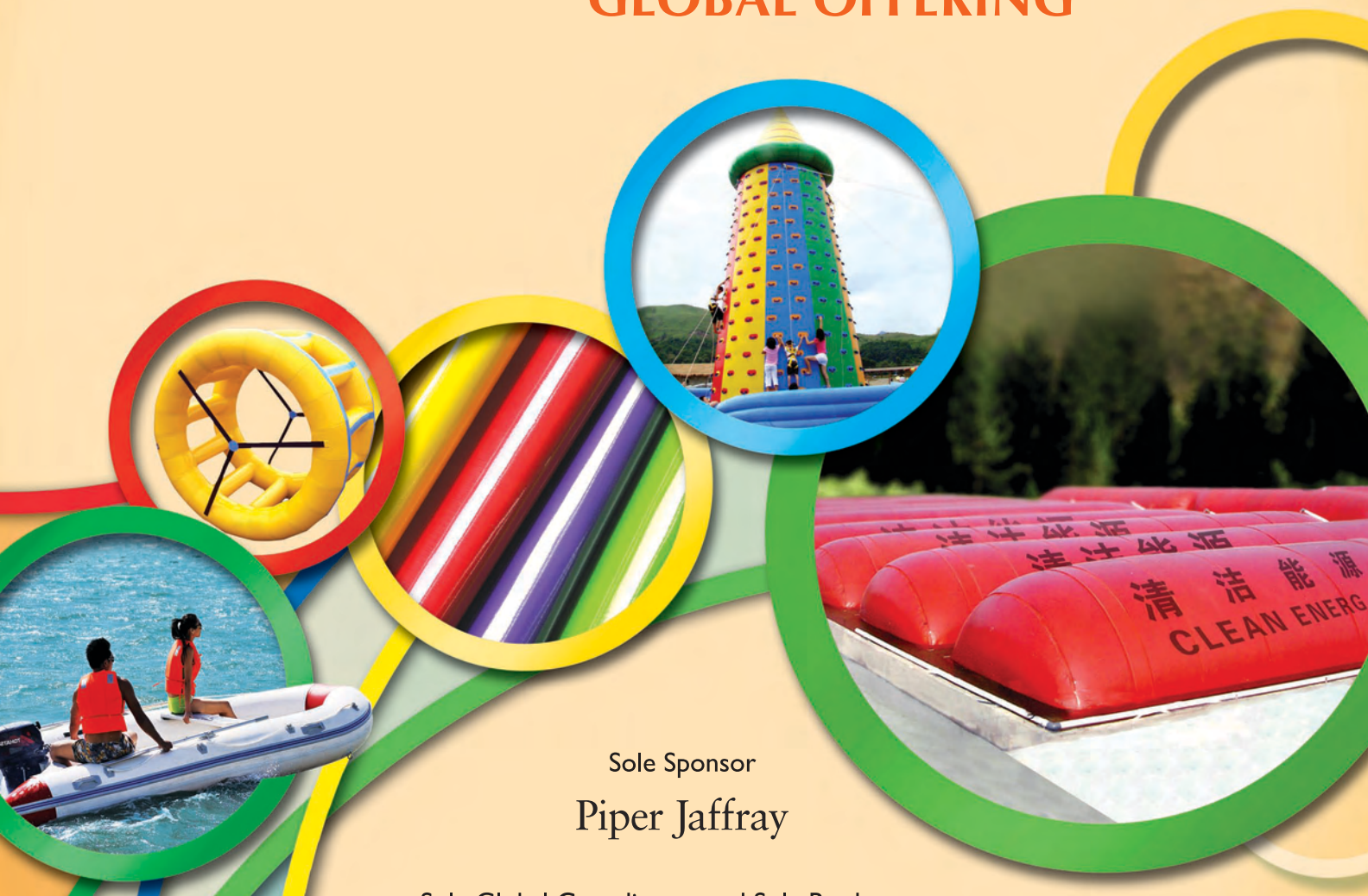
思嘉集團有限公司
SIJIA GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1863

GLOBAL OFFERING



Sole Sponsor

Piper Jaffray

Sole Global Coordinator and Sole Bookrunner

Piper Jaffray

Joint Lead Managers

Piper Jaffray

招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



思嘉集團有限公司
Sijia Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	**:**	**200,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Public Offer Shares	**:**	**20,000,000 Shares (subject to adjustment)**
Number of International Placing Shares	**:**	**180,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Offer Price	**:**	**HK$3.28 per Hong Kong Public Offer Share plus brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars)**
Nominal Value	**:**	**HK$0.001 per Share**
Stock Code	**:**	**1863**

Sole Sponsor

Piper Jaffray

Sole Global Coordinator and Sole Bookrunner

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Joint Lead Managers

Piper Jaffray

招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Sole Global Coordinator (on behalf of the Underwriters) may, with the Group's consent, reduce the number of Offer Shares being offered under the Global Offering at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, an announcement will be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. If applications for Hong Kong Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the number of Offer Shares is so reduced, such applications cannot be subsequently withdrawn. More details are set out in the section headed "Structure of the Global Offering" of this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. (Hong Kong time) on the day that dealings in the Offer Shares commence on the Hong Kong Stock Exchange. Such grounds are set out in the section headed "Underwriting – Grounds for termination" of this prospectus.

16 April 2010

If there is any change in the following expected timetable[1] of the Hong Kong Public Offer, the Group will issue an announcement in Hong Kong to be published in English in The Standard and in Chinese in the Hong Kong Economic Times.

Application lists open [2]	11:45 a.m. on 21 April 2010
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC [3]	12:00 noon on 21 April 2010
Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk** [4]	11:30 a.m. on 21 April 2010
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on 21 April 2010
Application lists close [2]	12:00 noon on 21 April 2010
Announcement of the indication of the level of interest in the International Placing, the level of applications and the basis of allocation of Hong Kong Public Offer Shares under the Hong Kong Public Offer to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on or before	28 April 2010
Results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see the section headed "How to apply for Hong Kong Public Offer Shares – Results of Allocations" of this prospectus)	28 April 2010
A full announcement of the Hong Kong Public Offer to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company's website at www.sijia.hk	28 April 2010
Results of allocation of the Hong Kong Public Offer to be available at www.iporesults.com.hk with a "search by ID" function	28 April 2010

Despatch of share certificates and/or White Form e-Refund payment instructions and/or refund cheques in respect of applications pursuant to the Hong Kong Public Offer on or before [5] . . . . . 28 April 2010

Dealings in Shares on the Hong Kong Stock Exchange expected to commence at 9:30 a.m. on . . . . . 29 April 2010

Uncollected share certificates and/or refund cheques (if any) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the Application Forms promptly after the expiry of the time for their collection. Further information is set out in the section headed "How to apply for Hong Kong Public Offer Shares – Despatch/collection of share certificates and refund monies" of this prospectus.

[1] Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" of this prospectus.

[2] If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 21 April 2010, the application lists will not open and close on that day. Further information is set out in the section headed "How to apply for Hong Kong Public Offer Shares – Effect of bad weather condition on the opening of the application lists" of this prospectus. If the application lists do not open and close on 21 April 2010, the dates mentioned in this section headed "Expected Timetable" may be affected. A press announcement will be made by the Group in such event.

[3] Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to apply for the Hong Kong Public Offer Shares – How to apply by giving electronic application instructions to HKSCC" of this prospectus.

[4] You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, at which time the application lists will close.

[5] **The Company will not issue any temporary documents of title in respect of the Offer Shares. Share certificates for the Hong Kong Public Offer Shares will only become valid certificates of title at 8:00 a.m. on 29 April 2010, provided that (i) the Global Offering has become unconditional in all respects, and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.** e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.

Applicants who have applied on **WHITE** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more under the Hong Kong Public Offer and have indicated in their Application Forms that they wish to collect refund cheques and (where applicable) share certificates in person may do so from the Group's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on 28 April 2010 or any other date notified by the Company in the newspaper as the date of despatch of share certificates/e-Refund payment instructions/refund cheques. Individual applicants who opt for personal collection must not authorize any other person to make their collection on their behalf. Corporate applicants who opt for personal collection must attend by their authorized representatives, each bearing a letter of authorization from such corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more under the Hong Kong Public Offer and have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Hong Kong Public Offer Shares is the same as that for applicants who apply on **WHITE** Application Forms for Hong Kong Public Offer Shares.

Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to apply for the Hong Kong Public Offer Shares" of this prospectus for details.

If you have applied for less than 1,000,000 Hong Kong Public Offer Shares or have applied for 1,000,000 Hong Kong Public Offer Shares or more but have not indicated in the Application Form that you wish to collect share certificates and/or refund cheques in person, your share certificates and/or refund cheques will be despatched by ordinary post at the applicant's own risk to the address specified on the Application Form on 28 April 2010.

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You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision.

The Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus and the related Application Forms.

Any information or representation not made in this prospectus and the related Application Forms must not be relied on by you as having been authorized by the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Underwriters, any of their respective directors or affiliates of any of them or any other person or parties involved in the Global Offering.

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OVERVIEW

The Group is principally engaged in the design, development, manufacture and sale of polymer processed high strength polyester fabric composite materials and other reinforced composite materials ("Reinforced Materials") and conventional materials ("Conventional Materials", and together with Reinforced Materials, collectively known as "Materials"). The Group has also expanded into the design, development, manufacture and sale of downstream related inflatable and waterproof products targeting the outdoor leisure, recreation and sports consumer market ("End Products").

According to the independent market research and consulting company, Frost & Sullivan, the Group was the fourth largest and the largest manufacturer of Reinforced Materials in the PRC in terms of turnover in 2008 and for the eight months ended 31 August 2009 respectively. Under the outdoor sub-sector of the PRC Reinforced Materials market, the Group was the largest manufacturer of wader and protective garment materials and with the widest product range and functions, the largest manufacturer of inflatable materials and the largest manufacturer of air tightness materials in terms of turnover for these two periods respectively. From 2006 to 2008, the percentage of outdoor Reinforced Materials compared with the whole Reinforced Materials in China has increased from about 38.2% to about 40.0% in terms of turnover.

Revenue generated from the abovementioned three products and as a percentage of the Group's total revenue from continuing operations during the Track Record Period are as follows:

	For year ended 31 December					
	2007		2008		2009	
	RMB'000	*% of Group's revenue*	*RMB'000*	*% of Group's revenue*	*RMB'000*	*% of Group's revenue*
Wader and protective garment materials	3,978	2.7%	37,496	12.5%	91,309	16.0%
Inflatable materials	8,561	5.8%	70,252	23.4%	89,814	15.7%
Air tightness materials	12,854	8.6%	24,204	8.1%	67,841	11.9%

Reinforced Material is high performance composite fabric material made from using fabric materials such as high strength polyester fabrics or nylon as basic material and adding polymer (such as PVC, TPU, etc.) through specific techniques and formulae. Reinforced Material has a number of high performance characteristics such as (i) high tensile strength, anti-tearing and high adhesive strength; (ii) high abrasion and impact resistance; (iii) flame retardant, waterproof, oil proof, anti-bacterial, anti-smudge, stain resistant, and high acid and alkali resistance; (iv) anti-UV, anti-static, anti-oxidation; and (v) high and low temperature resistance and durable. Due to the high performance of Reinforced Materials, it can be used in a wide range of applications and industries. Conventional Materials are made from fabrics other than high strength polyester fabric materials through less sophisticated production process and formulae, with features requirement normally lower than that of Reinforced Materials. The Group's Conventional Materials are mainly utilized to produce labour protective clothing and raincoats.

Over the years, the Group has received various awards and recognitions for the Group's technological advancements, product and production technique innovation capabilities and achievements from the relevant government authorities and associations. According to Frost & Sullivan, the Group ranked number one with about 4.5% market share in the PRC Reinforced Material market in terms of turnover for the eight months ended 31 August 2009. The Directors believe that its leading position in the Reinforced Material industry is attributable to the Group's strong research and development capabilities and technologically-advanced production technology/technique, which differentiate itself from other mass-market polymer materials manufacturers. The Group's Reinforced Materials sold under the "Sijia" brand are recognized as Fujian Famous Brand Product in December 2008 . In addition, the Group has been accredited the "Year 2008 Famous Trademark in Fujian Province" for its "Sijia" trademark in December 2009.

The technical specifications of the Group's Reinforced Materials can meet international safety and environmental standards. Up to the Latest Practicable Date, the Group has passed all the necessary product verification testings required by the customers.

For example, out of the Group's Reinforced Materials, the visibility clothing materials of the Group have passed tests for EN471 standard, an European standard regarding the visibility of protective clothing and specifying, among other things, the materials to be used. The Materials of the Group have met the EN71 standard regarding safety of toys, which specifies, among other things, the chemical substances which the toys should contain. So far as requested by its customers to submit for testing, those Materials of the Group have also passed the requirements for total lead and soluble element content specified by the American Society for Testing and Materials – ASTM F963-07, the requirements for permissible lead and phthalates content in children's products specified in U.S. Public Law 110-314 (Consumer Product Safety Improvement Act of 2008), and the requirements for levels of regulated chemical substances in electrotechnical products specified in the Restriction of the Use of Certain Hazardous Substances (RoHS) Directive 2002/95/EC, an European standard.

In addition, the Reinforced Materials of the Group can meet international technical specifications such as ISO. For instance, the airtightness materials produced by the Group can reach a tensile strength, anti-tearing and adhesive strength of 4,500N, 430N and 105N, respectively, which is higher than 2,000N, 40N and 50N, respectively as required by ISO's international standards. The Group has obtained the NFPA701 ("Standard Methods of Fire Tests for Flame Propagation of Textiles and Films") certification issued by the United States Fire Administration with respect to its inflatable materials and medical materials, which normally apply to large scale inflatable toys and medical mattresses.

According to Frost & Sullivan, as at 30 September 2009, the Group was the only manufacturer who manufactures both Reinforced Materials for and End Products of biogas tanks for biomass and sewage related projects in the PRC. The Group began sale of biogas tank Reinforced Materials and biogas tank End Products in 2009 and for the year ended 31 December 2009, revenue from biogas tank Reinforced Materials and biogas tank End Products was about RMB14.4 million and RMB5.3 million respectively, representing about 2.5% and about 0.9% of the Group's total turnover from continuing operations during the year.

Biogas tanks require high air tightness and the Directors believe the Group's technical expertise and capabilities allow it to produce both the Reinforced Materials for and End Products of biogas tanks. The Group is currently applying for patent for the technology and design of its biogas tank Reinforced Materials.

In addition, to the knowledge of the Directors, there are currently no relevant national standards which govern the technical specifications and requirements for biogas tanks in the PRC. In order to promote the development of the Reinforced Materials for and End Products of biogas tanks in the PRC and standardization of technical specifications, the Group has taken the initiative and voluntarily prepared a set of proposed standards for adoption by the State Standardization Administration and has submitted the said proposed standards to the Quality and Technical Supervision Bureau of Fuzhou, which, upon approval, will be submitted to the Quality and Technical Supervision Bureau of Fujian province and subsequently to the State Standardization Administration to be adopted as the industry standards.

The Group offers a comprehensive portfolio of Reinforced Materials for a wide range of applications and industries as follows:

Type of products	**Main applications**	**Main characteristics**
Wader and protective garment materials	Waders for farming, fishing, chemical engineering, medical, construction, fire fighting, leisure and recreation, mining and tunneling and underground railway construction purposes	Colour fastness, fire retardant, oil proof, anti-acidic and alkaline, anti-coldness, warmth keeping, anti-bacteria and easily washable
Air tightness materials	Inflatable boats such as drifting boats, kayak, motor boats and patrol boats and water leisure and recreational products such as water bicycles, water balls, water totters and icebergs, pools and oil fences	High tensile strength, anti-tearing and high adhesive strength, outstanding abrasion resistance and high air tightness, strong impact resistance, anti-UV, good weather resistance and temperature resistance

Type of products	Main applications	Main characteristics
Inflatable materials	Large scale inflatable toys such as slides, castles and bouncers, climbing structure, archway, billboard, movie screens, goal posts, function rooms, mazes, racing tracks, children's playgrounds and arenas	High tensile strength, anti-tearing, abrasion and high adhesive strength, strong water pressure resistance, fire retardant, anti-UV, anti-colour migration and colour fastness
Tarpaulin	Military tents, protection covers for military use, leisure tents, covers for container trucks/trains, construction covers and membrane structures	Anti-UV, good weather resistance, stain-resistant treatment, colour fastness, fire retardant, oil proof, acid and alkali resistance
Bag materials	Industrial package bags, specific tool bags, waterproof bags, boxing bags, ice bags, fishing bags, sports bags and luggage carriers	Anti-UV, good weather resistance, oil proof, stain resistance, fire retardant, environmental-friendly with no toxins, anti-bacteria and anti-static
Medical materials	Medical mattress, hospital beds, healthcare facilities, protective covers, blood pressure cuffs, oxygen bags and antibiotic bags	Fire retardant, liquid and odour resistance, environmental-friendly with no toxins, no allergic substance, anti-bacteria, anti-static, oil proof and stain resistance
Biogas tank materials	Biogas tanks, biogas reservoir bags, biomass and sewage related projects	Strong heat absorption and warmth keeping function, high tensile strength and anti-tearing strength, high air tightness, strong impact resistance, anti-UV, good weather resistance, low temperature resistance, durable

Type of products	Main applications	Main characteristics
Sports hall flooring materials	Flooring for indoor stadiums, sports centers, athletic meets of schools and courts for badminton, ping-pong, volleyball etc	Anti-bacteria, fire retardant, oil proof, anti-static, stain resistance, no toxic materials, environmental-friendly, abrasion-resistance formula, durable, surface embossing and high motive adhesion
Professional hiking snowshoes materials	Professional hiking snowshoes, sledges and snowboards	Low temperature resistance formula ensuring usage in low temperature, high tensile strength, anti-tearing and high adhesive strength
Curtain materials	Curtains for offices, hotels, residences and warehouses, and automatic rolling gates	Colour fastness, good opaque quality, fire retardant, oil proof, anti-acidic and alkaline, anti-bacteria, stain resistance and easily cleaned

Set out below is a revenue breakdown analysis of the Group's Reinforced Materials business segment:

	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Wader and protective garment materials	3,978	8.4	37,496	22.5	91,309	26.8
Air tightness materials	12,854	27.2	24,204	14.5	67,841	19.9
Inflatable materials	8,561	18.1	70,252	42.2	89,814	26.4
Tarpaulin	5,202	11.0	8,254	4.9	17,385	5.1
Bag materials	16,692	35.3	26,454	15.9	37,411	11.0
Medical materials	–	–	–	–	9,195	2.7
Biogas tank materials	–	–	–	–	14,437	4.2
Curtain materials	–	–	–	–	10,393	3.1
Professional hiking snowshoes materials	–	–	–	–	2,094	0.6
Sports hall flooring materials	–	–	–	–	771	0.2
Total	47,287	100.0	166,660	100.0	340,650	100.0

The Group's Conventional Materials include polymer coated polyester, polymer film, polymer coated nylon, PVC-poly, coated fabrics and lining, all of which are made from fabrics such as polyesters, nylon, or composite fabrics (other than high strength polyester fabrics), through less sophisticated production process and formulae with features requirement normally lower than that of Reinforced Materials.

The following is an overview of the types of Conventional Materials offered by the Group:

Type of Products	**Main applications**	**Main characteristics**
Polymer coated polyester	Production of raincoats, parkas, daily necessities and tents	Soft, good heat sealing ability, waterproof, moisture-proof and wind resistant
Coated fabrics	Production of military suit, police flight suit, protective clothing, outdoor clothing and labour protective clothing	Light weight, excellent luminance factor, flame retardant, waterproof, water vapor permeable and breathable
Lining	Production of raincoats, clothing and bags	Soft

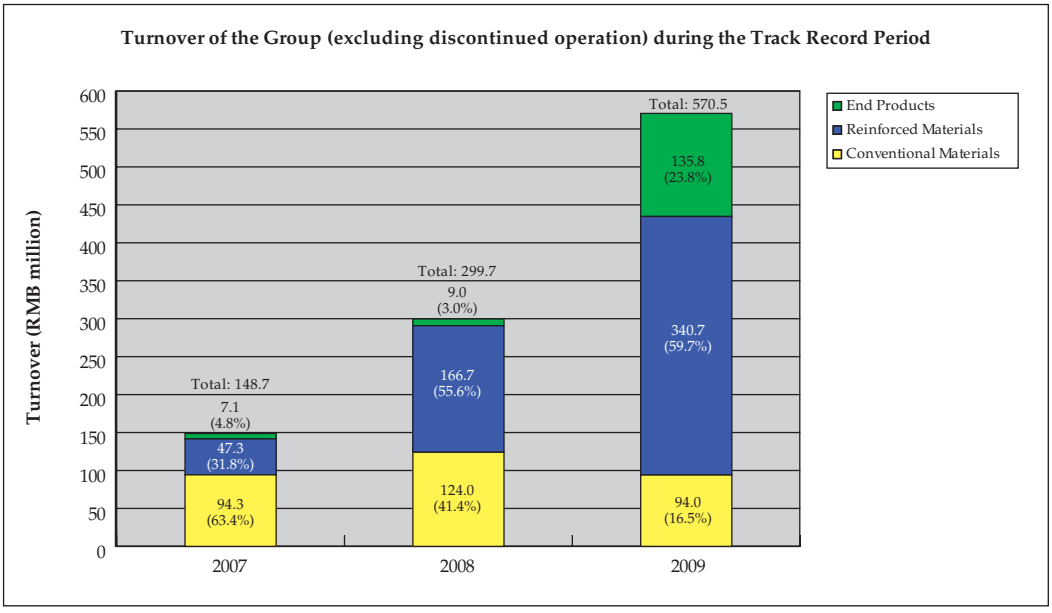
Type of Products	Main applications	Main characteristics
PVC-poly	Production of raincoats and aprons for labour protection	Heat sealing, waterproof, moisture-proof, puncture resistant, stable size, low temperature resistant, flame retardant, acid and alkaline resistant
Polymer film	Production of daily necessities, raincoats, aprons, bags, advertising materials, labour protective clothing, packing materials, swimming pools, inflatable toys and agricultural film	Soft, waterproof, anti-UV, low temperature resistant and flame retardant
Polymer coated nylon	Production of raincoats, parkas, labour protective clothing, waders and tents	Soft and comfortable texture, good colour fastness, excellent heat sealing ability, waterproof, moisture-proof, wind resistant, warmth keeping and durable

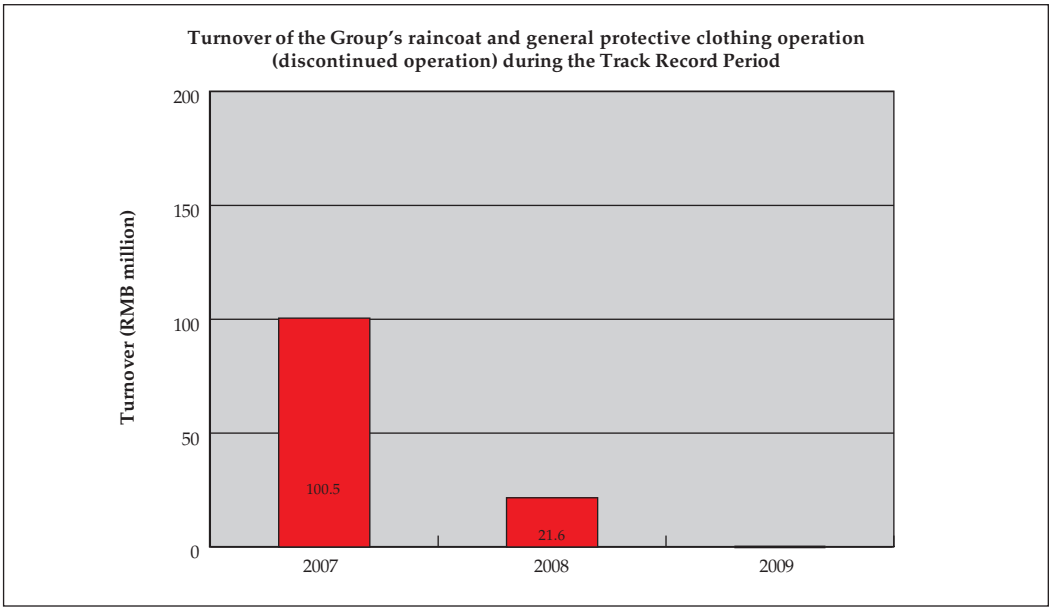
Set out below is a revenue breakdown analysis of the Group's Conventional Materials business segment:

	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Polymer film	16,101	17.1	14,363	11.6	26,622	28.3
Polymer coated polyester	44,938	47.6	73,163	59.0	50,869	54.1
Lining	4,094	4.3	3,836	3.1	1,858	2.0
Polymer coated nylon	967	1.0	480	0.4	4,872	5.2
PVC-poly	14,048	15.0	26,561	21.4	8,693	9.3
Coated fabrics	14,184	15.0	5,573	4.5	1,075	1.1
	94,332	100.0	123,976	100.0	93,989	100.0

During the Track Record Period, most of the Group's Conventional Materials were principally sold to the raincoat and labour protective clothing manufacturers and trading companies. Despite the Group's primary focus on the development and sale of Reinforced Materials, the Group would continue, depending on customer demand and profitability, to utilize its existing production facilities to develop and sell its Conventional Materials.

For each of the three years ended 31 December 2007, 2008 and 2009, turnover of Reinforced Materials accounted for about 31.8%, 55.6% and 59.7%, respectively, of the Group's total turnover (excluding discontinued operation) whilst turnover of Conventional Materials accounted for about 63.4%, 41.4% and 16.5%, respectively, of the Group's total turnover (excluding discontinued operation). Turnover of Reinforced Materials increased from about RMB47.3 million in 2007 to RMB340.7 million in 2009, representing a CAGR of about 168.4%. The increasing contribution by the Reinforced Materials business throughout the Track Record Period demonstrated the Group's successful strategy to focus on delivering high performance Reinforced Materials. To differentiate the Group's products from other manufacturers, the Group has started to imprint with and market the Group's Reinforced Materials under the "Sijia" brand name and the "" trademark.





As at the Latest Practicable Date, the Group's Materials were sold to over 400 domestic customers (including domestic manufacturers of End Products, OEM manufacturers of international brands and trading companies) as well as over 20 international customers in other countries, including the United States, Germany, the United Kingdom, New Zealand, South Korea, Iran, Singapore, Costa Rica, Chile and the Philippines.

To capitalize on the growing international and, in particular the PRC, downstream outdoor leisure and recreational products market and to leverage on its expertise in manufacturing Reinforced Materials which are used to manufacture downstream inflatable and waterproof products, the Group began to develop its End Products business and engaged in small scale production since 2007 and further increased its production capacity by commencing the operation of the Xiamen Plant in 2009. All End Products of the Group are manufactured using its own brand of Reinforced Materials in order to control the quality of its End Products. For each of the three years ended 31 December 2007, 2008 and 2009, turnover of End Products accounted for about 4.8%, 3.0% and 23.8%, respectively, of the Group's total revenue (excluding discontinued operation). Turnover of End Products for the year ended 31 December 2009 was about RMB135.8 million.

As at the Latest Practicable Date, the Group offers and plans to offer the following portfolio of End Products:

Product types	Major targeted markets	Brand names and logos
Waders and protective clothing 	Farming, aquaculture, fishing, chemical engineering, fire fighting, leisure and recreation, mining and construction	姜太公, 致富郎, 水傳說
Inflatable boats 	Maritime, port docking, military, drifting tourism spots, aquatic entertainment, recreational sports, life-saving	Long Standing
Inflatable aquatic leisure products 	Aquatic parks, recreational sports, leisure and recreation	Long Standing
Inflatable products (including large scale inflatable toys, inflatable tents, billboards and others) 	Outdoor entertainment parks, shopping malls, schools, sports centres, parks, advertisement	Long Standing
Biogas tanks 	Sewage and biomass related projects	Grandsoo
Sports hall flooring (expected to be launched in 2010) 	Sports halls in schools, sports stadiums	Grandsoo
Air beds (expected to be launched in 2010) 	Household, office, hotel and outdoor camping sites	Grandsoo
Pools (expected to be launched in 2010) 	Household, entertainment, outdoor camping sites	Source of joy

As at the Latest Practicable Date, the Group's End Products were sold to 123 and 43 domestic and international customers respectively (including outdoor and waterproof sports and leisure product retailers, wholesalers, trading companies, drifting clubs and outdoor event organizers). During each of the three years ended 31 December 2007, 2008 and 2009, the amount of about RMB7.1 million, RMB9.0 million and RMB135.2 million, representing about 100.0%, 100.0% and 99.5% of the Group's sales amount of End Products were sold under the Group's own brands. The remaining mainly represents sales to international brands.

During each of the three years ended 31 December 2007, 2008 and 2009, the Group's domestic sales (excluding discontinued operation) amounted to about RMB146.2 million, RMB289.8 million and RMB557.9 million, respectively, and the Group's overseas sales (excluding discontinued operation) amounted to about RMB2.5 million, RMB9.8 million and RMB12.6 million, for the same periods, respectively.

The raw materials used by the Group for production of its Reinforced Materials mainly include polymer, additives and fabrics, while its End Products are manufactured using own brand of Reinforced Materials and parts and components purchased externally. A majority of the raw materials purchased externally by the Group were sourced from suppliers based in the PRC.

The Group has two production facilities located in Fuzhou and Xiamen, Fujian Province. The Fuzhou Plant has been in operation since August 2003 and is primarily engaged in the manufacturing of the Group's Reinforced Materials and one type of End Products, namely large scale inflatable toys, with design and small scale production capability for other End Products. The Xiamen Plant commenced operations in August 2009 and is engaged in the design and manufacturing of the Group's End Products (except large scale inflatable toys).

The Group places strong emphasis on continued research and development and has a qualified research and development team based in Fuzhou, Fujian Province which focuses on improving its existing technology, processing techniques, production efficiency and the development of new products. As at the Latest Practicable Date, the Group's research and development department had 31 personnel with diploma and undergraduate qualifications, including two engineers and four assistant engineers, in the relevant disciplines including polymer materials, chemical engineering and electrical technology. As at the Latest Practicable Date, the Group held 49 registered patents (including 1 invention patent, 30 utility model patents and 18 design patents) and had 20 patents in the process of application for registration.

The Group also collaborates with established scholars and research institute under Fuzhou University, and has entered into (i) agreements with Professor Gu Zhenya (顧振亞), a professor and doctoral tutor at Tianjin Polytechnic University, and Professor Zheng Yuying (鄭玉嬰), Dean of Polymer Science and Technology Institute of Fuzhou University (福州大學) to act as exclusive technical consultants to the Group; and (ii) an agreement with the Fujian Center for Development of Functional Materials Technology of Fuzhou University to jointly establish the Center for Research and Development of High Strength Industrial Polyester Composite Fabric Materials.

The Group's technological advancements, products and production technique innovation capabilities and achievements have been recognized by the relevant government authorities and associations. The following awards and recognitions were granted to the Group up to the Latest Practicable Date:

Awards and recognitions	**Awarded by**	**Year**
New High Technology Enterprise in Fujian Province 福建省高新技術企業	Fujian Provincial Department of Science & Technology	September 2006
Technologically Advanced Foreign-owned Enterprise 外商投資先進技術企業	Fujian Provincial Department of Foreign Trade and Economic Cooperation	November 2006
Fujian Province Trustworthy Enterprise 福建省守合同重信用企業	Administration for Industry & Commerce of Fujian Province	April 2007
Gold Award in the Innovation Results 海峽兩岸職工創新成果金獎	Organizing Committee of Cross-strait Trade Union Innovation Exhibition	June 2007
Second Prize of Fuzhou Outstanding New Product 福州市優秀新產品二等獎	The People's Government of Fuzhou	December 2007
Top 10 of Major Industries of Fujian Province 福建工業主要行業前十強	Enterprise Assessment Centre and Association of Fujian Province	August 2008
Second Prize of Science and Technology Progress in Fuzhou 福州市科技進步二等獎	The People's Government of Fuzhou	September 2008
New High Technology Enterprise in Fujian Province 福建省高新技術企業	Office of Science and Technology in Fujian Province, Department of Finance in Fujian Province, Office of State Tax Administration of Fujian Province and Office of Local Tax Administration of Fujian Province	November 2008

Awards and recognitions	Awarded by	Year
Third Prize of Fuzhou Outstanding New Product 福州市優秀新產品獎三等獎	The People's Government of Fuzhou	December 2008
Fujian Famous Brand Product 福建名牌產品	The People's Government of Fujian	December 2008
2007-2008 Fujian Province Trustworthy Enterprise 二零零七至二零零八年度福建省守合同重信用企業	Administration for Industry & Commerce of Fujian Province	December 2008
Independent Innovative Products in Fujian Province 福建省自主創新產品	Office of Science and Technology in Fujian Province, Economic and Trade Commission in Fujian Province, Development and Reform Commission in Fujian Province, Department of Finance in Fujian Province	June 2009
Second Prize of Science and Technology Progress in Fuzhou 福州市科技進步二等獎	The People's Government of Fuzhou	October 2009
Enterprise Technology Center in Fuzhou 福州市企業技術中心	Economic and Trade Commission in Fuzhou	December 2009
Fujian Outstanding New Product 福建省優秀新產品	The People's Government of Fujian Province	December 2009
Fuzhou Outstanding New Product 福州市優秀新產品	The People's Government of Fuzhou	December 2009
Year 2008 Famous Trademark in Fujian Province 2008年度福建省著名商標	Administration for Industry & Commerce of Fujian Province	December 2009

The Directors believe that stringent quality control is also key to the Group's success. Stringent quality control measures are built into various stages of the Group's production process to ensure that its products meet the quality standards required by its customers and international safety standards. Besides winning a series of awards for its products, the Group was also accredited with ISO9001:2000 by the CQC Center in April 2006 in relation to the Group's quality management system.

The Directors believe that the Group's technology expertise, research and development capability and product quality, sales and services network and customer-oriented services contributed to the growth of the Group over the Track Record Period. During the Track Record Period, turnover (excluding the discontinued operation) increased from about RMB148.7 million in 2007 to about RMB570.5 million in 2009, representing a CAGR of about 95.9%. Net profit (excluding the discontinued operation) increased from about RMB26.1 million in 2007 to about RMB171.2 million in 2009, representing a CAGR of about 156.0%.

According to Frost & Sullivan, due to the wide range of downstream applications and the growing domestic and global demand, the PRC Reinforced Materials market is expected to grow from about RMB5.6 billion in 2008 to about RMB21.5 billion in 2014, representing a CAGR of about 25.3%. As a leading PRC manufacturer of Reinforced Materials which ranked number one with 4.5% market share in the PRC Reinforced Material market in terms of turnover for the eight months ended 31 August 2009, the Directors believe it will continue to benefit from the expected growing demand for Reinforced Materials.

According to Frost & Sullivan, total PRC downstream product market revenue reached about RMB22.5 billion in 2008 and is forecasted to be about RMB94.2 billion in 2014, representing a CAGR of about 27.0%. The Directors believe the Group is well positioned to benefit from its End Products business.

Companies disposed of during the Track Record Period and the discontinued raincoat and general protective clothing business

Before the manufacture and sale of Reinforced Materials, the Group was also engaged in the raincoat and general protective clothing business which involved the manufacture and sale of raincoat and general protective clothing using Conventional Materials as raw materials.

Smile in Rain and Fujian Si Tai Di were early raincoat and general protective clothing manufacturing companies established by Mr. Lin. From early 2006, the Group decided to centralize its raincoat and general protective clothing business under Fujian Sijia, thus Fujian Si Tai Di and Smile in Rain had remained inactive since then. Due to increasing market competition and relatively lower profit margin of raincoat and general protective clothing business and with a view to focus on higher margin Reinforced Materials, the Group subsequently disposed of (i) all its equity interests in Fujian Si Tai Di and Smile in Rain to Bestide Int'l, a Hong Kong incorporated company wholly-owned by Mr. Cai Zhiguo, in January 2008; and (ii) its raincoat and general protective clothing business of Fujian Sijia to Smile in Rain (which at the time was owned by Bestide Int'l to hold the acquired raincoat and general protective clothing business of Fujian Sijia) in May 2008.

On 30 January 2008, the 100% interest in Fujian Si Tai Di (which held 75% interest of Smile in Rain) was disposed of by Hong Kong Sijia to Bestide Int'l for a consideration of HK$10,000,000 based on the registered capital of Fujian Si Tai Di. On 25 January 2008, the 25% interest in Smile in Rain was disposed of by Hong Kong Sijia to Bestide Int'l for a consideration of RMB1,550,148 based on the portion of the registered capital of Smile in Rain actually contributed by Hong Kong Sijia. On 31 May 2008, Smile in Rain (now under the ownership and management of Bestide Int'l) 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. After the disposal, Smile in Rain continued to purchase Materials from the Group for the production of its raincoat products.

After disposals of Fujian Sijia's raincoat and general protective clothing business in May 2008, the Group ceased to hold any interests in raincoat and general protective clothing business. The raincoat and general protective clothing business of Fujian Sijia is shown as the discontinued operation of the Group during the Track Record Period in note 13 to the Accountants' Report in Appendix I. As Fujian Si Tai Di and Smile in Rain were dormant and there was no written and active plan approved by the board of Hong Kong Sijia to dispose of these two subsidiaries during the Track Record Period prior to their disposal, Fujian Si Tai Di and Smile in Rain were recorded as part of the continuing operations of the Group according to the relevant accounting standards during the Track Record Period. Their disposals were recorded as disposal of subsidiaries in note 28 to the Accountants' Report.

For the year ended 31 December 2007, Smile in Rain's revenue and net losses were nil and about RMB83,000 respectively. As at 31 December 2007, Smile in Rain's net asset value were about RMB3.5 million. For the year ended 31 December 2007, Fujian Si Tai Di's revenue and net losses were nil and about RMB2.6 million respectively. As at 31 December 2007, Fujian Si Tai Di's net asset value were about RMB7.9 million.

SUMMARY OF FINANCIAL INFORMATION

The tables below summarize the Group's consolidated financial information for each of the three years ended 31 December 2007, 2008 and 2009, and as at 31 December 2007, 2008 and 2009. The following summary was extracted from the Group's consolidated financial statements included in the Accountants' Report set out in Appendix I to this prospectus. You should read the entire financial statements, including the notes thereto, included in Appendix I to this prospectus for more details.

Summary Consolidated Statements of Income

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
CONTINUING OPERATIONS			
REVENUE	148,715	299,644	570,492
Cost of sales	(102,718)	(180,480)	(311,624)
Gross profit	45,997	119,164	258,868
Other income and gains	348	3,308	1,979
Selling and distribution costs	(1,660)	(4,317)	(3,612)
Administrative expenses	(13,512)	(20,959)	(49,657)
Other expenses	(718)	(485)	(881)
Finance costs	(758)	(1,951)	(2,139)
PROFIT BEFORE TAX	29,697	94,760	204,558
Tax	(3,568)	(15,313)	(33,346)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	26,129	79,447	171,212
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	13,255	1,730	–
PROFIT FOR THE YEAR	39,384	81,177	171,212
Attributable to:			
Equity holders of the Company *(Note)*	36,783	61,266	171,212
Non-controlling interests	2,601	19,911	–
	39,384	81,177	171,212
DIVIDENDS	–	29,080	–
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic (RMB):			
For profit for the year	6.13 cents	10.21 cents	28.54 cents
For profit from continuing operations	4.06 cents	9.99 cents	28.54 cents
For profit from a discontinued operation	2.07 cents	0.22 cents	–
Note:			
Profit attributable to equity holders of the Company:			
– from continuing operations	24,356	59,951	171,212
– from a discontinued operation	12,427	1,315	–
	36,783	61,266	171,212

Summary Consolidated Balance Sheet Information

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Current assets	118,121	184,396	334,744
Non-current assets	77,556	84,647	135,116
Total assets	195,677	269,043	469,860
Equity and liabilities			
Current liabilities	100,608	119,817	112,304
Non-current liabilities	4,375	5,330	6,556
Total equity	90,694	143,896	351,000
Total equity and liabilities	195,677	269,043	469,860

Summary Consolidated Cash Flow Statement Information

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Net cash inflow from operating activities	28,429	88,560	141,586
Net cash outflow from investing activities	(19,678)	(30,839)	(59,777)
Net cash inflow/(outflow) from financing activities	6,380	(6,397)	15,577
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,131	51,324	97,386
Cash and cash equivalents at beginning of year	22,132	36,664	87,612
Effect of foreign exchange rate changes, net	(599)	(376)	(11)
CASH AND CASH EQUIVALENTS AT END OF YEAR	36,664	87,612	184,987

Summary Revenue Components

	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Continuing operations						
– Reinforced Materials	47,287	19.0	166,660	51.9	340,650	59.7
– Conventional Materials	94,332	37.9	123,976	38.6	93,989	16.5
– End Products	7,096	2.8	9,008	2.8	135,853	23.8
Revenue from continuing operations	148,715	59.7	299,644	93.3	570,492	100.0
Discontinued operation						
– Raincoats and general protective clothing	100,481	40.3	21,585	6.7	–	–
Total revenue	**249,196**	**100.0**	**321,229**	**100.0**	**570,492**	**100.0**

OFFER STATISTICS

Offer Price	**HK$3.28**
Market capitalization of the Shares[(1)]	HK$2,624 million
Historical 2009 price/earnings multiple[(2)]	13.5 times
Unaudited pro forma adjusted consolidated net tangible assets per Share[(3)]	HK$1.25

Notes:

(1) The calculation of market capitalization is based on 800,000,000 Shares expected to be in issue following the Global Offering and the Capitalization Issue, but takes no account of any Shares which may be allotted and issued upon exercise of the Over-allotment Option or any Shares that may be allotted and issued or repurchased by the Company.

(2) The calculation of the historical price/earnings multiple on a pro forma is based on the consolidated earnings attributable to the equity holders of the Company for the year ended 31 December 2009 of about RMB171.2 million, the Offer Price of HK$3.28 per Share and assuming 800,000,000 Shares were already in issue on 1 January 2009. This calculation does not take into account Shares which may be issued upon exercise of the Over-allotment Option or any Shares that may be allotted and issued or repurchased by the Company. The consolidated earnings attributable to the equity holders of the Company is translated at the exchange rate of RMB0.882 to HK$1.

(3) The unaudited pro forma adjusted consolidated net tangible asset per Share is calculated after making the adjustments referred to in Appendix II and based on 800,000,000 Shares expected to be in issue following the Global Offering and the Capitalization Issue, but takes no account of any Shares which may be allotted and issued upon exercise of the Over-allotment Option or any Shares that may be allotted and issued or repurchased by the Company.

DIVIDENDS

Declaration of dividends will be subject to the discretion of the Directors, depending on the Group's results, working capital, cash positions and capital requirements. Under the applicable PRC law, each of the Company's subsidiaries in the PRC may only distribute its after-tax profits after it has made allocations or allowances for (i) recovery of accumulated losses; (ii) allocations to the statutory reserves; (iii) allocation to the discretionary welfare fund; and (iv) allocation to a discretionary common reserve fund as may be approved by the board of directors of the Company's subsidiaries in the PRC.

Subject to the availability of the Company's cash and distributable reserves, the Group's investment requirements, and the cashflow and working capital requirements of the Group, it is the Directors' current intention to recommend annually the distribution to Shareholders of not less than 30% of the Group's annual net profits as dividends in the foreseeable future. It is also the Directors' current intention to declare not less than 30% of the Group's net profit for the year ending 31 December 2010 as dividends following the Listing of the Shares.

Throughout the Track Record Period, dividends in the amounts of about RMB29.1 million was declared by the Group for the year ended 31 December 2008. The dividends were paid out of the Group's operating cash flow.

COMPETITIVE STRENGTHS

The Directors consider the principal competitive strengths of the Group as follows:

- Leading market position
- Vast product applications and integrated business model
- High brand recognition
- Strong research and development capabilities and commitment to product innovation
- Strong manufacturing capability
- High quality products with stringent quality control
- Dedicated, stable and experienced management team

FUTURE PLANS AND STRATEGIES

The Group plans to strengthen its leading position in the PRC Reinforced Materials market and increase its market share in the PRC Reinforced Materials and End Products markets. In view of this, the Group will implement the following strategies:

- Development of new products
- Expand production capacity
- Expand sales network and distribution channels
- Brand building and product promotion

USE OF PROCEEDS

The net proceeds of the Global Offering after deducting the underwriting commissions and estimated expenses payable by us in relation to the Global Offering, are estimated to amount to about HK$600.0 million. The Group intends to apply the net proceeds in the following manner:

- As to about HK$210.9 million, representing about 35.1% of the net proceeds from the Global Offering for the development of Fuzhou Plant phase two (12.3%), expansion of production capacity at existing plants (10.5%) and increase in product offerings (12.3%) respectively;
- As to about HK$172.6 million, representing about 28.8% of the net proceeds from the Global Offering for the expansion of sales network and distribution channels, brand building and product promotion;
- As to about HK$133.8 million, representing about 22.3% of the net proceeds from the Global Offering for the enhancement of the Group's research and development capabilities;
- As to about HK$22.7 million, representing about 3.8% of the net proceeds from the Global Offering for the upgrade of the hardwares and softwares of the ERP system; and
- As to about HK$60.0 million, representing about 10.0% of the net proceeds from the Global Offering to be used as additional general working capital of the Group.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, the Directors currently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong.

SUMMARY OF RISK FACTORS

The Company believes that there are certain risks involved in its operations. Many of these risks are beyond its control and can be categorized into: (i) risks relating to the Group; (ii) risks relating to the industry; (iii) risks relating to the PRC; (iv) risks relating to ownership of Shares; and (v) risks relating to the Global Offering.

Risks Relating to the Group

- Maintaining technological expertise
- Development of new products
- No assurance that future expansion plans of the Group will be commercially successful
- Profit margin sustainability
- The Group's ability to retain its senior management team
- Sales orders on a short-term basis
- Reliance on major customers
- Fluctuations in the price and supply of raw materials
- Reliance on major suppliers
- Uncertain protection and possible infringement of the Group's intellectual property rights
- Potential changes or discontinuation of the favorable tax treatments in the PRC currently available to the Group
- Possibility of claims over defective products
- Seasonal fluctuations
- Risk relating to property title of the Xiamen Land and the Xiamen Plant
- The Group's business is subject to operational risks
- Inability to secure additional funding in the future
- Natural disaster and adverse weather conditions
- Future dividend policy
- The Group may experience a shortage of labor or its labor costs may increase

Risks Relating to the Industry

- Competition
- Dependence on the growth of the various industries
- Environmental protection regulations and requirements
- Licences, certificates and permits required for the production of the Group's products in the PRC

Risks Relating to the PRC

- Changes in the economic, political and social conditions in the PRC and policies adopted by the PRC government
- The PRC legal system is not fully developed and has inherent uncertainties which could limit the legal protections available to the Company
- Fluctuations in the exchange rates of the Renminbi
- PRC Government control over currency conversion may affect the value of your investment and limit the Group's ability to use its cash effectively
- Recent PRC regulations relating to acquisitions of PRC companies by foreign entities may limit the Group's ability to acquire PRC companies and adversely affect the implementation of the Group's acquisition strategy as well as its business and prospects
- The Company may be deemed a PRC resident enterprise under the new PRC Enterprise Income Tax Law and be subject to the PRC taxation on the Group's worldwide income
- Dividends payable from the Company's PRC subsidiaries to it and dividends payable by the Company to its foreign investors and gain on the sale of the Shares may become subject to withholding taxes under the PRC tax laws
- Acts of God, acts of war and other disasters could affect the Group's business
- Investors and Shareholders may experience difficulties in effecting service of legal process and enforcing judgments against the Company and its management
- The recent enacted PRC Employment Contract Law may increase the Group's labour costs

Risks Relating to Ownership of Shares

- There has been no prior public market for the Shares
- The trading price of the Shares may be volatile which could result in substantial losses for investors purchasing Offer Shares in the Global Offering
- Future sale of the Shares or major divestment of Shares by any major shareholder could adversely affect the Share price
- Investors in the Global Offering may experience dilution if the Company issues additional Shares in the future
- The interests of the Controlling Shareholders may not always coincide with the Company's interests and those of other Shareholders

Risks Relating to the Global Offering

- Certain facts, forecasts and other statistics with respect to the PRC, the PRC economy and the industry in which the Group operates within the PRC contained in this prospectus have not been independently verified
- No reliance should be placed on any information not contained in this prospectus, including, in particular, any financial projections, valuations or other forward-looking statements contained in press articles or other media regarding the Group and the Global Offering and not contained in this prospectus

In this prospectus, the following expressions shall have the meanings set forth below unless the context otherwise requires. Certain other terms are explained in the section headed "Glossary" of this prospectus.

TERM	DEFINITION
"Application Form(s)"	WHITE, YELLOW and GREEN application form(s) or, where the context requires, any of them relating to the Global Offering
"Articles of Association" or "Articles"	the articles of association of the Company, adopted on 15 January 2010 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"Audit Committee"	the audit committee of the Board of the Company
"Bestide Int'l"	Bestide International Holding Limited (百思泰國際控股有限公司), a company incorporated in Hong Kong on 28 December 2007 under the Companies Ordinance with limited liability, which is owned as to 100% by Mr. Cai Zhiguo (蔡志國)
"Board"	the board of Directors of the Company
"Business Day"	any day (excluding Saturdays, Sundays or public holidays) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over time
"Capitalization Issue"	the issue of 500,000,000 Shares to be made upon the capitalization of certain sums standing to the credit of the share premium account of the Company as referred to under the section headed "Statutory and General Information – Written resolutions of all the Shareholders passed on 8 April 2010" in Appendix V to this prospectus
"Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands

"CCASS"	the Central Clearing and Settlement System established and operated by the HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China Grandsoo"	China Grandsoo Holdings Company Limited (中國浩源控股有限公司), a company incorporated in the BVI on 7 September 2009 and a direct wholly-owned subsidiary of the Company
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended and supplemented or otherwise modified from time to time
"Company"	Sijia Group Company Limited, a company incorporated in the Cayman Islands on 7 October 2009 under the Cayman Companies Law with limited liability
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules and, unless the context requires otherwise, refers to Hopeland International and its beneficial owner, Mr. Lin who, together, will hold 63.75% of the issued share capital of the Company immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised)
"Conventional Materials"	polymer coated polyester, polymer film, polymer coated nylon, PVC-poly, coated fabrics and lining, which are made from fabrics such as polyester, nylon, and composite fabrics (other than high strength polyester fabrics)

"Corporate Reorganization"	the corporate reorganization of the Group in preparation for the Listing, details of which are set out in the section headed "History, Reorganization and Group Structure" of this prospectus
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets
"Director(s)"	the director(s) of the Company, including all executive and independent non-executive directors, as of the date of this prospectus
"End Products"	downstream related inflatable and waterproof products targeting the outdoor leisure, recreation and sports consumer market
"Frost & Sullivan"	an independent market research and consulting company that provides market survey and consulting services including the industry of Reinforced Materials and End Products
"Fujian Si Tai Di"	Fujian Si Tai Di Plastics Co., Ltd (福建斯泰帝塑膠有限公司), a company incorporated in PRC on 5 December 2000 under the laws of PRC and wholly held on trust by Mrs. Lam as trustee for Mr. Lin, which was acquired by Hong Kong Sijia from Mrs. Lam on 12 June 2002 and was subsequently sold to Bestide Int'l on 30 January 2008
"Fujian Sijia"	Fujian Sijia Industrial Material Co., Ltd (福建思嘉環保材料科技有限公司), a company incorporated in PRC on 25 September 2002 under the laws of PRC, which is an indirect wholly-owned subsidiary of the Company
"Fuzhou Jutai Trading"	Fuzhou Jutai Trading Co., Ltd (福州鉅泰貿易有限公司), a company incorporated in PRC on 22 November 2007 under the laws of PRC, the registered scope of business activities include wholesale of clothing and daily utilities and which is owned by Independent Third Parties
"Fuzhou Plant"	the production plant in Fuzhou which occupies a parcel of land with a site area of about 65,107 square meters and a gross floor area of about 11,586 square meters

"Fuzhou Sanfang Trading"	Fuzhou Sanfang Trading Co., Ltd (福州三紡貿易有限公司), a company incorporated in PRC on 23 November 2007 under the laws of PRC, the registered scope of business activities include wholesale of textile products and labour protective utilities and which is owned by an Independent Third Party
"Global Offering"	the International Placing and the Hong Kong Public Offer
"Glory Bright"	Glory Bright Investments Enterprise Limited, (榮亮投資企業有限公司), a company incorporated in the BVI on 4 January 2005 and which will directly hold 11.25% interest of the Company upon completion of the Global Offering (before exercise of the Over-allotment Option) and wholly-owned by Mr. Lin Wanpeng
"Green Application Form(s)"	The application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group"	the Company and its subsidiaries or the Company and any one or more of its subsidiaries as the context may require
"Haoyang Papers"	Haoyang Papers Co., Ltd. (福州浩洋紙品有限公司), a company incorporated in PRC on 9 December 1998 under the laws of PRC owned by Independent Third Parties
"HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
"HKAS(s)"	Hong Kong Accounting Standards
"HKFRS(s)"	Hong Kong Financial Reporting Standards(s) (including HKASs and Interpretations) issued by the HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong", "HKSAR" or "HK"	the Hong Kong Special Administrative Region of PRC

"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
"Hong Kong Public Offer Shares"	the Offer Shares offered for subscription pursuant to the Hong Kong Public Offer
"Hong Kong Public Offer"	the offer by the Company of initially 20,000,000 Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering" of this prospectus) for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%) on and subject to the terms and conditions described in this prospectus and the Application Forms as further described in the section headed "Structure of the Global Offering – Offer Mechanism – Basis of Allocation of Shares – The Hong Kong Public Offer" of this prospectus
"Hong Kong Sijia"	Sijia International Holding Limited (思嘉國際控股有限公司), a company incorporated in Hong Kong on 15 April 2002 under the Companies Ordinance with limited liability
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offer listed in the section headed "Underwriting – Underwriters – Hong Kong Underwriters" of this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 15 April 2010 relating to the Hong Kong Public Offer entered into by, among others, the Company, the Controlling Shareholders, the Sole Global Coordinator and the Hong Kong Underwriters
"Hopeland International"	Hopeland International Holdings Company Limited (浩林國際控股有限公司), a company incorporated in the BVI on 10 September 2009 and which will directly hold 63.75% interest of the Company upon completion of the Global Offering (before exercise of the Over-allotment Option) and wholly-owned by Mr. Lin
"IMF"	International Monetary Fund

"Independent Third Party(ies)"	a person(s) or company(ies) who/which is or are independent of and not connected (within the meaning of the Listing Rules) with any directors, chief executives or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
"International Underwriting Agreement"	the placing underwriting agreement to be entered into between, among others, the Company, the Controlling Shareholders, the Sole Global Coordinator and International Underwriters in respect of the International Placing
"International Placing"	the conditional placing of the International Placing Shares at the Offer Price as set out in the section headed "Structure of the Global Offering" in this prospectus
"International Placing Shares"	the 180,000,000 new Shares initially being offered for subscription under the International Placing (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus)
"International Underwriters"	the underwriters of the International Placing
"Issuing Mandate"	the general unconditional mandate given to the Directors by the Shareholders of the Company relating to the issue of new Shares, further details of which are set out under the section headed "Statutory and General Information – Written resolutions of all the Shareholders passed on 8 April 2010 in Appendix V to this prospectus
"Joint Lead Managers"	Piper Jaffray Asia Securities and China Merchants Securities (HK) Co., Limited, the joint lead managers of the Global Offering
"Latest Practicable Date"	12 April 2010, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
"laws"	all laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, orders, judgements, decrees or rulings of any governmental authority and "law" includes any one of them
"Listing"	the listing of the Shares on the Hong Kong Stock Exchange

"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
"Listing Date"	29 April 2010, being the date on which dealings in the Shares are expected to commence on the Hong Kong Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum"	the memorandum of association of the Company adopted on 7 October 2009, as amended from time to time
"MOFCOM"	the Ministry of Commerce of the PRC
"Mr. Lam"	Mr. Lam Saiwing (林世榮), a previous trustee who held interests in Hong Kong Sijia and Smile in Rain on trust for Mr. Lin
"Mr. Lin"	Mr. Lin Shengxiong (林生雄), an executive Director and chairman of the Group and one of the founders of the Group and the Controlling Shareholder
"Mr. Lin Wanpeng"	Mr. Lin Wanpeng (林萬鵬), the sole beneficial owner of Glory Bright
"Mrs. Lam"	Ms. Lam Yunfeng (林雲鳳), wife of Mr. Lam
"Mrs. Lin"	Ms. Lin Hongting (林紅婷), wife of Mr. Lin
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會), a macroeconomic management agency under the State Council, which studies and formulates policies for economic and social development, maintains a balance of economic aggregates and guides the overall economic system restructuring
"Nomination Committee"	the nomination committee of the Board of the Company
"Non-competition Deed"	a deed of non-competition undertaking dated 15 January 2010 entered into by the Controlling Shareholders in favour of the Company

"Offer Price"	the price per Offer Share of HK$3.28 (exclusive of brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued pursuant to the Hong Kong Public Offer
"Offer Shares"	the Hong Kong Public Offer Shares and the International Placing Shares together, where relevant, with any additional Offer Shares issued and sold pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option granted by the Group to the Sole Global Coordinator, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement up to (and including) 21 May 2010, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer, to require the Group to issue up to an aggregate of 30,000,000 additional Offer Shares, representing 15% of the initial size of the Global Offering, to, among other things, cover over-allocations in the International Placing as described in the section headed "Structure of the Global Offering" of this prospectus
"PBOC"	People's Bank of China (中國人民銀行), the central bank of China
"Piper Jaffray Asia" or "Sole Sponsor"	Piper Jaffray Asia Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO), being the sole sponsor to the Global Offering
"Piper Jaffray Asia Securities" or, "Sole Global Coordinator", "Sole Bookrunner"	Piper Jaffray Asia Securities Limited, licensed to conduct type 1 (dealing in securities) and type 4 (advising in securities) regulated activities under the SFO, acting as the sole global coordinator, the sole bookrunner and a joint lead manager of the Global Offering
"PRC" or "China" or the "People's Republic of China"	the People's Republic of China, but for the purposes of this prospectus, unless otherwise required in the context, excluding Hong Kong, Macau and Taiwan

"Remuneration Committee"	the remuneration committee of the Board of the Company
"Reinforced Materials"	polymer processed high strength polyester fabric composite materials and other reinforced composite materials
"Repurchase Mandate"	the general unconditional mandate to repurchase Shares given to the Directors by the Shareholders of the Company, further details of which are set out in the section headed "Statutory and general information – Repurchase by the Company of its own securities" in Appendix V to this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外滙管理局)
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$0.001 each in the share capital of the Company, which are to be subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
"Share Option Scheme"	the share option scheme conditionally approved and adopted by the Company on 8 April 2010, the principal terms of which are summarized under the section headed "Statutory and general information – Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of Share(s)

"Smile in Rain"	Smile in Rain (Fuzhou) Waterproof Garment Co., Ltd (斯美倫(福州)防水服裝有限公司), a company incorporated in PRC on 24 January 2000 under the laws of PRC, and in 2006 was held as to 52.35% by Fujian Si Tai Di and as to 47.65% by Mr. Lam in trust for Mr. Lin whose interests were transferred to Hong Kong Sijia on 3 December 2007; and as agreed on 8 September 2007, the registered capital of which was increased to RMB10,000,000 and was held as to 75% by Fujian Si Tai Di and as to 25% by Hong Kong Sijia whose interests were further transferred to Bestide Int'l on 25 January 2008, which resulted in such company becoming an indirect wholly owned subsidiary of Bestide Int'l
"Stabilizing Manager"	Piper Jaffray Asia Securities Limited
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Piper Jaffray Asia Securities and Hopeland International on or around 22 April 2010, pursuant to which Piper Jaffray Asia Securities may borrow up to 30,000,000 Shares from Hopeland International to cover any over-allocation under the International Placing
"subsidiary(ies)"	has the meaning ascribed to it under section 2 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Track Record Period"	the three financial years ended 31 December 2007, 2008 and 2009
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, including its territories and possessions
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States

"White Form eIPO"	the application for Hong Kong Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designed website at www.eipo.com.hk
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Xiamen Grandsoo"	Xiamen Grandsoo Industry & Trade Co., Ltd (廈門浩源工貿有限公司), a company incorporated in PRC on 26 May 2006 under the laws of PRC, which is an indirect wholly-owned subsidiary of the Company
"Xiamen Kailai Trading"	Xiamen Kailai Trading Co., Ltd (廈門凱來貿易有限公司), a company incorporated in PRC on 12 December 2007 under the laws of PRC, the registered scope of business activities include wholesale of fitness equipment, chemical industrial products and which is owned by Independent Third Parties
"Xiamen Ming Lian Da"	Xiamen City Ming Lian Da Trading Co., Ltd (廈門市明聯達貿易有限公司), a company incorporated in PRC on 13 January 2003 under the laws of PRC, which since its incorporation has been beneficially owned as to 100% by Mr. Lin Rongfeng, who is the brother of Mrs. Lin
"Xiamen Plant"	the production plant in Xiamen, which occupies a parcel of land with a site area of about 5,232 square meters, with a gross floor area of about 8,736 square meters
"YueHui Investment"	Sanming Yuehui Investment Co., Ltd (三明市悦輝投資有限公司), a company incorporated in PRC on 13 December 2007 under the laws of China, the registered scope of business activities include investment in industry, property, mining, finance, stocks and hotels and which is owned by Independent Third Parties
"Zhongsheng Plastics"	Zhongsheng Plastics Co., Ltd. (中盛塑膠有限公司), a company incorporated in PRC on 21 March 1999 under the Laws of PRC, which is owned by Independent Third Parties
"%"	per cent

Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-allotment Option.

If there is any inconsistency between the official Chinese names of PRC laws or regulations or PRC government authorities or PRC entities mentioned in this prospectus and their English translations, the Chinese version shall prevail. English translations of official Chinese names are for identification purpose only.

All times referred to in this prospectus in relation to the Global Offering refer to Hong Kong local time.

This glossary of technical terms contains terms used in this prospectus as they relate to the Group's business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"DOP"	dioctyl phthalate, a type of plasticizer
"ERP"	enterprise resource planning
"Intertek"	Intertek Testing Services Hong Kong Limited, an independent inspection, verification, testing, and certification company, based in Hong Kong
"ISO"	International Organization for Standardization
"m"	meter
"N"	newton, a unit measure of force
"OEM"	original equipment manufacturer
"polyester"	a type of high-performance material produced through the polymerization of polylol and polybasic acid
"polymer"	a natural or synthetic compound such as PVC, TPU, etc, of usually high molecular weight consisting of up to millions of repeated linked units, each a relatively light and simple molecule
"PTFE"	polytetrafluoroethylene, a highly non-reactive synthetic polymer consisting wholly of carbon and fluorine
"PVC"	polyvinyl chloride, a type of synthetic polymer made through aggregation of vinyl chloride
"PVDF"	polyvinylidene fluoride, a highly non-reactive synthetic polymer with multiple strong carbon-fluorine bonds
"SGS"	SGS SA, an independent inspection, verification, testing, and certification company, based in Switzerland
"sq. m."	square meter

"tonne" or "metric ton"	a unit of weight, one metric ton is equal to 1,000 kilograms
"TPU"	thermoplastic polyurethanes, a category of plastics with properties of elasticity, transparency, and resistance to oil, grease and abrasion
"TUV"	TUV SUD AG, an independent inspection, verification, testing, and certification company, based in Germany
"UV"	ultraviolet, a kind of electromagnetic radiation

This prospectus contains forward-looking statements. Statements that are not historical facts, including statements about the Group's intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

These forward-looking statements include, without limitation, statements relating to:

- the Group's business strategies and plans of operation;
- the Group's capital expenditure plans;
- the Group's operations and business prospects;
- the Group's projected dividend policy;
- projects under construction or planning;
- the regulatory environment as well as the general industry outlook of the Group's industry;
- future development in the Group's industry; and
- the general economic trend of China.

This prospectus contains certain statements that are "forward-looking" and uses forward-looking terminology such as "anticipate," "believe," "could," "expect," "intend," "may," "ought to," "plan," "potential," "seek," "should," "will" or "would" and the negative of these terms and other similar expressions, as they relate to the Group, are intended to identify a number of these forward-looking statements. Those statements include, among other things, the discussion of the Group's growth strategies and expectations concerning the Group's future operations, liquidity and capital resources. Forward-looking statement involves inherent risks and uncertainties and that, although the Group believes the assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions may also be incorrect. Purchasers of the Shares are cautioned that a number of factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement. The risks and uncertainties in this regard include those identified in the risk factors discussed below. In light of these and other risks and uncertainties, the inclusion of forward-looking statements should not be regarded as representations by Directors that the Group's plans and objectives will be achieved.

Subject to the requirements of applicable laws, rules and regulations, the Group does not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way the Group expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in the Company before making any investment decision regarding the Company. Potential investors should pay particular attention to the fact that the Company is incorporated in the Cayman Islands and all of the Group's operations are conducted in the PRC and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on the Group's business, results of operations, financial condition or on the trading price of the Shares, and could cause investors to lose all or part of their investment.

The Company believes that there are certain risks involved in its operations. Many of these risks are beyond its control and can be categorized into: (i) risks relating to the Group; (ii) risks relating to the industry; (iii) risks relating to the PRC; (iv) risks relating to ownership of Shares; and (v) risks relating to the Global Offering.

RISKS RELATING TO THE GROUP

Maintaining technological expertise

The Group's success depends largely on its ability to provide products which meet the market's changing conditions and application and customers' changing requirements, to remain up-to-date with production technology, to maintain technological expertise to manufacture products, and to successfully anticipate and respond to technological changes in the manufacturing processes in a cost-effective and timely manner. In addition, the Group faces competition resulting from new or revised technologies that may render the Group's technologies less competitive or obsolete or reduce the demand for the Group's products. If the Group fails to maintain its technological leadership, improve its products, enhance its manufacturing processes or properly respond to the rapidly changing market trends and customers' requirements, its business, prospects, financial conditions and results of operations may be adversely and materially affected.

Development of new products

The Group's strategy is to develop new types of Reinforced Materials and End Products with a view to strengthen its position and reputation in the market. The Group is in the process of developing certain new types of Reinforced Materials by applying new kinds of polymer materials such as TPU (thermoplastic polyurethanes), PVDF (polyvinylidene fluoride) and PTFE (polytetrafluoroethylene) and of new End Products such as air beds and pools. It is expected that these new Reinforced Materials can provide wider variety of applications and improve the qualities and performance requirements to satisfy the customers' uplifting expectations. However, the development process can be time-consuming and highly complex. There can be no assurance that the new products will be developed successfully or can be launched to the market with economic viability. If such products and applications cannot successfully be developed and launched, the significant research and development costs may not be able to be recovered and the Group's business, prospects, financial condition and results of operations may be adversely affected.

No assurance that future expansion plans of the Group will be commercially successful

In order to further develop the Group's business, the Group plans to expand the sales network and distribution channels and enhance its production capacity. For details of the Group's expansion plans, please refer to the section headed "Business – Future Plans and Strategies" in this prospectus. These future plans require substantial investments in terms of capital commitment and management resources. There can be no assurance that the Group's personnel, systems, procedures and controls will be adequate to implement its business plans or support its future growth. Failure to manage the expansion effectively may materially and adversely affect the operating results of the Group.

Profit margin sustainability

For each of the three years ended 31 December 2007, 2008 and 2009, gross profit margin of the Group was about 30.9%, 39.8% and 45.4% respectively. The increase in gross profit margin was primarily due to the changes in products mix with increasing contribution from higher margin business such as Reinforced Materials and End Products. Also, within the Reinforced Materials market, high end products with more superior performance specifications generally have a higher gross profit margin. Despite the overall increase in gross profit margin of the Group during the Track Record Period, the Group has experienced significant decrease in average gross margin for Conventional Materials from about 30.8% in 2008 to about 15.6% in 2009 primarily as a result of increased market competition. The mix of products that the Group sells affects its results of operations, such as its profit margins, since different products have different profitability. Profitability would also be affected by the number and type of new products launched, such as any additional cost incurred to develop specific techniques and formulae and pricing strategy. For End Products, profitability would be affected by the different types of End Products launched, the types and size of products sold under each category, the sophistication level of each product design and pricing strategy. If prices for Reinforced Materials or End Products decline as a result of pricing pressure from customers, price competition, increase in production costs or if the Group is unable to maintain a high proportion of Reinforced Materials and End Products in its product portfolio or if profit margins for Conventional Materials continue to decline as a result of increased market competition, the Group may not be able to maintain its gross profit margin at the current level.

The Group's ability to retain its senior management team

The success of the Group to date has been, and the future success of the Group will be, dependent on the continued services of its key management and various research and development and technical personnel. The Group expects that its senior management team will continue to play a pivotal role in the future growth and success of its business. In particular, Mr. Lin, the Chairman and executive Director of the Company, played a significant role in the business operations of the Group during the Track Record Period and is instrumental to the future development of the Group. However, there is no assurance that the Group will be able to continue to retain the service of any or all of its senior management team and the research and development and technical personnel. If

any of these personnel was unable or unwilling to continue to serve in his/her present position, and the Group is unable to find a suitable replacement in a timely manner, the loss of their services and/or the Group's failure to find a suitable replacement may cause disruption to its business and may have an adverse impact on its ability to manage or operate its business effectively. The results of the Group's operations may be adversely affected as a result.

Sales orders on a short-term basis

The Group has not entered into any long-term sales contract with any of its major customers. Customers' orders may vary significantly from period to period and it is difficult to accurately project future order quantities or the magnitude of order. There is no assurance that any of the Group's customers will continue to place orders with the Group at the same level as in prior periods. Also, there is no assurance that the volume of the Group's customers' orders will be in line with its expectations. Should customers reduce their purchase orders or cease to place orders with the Group, the Group's business and financial performance may be adversely affected.

In addition, the short-term basis of the Group's sale orders means that it is not always able to forecast with certainty the sales that it will make in a given period and the Group may increase its production capacity, working capital and overhead in expectation of orders that may never be placed, or, that may be delayed, reduced or cancelled. Delayed, reduced or cancelled orders may result in the Group's inability to recover costs that it incurs in anticipation of those orders or to recover such cost in a timely manner, such as costs associated with purchases of raw materials. It may also result in under-utilization of the Group's manufacturing capacity if the Group declines other potential orders because it expects to use the capacity to produce orders that are later delayed, reduced or cancelled. The Group's inability to successfully obtain new purchase orders to fill each successive period, to plan its production capacity for these orders and to produce and deliver these products could substantially harm the Group's business, financial condition and results of operations.

Reliance on major customers

For each of the three years ended 31 December 2007, 2008 and 2009, sales to the Group's five largest customers accounted for about 45.4%, 45.5% and 21.5%, respectively, of the Group's total turnover (which excluded the discontinued operation). For the same periods, sales to the Group's single largest customer accounted for about 12.8%, 10.0% and 5.1%, respectively, of the Group's total turnover (which excluded the discontinued operation). There is no assurance that such customers will continue to purchase or maintain their purchase volumes of the Group's products in the future.

The Group has not entered into any long-term sales agreement or commitment with its customers. The demand for the Group's products by such customers and other customers may change due to a number of factors, some of which may be outside of the Group's control such as changes in their businesses, personnel and sourcing policies. In the event that a significant number of these customers cease to purchase from the Group or reduce the purchase volume of orders placed with the Group, and the Group is unable to increase its sales to other existing customers and/or identify new customers, the Group's business and results of operations may be adversely affected.

Fluctuations in the price and supply of raw materials

The Company purchases large quantities of raw materials, including different kinds of polymers, addictives and fabrics, for the Group's businesses. The cost of raw materials, in the aggregate, represents a substantial portion of its cost of sales. For each of the three years ended 31 December 2007, 2008 and 2009, the total cost for raw materials accounted for about 93.4%, 95.1% and 96.4% of the Group's total cost of sales, respectively. The cost of raw materials used for most of the Group's products generally follows price trends of, and varies with, the market conditions for petroleum or coal which may be highly volatile and cyclical. Please refer to the "Industry Overview" section in this prospectus for the historical price trend of crude oil and coal.

The Group's raw material supplies are also subject to a variety of factors that are beyond its control, including market shortages, supplier's business interruptions, government control and regulations of energy industries, weather conditions and overall economic conditions. The Company has not entered into any hedging arrangement to mitigate the raw material price risk and the Directors consider it is not necessary. The Group's major raw materials include PVC and DOP. During each of the three years ended 31 December 2007, 2008 and 2009, the Group's average purchase cost per kilogram of PVC amounted to about RMB6.4, RMB6.8 and RMB5.6 respectively, while that of DOP amounted to about RMB12.8, RMB10.7 and RMB8.3 respectively for the same periods. In the future, there may be periods of time when the Group is unable to pass raw material cost increases on to customers quickly enough to avoid adverse impacts on the Group's profit margins. The Group's business, prospects, financial condition and results of operations could be materially affected by increases and volatility of these costs and any shortage in supply of raw materials. Cost increases may also increase working capital needs, which could reduce the Group's liquidity and cash flow. In addition, in the event that raw material costs increase rapidly and are passed along to customers as product price increases, the credit risks associated with certain customers can be compounded and demand in the Group's products may decrease.

Reliance on major suppliers

For each of the three years ended 31 December 2007, 2008 and 2009, purchases from the Group's five largest raw materials suppliers in aggregate accounted for about 34.3%, 50.3% and 38.2% of the Group's total purchases, respectively. For the same periods, purchases from the Group's single largest raw materials supplier accounted for about 11.1%, 19.5% and 9.4% of the Group's total amount of purchases, respectively. There is no assurance that these suppliers will continue to supply raw materials to the Group in the future.

In the event any of the Group's major suppliers decides not to supply raw materials to the Group, but the Group was unable to find alternative supplies of the raw materials of the similar quantity and/or quality at comparable prices, this will lead to a disruption in the supply of such raw materials, and in turn may adversely impact on the Group's results of operations and prospects.

Uncertain protection and possible infringement of the Group's intellectual property rights

The Group has registered under its own name or applied for registration of a number of patents for invention, utility models and designs and trademarks, which are important to the Group's business, further details of which are set out in the subsection headed "Intellectual property rights of the Group" in Appendix V to this prospectus.

There is no guarantee that the pending applications for registration of various intellectual property rights by the Group will eventually be granted by the respective authorities. It may be possible for other third parties to copy or otherwise obtain and use the Group's intellectual property rights without authorization. In addition, there are countries, including but not limited to the PRC, where protection of patents, trademarks and other intellectual property rights may not be effective or may be limited. There can be no assurance that any steps taken by the Group will successfully prevent misappropriation or infringement of its intellectual property rights.

It is also possible that during the course of its business, the Group could be found liable for having infringed third parties' intellectual property rights. If claims for infringement of third party intellectual property rights are brought against the Group, it may need to incur significant resources in defending in such legal proceedings and cause a diversion of the Group's financial and human resources from the Group's normal business activities. In addition, if the Group loses in any such proceedings or has any of its intellectual property rights revoked as a result, the Group's business operations, financial position and prospects may be adversely affected.

Potential changes or discontinuation of the favorable tax treatments in the PRC currently available to the Group

Fujian Sijia was granted the preferential enterprise income tax rate of 15% by the State Administration of Taxation in Fuzhou, Fujian Province for the three years ending 31 December 2010 due to its status as an "advanced technology enterprise". Xiamen Grandsoo was exempted from corporate income tax 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 deemed profitable year of Xiamen Grandsoo was 2008 due to the implementation of new PRC tax regime. Therefore, Xiamen Grandsoo has been exempted from corporate income tax for the years ended 31 December 2008 and 2009, respectively, and will enjoy a 50% tax reduction for the three years ending 31 December 2010, 2011 and 2012. There can be no assurance that the current favorable tax policies available to the Group will not be withdrawn or revoked by the PRC government or become less favorable. If the current favorable tax treatments are reduced or are no longer available in the future, the Group's results of operations in the future may be adversely affected.

Possibility of claims over defective products

Manufacturers and sellers of defective products in the PRC may be liable for loss and injury caused by such products. According to the principal laws and regulations governing this area, such as the General Principles of the Civil Law of the PRC, where a substandard product causes property damage or physical injury to any person, the manufacturer or seller of such substandard product may be subject to civil liabilities under the relevant PRC Civil Laws for such damage or injury. In addition, under the Product Quality Law, manufacturers are responsible for the quality of the products they produce and the products must meet certain minimum standards and manufacturers producing defective products can be liable for criminal liability and have its business licenses revoked. Further, the Consumers' Rights Protection Law gives protection to legal rights and interests of consumers in respect of the safety of people and property in the purchase or use of goods or services and business operators have to assume criminal liability if the goods or services they produce, sell or provide lead to death or serious injuries of the customers.

While there has been no any complaints or claims against the Group's products or losses or injuries due to defective products during the Track Record Period, there is no assurance that the Group will not receive any complaints or claims against the Group pursuant to, including but not limited to, any of the above-mentioned laws in the future, which may adversely affect the reputation and operation of the Group. The Group may also be liable for losses and injuries due to defective products sold in other jurisdictions outside the PRC which may adversely affect the Group's financial condition and results of operations. There can be no assurance that Group's existing insurance coverage would be sufficient to cover all of the Group's product liability exposure.

Seasonal fluctuations

Some of the Group's products, including certain Reinforced Materials and certain End Products, generally show seasonality patterns in terms of sales volume as demands for these products are subject to the weather conditions. For example, there are usually higher demands for waders and protective clothing for use in rainy weather, in rainy and wet seasons and higher demands for drifting boats in summer season, which is the peak season for drifting tourism spots. Normally, the peak season for the manufacturing of these End Products will be a few months before the summer and rainy season, when the demand for these products will be higher. Whilst the seasonality impact of such products had, to a certain extent, been offset by the Group's sales of other products thus the overall seasonality of the Group's sale is not apparent, there is no assurance that the Group's performance may not be affected by seasonal factors and abnormal changes in weather conditions.

Risks relating to property titles of the Xiamen Land and the Xiamen Plant

As at the Latest Practicable Date, the Group has not yet obtained the land use rights certificate for Xiamen Land and the building ownership certificates for the Xiamen Plant with an area of 8,736 sq.m. on Xiamen Land as it is the policy of the Management Committee of Xiamen Tongan Industrial Zone, within which the Xiamen Land is located,

that land use rights certificate and building ownership certificate for all buildings in such industrial zone would only be applied for collectively after all occupants of the industrial zone have completed construction and the constructions have been inspected and accepted by the relevant authorities. It is currently estimated that the land use rights and building ownership certificates of the Xiamen Land and Xiamen Plant will be granted to Xiamen Grandsoo by the end of 2011. According to the confirmation issued by the Tongan Branch of the Xiamen Land and Building Administration Bureau ("Xiamen Bureau Tongan Branch") on 18 September 2009, Xiamen Grandsoo had submitted all the required documents for the application of the relevant land use rights certificate and building ownership certificates, fulfilling the statutory requirements and the Xiamen Bureau Tongan Branch was in the process of approving the application, and there would be no actual obstacles and legal risks in granting the title certificates of the Xiamen Land and the Xiamen Plant situated thereon to Xiamen Grandsoo, and that Xiamen Grandsoo is permitted to continue to use the properties situated on the Xiamen Land without incurring any penalties pending grant of formal land use rights and building ownership certificates of the Xiamen Land and the Xiamen Plant. There can be no assurance that the land use rights certificate and the building ownership certificate of the Xiamen Land and Xiamen Plant will be granted as expected and in the event that the grant of the title certificates was refused or otherwise not granted, the use of the Xiamen Land and Xiamen Plant by the Group may incur liabilities for the Group and the Group may also be required to vacate from the same, resulting in the Group having to incur relocation costs and the operation of the Group may also be affected.

The Group's business is subject to operational risks

The occurrence of material operational problems at the Group's facilities, including, but not limited to the events described below, may materially reduce the productivity and profitability of the Group, during and after the period of such operational difficulties. The Group's operating results are dependent on the continued operation of the Group's production facilities and the ability to complete maintenance projects on schedule.

The Group's operations are subject to hazards inherent to manufacturing industries and the related storage and transportation of raw materials, products and wastes. These potential hazards include:

- explosions;
- fires;
- unexpected wear and tear or degradation;
- mechanical failure or misuse and power outage;
- unscheduled downtimes;
- performance below expected levels of output or efficiency;
- transportation interruptions;

- other industrial accidents;
- other environmental risks; and
- terrorist acts.

Some of these hazards may interrupt the Group's operations, may cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in legal and regulatory liabilities and the imposition of civil or criminal penalties. Furthermore, the Group may be subject to claims with respect to workplace exposure, workers' compensation and other matters. If the Group was to incur a significant liability for which it has not maintained sufficient insurance coverage, the Group might not be able to finance the amount of the uninsured liability on acceptable terms or at all, and might be obligated to divert a significant portion of cash flow from normal business operations. Consequently, the Group's business, prospects, financial condition and results of operations may be materially adversely affected.

The Directors confirm that to the best of their knowledge, the principal raw materials currently used and intended to be used (i.e polymer materials such as PVC, TPU, PVDF and PTFE) are not toxic or may not generate toxic by-products which are hazardous to human or may pollute the environment. The abovementioned raw materials are also not included in the currently effective List of Dangerous Goods (危險貨物品名表) (GB 12268-2005) issued by General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) and State Standardization Administration (中華人民共和國國家標準化委員會) on 26 July 2005 and effective on 1 November 2005.

Inability to secure additional funding in the future

The Group's plans may change due to changing circumstances, the development of its business, unforeseen contingencies or new opportunities. If there is a change of its plans, the Group may need to obtain additional external debt or equity financing. If the Group is unable to obtain such additional external financing, or is unable to obtain additional external financing on acceptable terms, the Group may not be able to expand its business and its operations may be adversely affected.

Natural disaster and adverse weather conditions

The business of the Group may be interrupted or otherwise affected for reasons beyond its control. Natural disasters, such as floods, drought and earthquakes could cause damage to the Group's production facilities. Furthermore, adverse weather conditions, such as snow and storm may cause difficulties in transportation of production materials and delivery of the Group's products to its customers, affecting the production of the Group. The occurrence of natural disasters that interrupt or affect the Group's business would adversely affect its operating results.

Future dividend policy

Dividends of about RMB29.1 million were declared for the year ended 31 December 2008. The dividends were paid out of the Group's operating cash flow. The foregoing dividend distributions are to the Shareholders of the subsidiaries prior to the Global Offering only. Historical dividend distributions are not indicative of the further dividend policy. The Directors expect that, in future, the declaration, payment and amount of dividends will be subject to the discretion of the Directors, and will depend upon, among others, the Group's results of operation, cash flow, financial condition, operating and capital requirements and other relevant factors.

The Company is a holding company incorporated under the laws of Cayman Islands, with limited liability. All of the Group's business operations are conducted through the Company's PRC operating subsidiaries. The Company's principal assets are the beneficial interests in Fujian Sijia and Xiamen Grandsoo. The Company's ability to pay dividends to the Shareholders is dependent upon the earnings of the operating subsidiaries of the Group and their distribution of funds to the Company, primarily in the form of dividends. The ability of the Group's subsidiaries to make distributions depends upon, among other things, their distributable earnings. Under the PRC law, payment of dividends is only permitted out of accumulated profits according to PRC accounting standards and regulations, and the subsidiaries in the PRC are also required to set aside part of their after-tax profits to fund certain reserve funds that are not distributable as cash dividends. Other factors such as cash flow conditions, restrictions on distributions contained in the Group's subsidiaries' articles of associations, restrictions contained in any debt instruments, withholding tax and other arrangements will also affect the Company's subsidiaries' ability to make distributions to the Company. These restrictions could reduce the amount of distributions that the Company will receive from the Company's subsidiaries, which in turn would restrict the Company's ability to pay dividends on the Shares.

The Group may experience a shortage of labor or its labor costs may increase

There can be no assurance that the Group will not experience any shortage of labor or that the cost of labor in the PRC will not increase in the future. If the Group experiences a shortage of labor, the Group may not be able to maintain its production volume. If labor costs increase in the PRC, the Group's production costs will increase and it may not be able to pass these increases to the Group's customers due to competitive pricing pressures. Accordingly, if the Group experiences a shortage of labor or its labor costs increase, its business, prospects, financial condition and results of operations may be adversely affected.

RISKS RELATING TO THE INDUSTRY

Competition

The Group's business faces increasing competition. Generally, any increase in profitability in the industries of Reinforced Materials and End Products would be expected to attract more competition from both local and overseas producers who are also engaged in or interested in engaging in the production of similar products manufactured by the Group. Increase in competition may have adverse effect on the sales and selling price of the Group's products. As a result, profitability of the Group will be adversely affected.

Dependence on the growth of the various industries

The future growth of the Reinforced Materials market in which the Group operates is primarily driven by the continuous growth of, among others, the outdoor leisure and recreational sports, logistics, construction and packaging industries. Any significant slowdown in the growth of these industries could have a material adverse impact on the level of demand for the Group's products, which in turn, could adversely affect the Group's business and operating results.

Environmental protection regulations and requirements

The Group is required to comply with the environmental protection laws and regulations promulgated by the national and local governments of the PRC. During the Track Record Period, the Group has not been subject to any material claim for breach of environmental protection regulations. Should the Group's production facilities fail to meet applicable environmental protection requirements, the Group may be required to take remedial measures which may in turn have an adverse effect on the operations of the Group. In addition, there is no assurance that the environmental protection law will not be changed in the future. Should there be any change in the environmental protection requirements, the Group may incur additional cost in complying with the new law and regulations, which in turn adversely may affect the profitability of the Group.

Licences, certificates and permits required for the production of the Group's products in the PRC

The Group has obtained all necessary licenses, certificates and permits for the production and sale of the Group's present products. However, there is no assurance that the Group will be able to renew any of the existing licenses, certificates and permits required in connection with the Group's production and sale of its products upon their expiration. In addition, eligibility criteria for these licenses, certificates and permits may change from time to time and additional licenses, certificates and permits may be required and more stringent compliance standard may have to be observed. Introduction of any new laws and regulations or changes in the interpretation of any existing law and regulations may escalate the compliance cost for the Group, or prohibit the Group from, or result in the Group having to incur more costs to continue with, the operation of its business. Upon occurrence of such events, the Group's operations may have to be restricted and the Group's profitability would be adversely affected.

RISKS RELATING TO THE PRC

All of the Group's assets are located in the PRC and all of its turnovers are derived from its operations in the PRC. As a result, its operations and assets are subject to significant political, economic, legal and other uncertainties associated with doing business in the PRC, which are discussed in more detail below.

Changes in the economic, political and social conditions in the PRC and policies adopted by the PRC government

The PRC's economy differs from the economies of most developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented measures emphasizing market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in the PRC are still owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform.

The Group's operations and financial results could also be adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). The Group's operations and financial results could also be adversely affected by changes in measures which might be introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion and the imposition of additional import restrictions.

The Group is not in a position to predict whether any abovementioned potential changes in China's political, economic and social conditions, as well as its laws, regulations and policies will have any material adverse effect on its current or future business, financial condition and results of operations.

The PRC legal system is not fully developed and has inherent uncertainties which could limit the legal protections available to the Company

Although the Company is an exempted company incorporated with limited liability under the laws of the Cayman Islands, all of the Group's operations are conducted through the Company's subsidiaries which are organized under PRC laws in China. The PRC legal system is based on written statutes. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters, such as the issuance and trading of securities, shareholder rights, foreign investment, corporate organization and governance, commerce, taxation and trade. However, many of these laws and regulations, which are relatively new and will continue to evolve, are subject to different interpretations and may be inconsistently enforced. In addition, there is only a

limited volume of published court decisions which may be cited for reference and in any case, such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation of PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections that are available to you and to the Company and can adversely affect the value of your investment.

Fluctuations in the exchange rates of the Renminbi

The exchange rates between the Renminbi and the Hong Kong dollar, the US dollar, the Euro and other foreign currencies is affected by, among other things, changes in the PRC's economic and political conditions. In 2005, the PRC government changed its policy of pegging the value of the Renminbi to the US dollar. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall within a regulated band each day. Under the current circumstances of global economic crisis, the exchange rates of the Renminbi against the US dollar, the Hong Kong dollar or other foreign currency may fluctuate in an unprecedented way.

Most of the Group's sales are denominated in Renminbi. Fluctuations in exchange rates, particularly among the US dollar, Renminbi and the Euro, may affect the Group's net profit margins and may result in fluctuations in foreign exchange and operating gains and losses. The Group has not used any other forward contracts, currency options or borrowings to hedge the Group's exposure to foreign currency exchange risk. The Group cannot predict the impact of future exchange rate fluctuations on the Group's results of operations and may incur net foreign currency losses in the future.

Furthermore, following the completion of the Global Offering, the Group expects a significant portion of its cash and cash equivalents to be denominated in currencies other than Renminbi. As the Group's functional currency is Renminbi, such foreign currency denominated cash and cash equivalents are exposed to fluctuations in the value of Renminbi against the currencies in which these cash and cash equivalents are denominated. Any significant appreciation of the Renminbi against these foreign currencies may result in significant exchange losses.

PRC Government control over currency conversion may affect the value of your investment and limit the Group's ability to use its cash effectively

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of foreign currencies out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distribution, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenditures. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. The Company relies on its PRC subsidiaries to pay dividends to the Company. If the PRC foreign exchange control system prevents the Group from obtaining sufficient foreign currency, including Hong Kong dollars, to satisfy its requirements, the Group may not be able to pay dividends in Hong Kong dollars to the Shareholders.

Recent PRC regulations relating to acquisitions of PRC companies by foreign entities may limit the Group's ability to acquire PRC companies and adversely affect the implementation of the Group's acquisition strategy as well as its business and prospects

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (the "M&A Provisions") issued by six PRC ministries including the Ministry of Commerce, effective from 8 September 2006 and was amended on 22 June 2009, provide the rules with which foreign investors must comply should they seek to purchase by agreement the equities or assets of a domestic non-foreign-invested enterprise or subscribe to the increased capital of a domestic non-foreign-invested enterprise, and thus change the domestic non-foreign-invested enterprise into a foreign-invested enterprise upon completion of such an acquisition or investment. The M&A Provisions stipulate that the business scope upon acquisition of domestic enterprises must conform to the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄) issued by the NDRC and the Ministry of Commerce jointly, which broadly categorized different industries into Encouraged, Restricted and Prohibited categories and subject to update from time to time. The M&A Provisions also provide the takeover procedures for the acquisition of equity interests in domestic enterprises.

There are uncertainties as to how the M&A Provisions will be interpreted or implemented. If the Group decides to acquire a PRC company in the future, the Group cannot assure you that the Group or the owners of such PRC company can successfully complete all necessary approval requirements under the M&A Provisions. This may restrict the Group's ability to implement its expansion and acquisition strategy and could materially and adversely affect its future growth.

The Company may be deemed a PRC resident enterprise under the new PRC Enterprise Income Tax Law and be subject to the PRC taxation on the Group's worldwide income

Under the Enterprise Income Tax Law of the PRC (中國人民共和國企業所得税法) ("New Tax Law") that took effect on 1 January 2008, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the implementation regulations of the New Tax Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Substantially all of the Company's management is currently based in China, and may remain in China. Therefore, the Company may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. The tax consequences of such treatment are currently unclear, as they will depend on the implementation regulations and on how local tax authorities apply or enforce the New Tax Law and the implementation regulations.

Dividends payable from the Company's PRC subsidiaries to it and dividends payable by the Company to its foreign investors and gain on the sale of the Shares may become subject to withholding taxes under the PRC tax laws

Under the New Tax Law and its implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent such dividends are sourced within China. Similarly, any gain realized on the transfer of Shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within China. The investors who are established in Hong Kong and directly holds at least 25% shareholding of a PRC enterprise and are considered non-resident enterprises by the PRC tax authority are subject to a PRC withholding tax at a rate of 5%. As dividends from the PRC subsidiaries will be paid to the Company through Hong Kong Sijia, the Group's only Hong Kong subsidiary, those dividends will be subject to a withholding tax at the rate of 5%.

If the Company is considered a PRC resident enterprise, it is unclear whether the dividends the Company pays with respect to the Shares, or the gain investors and Shareholders may realize from the transfer of the Shares, would be treated as income derived from sources within China and be subject to PRC tax. If the Company is required under the New Tax Law to withhold PRC income tax on dividends payable to its foreign shareholders, or if investors and Shareholders are required to pay PRC income tax on the transfer of the Shares, the value of your investment in the Group's Shares may be materially and adversely affected.

Acts of God, acts of war and other disasters could affect the Group's business

An outbreak of avian flu, severe acute respiratory syndrome ("SARS") or any epidemic, an increase in the severity of H1N1 flu (the swine flu) or the occurrence of any natural disaster, which may lead to serious disruption to the public in the PRC, may have a material and adverse effect on the Group's business, results of operations and financial performance. Acts of war and terrorist attacks may cause damage or disruption to the Group, its employees, its markets, its customers and suppliers, any of which could materially impact the sale of the Group's products, the procurement of raw materials, overall results of operations and financial condition. Overall, natural disasters, acts of war and terrorist attacks may cause the Group's business to suffer in ways that the Company cannot predict.

Investors and Shareholders may experience difficulties in effecting service of legal process and enforcing judgments against the Company and its management

The majority of the Company's Directors are residents of the PRC, and substantially all of the Group's assets and the assets of such Directors are located within the PRC. It may therefore be difficult for investors to effect service of legal process upon the Company or the Directors in the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other western countries. Therefore, it may be difficult for Shareholders to enforce against the Company or the Directors in the PRC any judgments obtained from non-PRC courts.

The recent enacted PRC Employment Contract Law may increase the Group's labour costs

The PRC Employment Contract Law became effective on 1 January 2008. Compliance with the requirements under this recent law, in particular, the requirements of severance payment and non-fixed term employment contracts, may increase the Group's labour costs.

Pursuant to the PRC Employment Contract Law, the Company's PRC subsidiaries are required to enter into non-fixed term employment contracts with employees who have worked for the Group for more than 10 years or for whom a fixed term employment contract has been concluded for two consecutive terms. The Group may not be able to efficiently terminate non-fixed term employment contracts under the new PRC Employment Contract Law without cause. The Group is also required to make severance payments to fixed term contract employees when the term of their employment contract expires, unless the employee voluntarily terminates the contract or voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer, except in circumstances where the employee's monthly wage is three times or more than the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of twelve years. A minimum wage requirement has also been incorporated into the PRC Employment Contract Law. Fines may be imposed for any material breach of the PRC Employment Contract Law.

As a result of the requirements imposed by the PRC Employment Contract Law, the Group's historical labour costs may not be indicative of its labour costs going forward. Compliance with the relevant laws and regulations may substantially increase its operating costs, thus may have a material adverse effect on the Group's results of operations.

The Group confirmed, and the local government authorities supervising labor and social welfare certified that, since their establishment, Fujian Sijia and Xiamen Grandsoo have complied with the relevant laws and regulations relating to labor and social welfare, including the PRC Employment Contract Law, without any penalties due to violation of the relevant laws and regulations relating to labor and social welfare.

RISKS RELATING TO OWNERSHIP OF SHARES

There has been no prior public market for the Shares

Prior to the Global Offering, there has been no public market for the Shares. Whilst the Company has applied to have the Shares listed on the Hong Kong Stock Exchange, there can be no assurance that an active public market for the Shares will develop. The Offer Price of the Offer Shares may not be indicative of prices that will prevail in the trading market.

The trading price of the Shares may be volatile which could result in substantial losses for investors purchasing Offer Shares in the Global Offering

Following the Global Offering, the market price of the Shares may fluctuate substantially as a result of, amongst other things, the following factors, some of which are beyond the Company's control:

- variations of the results of its operations;
- changes in securities analysts' estimates of the Group's financial performance;
- investors' perceptions of the Group and the general investment environment;
- changes in policies and developments related to the industry in which the Group operates;
- changes in pricing policies adopted by the Group or its competitors;
- announcements of significant acquisition, strategic alliance or joint venture;
- fluctuations in stock market prices and trading volume;
- involvement in litigation;
- recruitment or departure of key personnel; and
- general economic and stock market conditions.

Moreover, in recent years, stock markets in general, and the shares of companies with substantial operations in China in particular, have experienced price and volume fluctuations, some of which were unrelated or did not fully correspond to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of the Shares.

Future sale of the Shares or major divestment of Shares by any major Shareholder could adversely affect the Share price

The sale of a significant number of Shares in the public market after the Global Offering, or the perception that these sales may occur, could adversely affect the market price of Shares. Except as otherwise described in the paragraph headed "Undertakings in Favour of the Stock Exchange Pursuant to the Listing Rules" under the section headed "Underwriting" in this prospectus, there are no restrictions imposed on the substantial shareholders to dispose of their shareholdings. Any major disposal of Shares by any of the major shareholders may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for the Company to issue new Shares in the future at a time and price the Company deems appropriate, thereby limiting its ability to raise capital.

Investors in the Global Offering may experience dilution if the Company issues additional Shares in the future

In connection with its future business expansion plans, the Company may consider offering and issuing additional Shares in the future. Investors of the Group's Shares may experience dilution in the net tangible asset book value per Share of their Shares if the Company issues additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

The interests of the Controlling Shareholders may not always coincide with the Company's interests and those of other Shareholders

Upon the completion of the Global Offering, it is anticipated that the Controlling Shareholders will own, in the aggregate, about 63.8% of the Shares, assuming the Over-allotment Option is not exercised, and about 61.5%, if the Over-allotment Option is exercised in full. Therefore, the Controlling Shareholders will be in a position to control matters requiring approval by Shareholders and thereby exercise significant influence over the operations and business strategy of the Company, and may have the ability to require the Company to effect corporate transactions irrespective of the desires of other Shareholders. The interests of the Controlling Shareholders may not always coincide with the best interests of the Company or other Shareholders. If the interests of the Controlling Shareholders conflict with the interests of the Company or other Shareholders, or if the Controlling Shareholders choose to cause the business to pursue strategic objectives that conflict with the interests of the Company or other Shareholders, the Company or those other Shareholders may be disadvantaged as a result.

RISKS RELATING TO THE GLOBAL OFFERING

Certain facts, forecasts and other statistics with respect to the PRC, the PRC economy and the industry in which the Group operates within the PRC contained in this prospectus have not been independently verified

Facts, forecasts and other statistics in this prospectus relating to the PRC, the PRC economy and the industry in which the Group operates within the PRC have been derived from various official government publications. However, there can be no assurance as to the quality or reliability of such source materials. They have not been prepared or independently verified by the Company, the underwriters or any of its or their respective affiliates or advisors and, therefore, the Company makes no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable from period to period to statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should attach or place on such facts, forecasts or statistics.

No reliance should be placed on any information not contained in this prospectus, includings, in particular, any financial projections, valuations or other forward-looking statements contained in press articles or other media regarding the Group and the Global Offering and not contained in this prospectus

Prior to the publication of this prospectus, there has been certain press and media coverage regarding the Group and the Global Offering, including an article on the Hong Kong Economic Times on 6 January 2010, which contained certain information relating to the Group and the Global Offering that is not contained in this prospectus. The Directors wish to emphasize to potential investors that neither the Directors, the Group, the Sole Sponsor, the Sole Global Coordinator, the Underwriters or any other parties involved in the Global Offering nor the directors, officers, employees, advisers, agents or representatives of any of them (collectively, the "Professional Parties") has authorized the disclosure of any such information to the press, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work was prepared by, sourced from, or authorized by the Directors or any of the Professional Parties. Neither the Directors, the Group nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. The Directors make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in or is inconsistent or conflicts with the information contained in this prospectus, the Directors expressly disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom.

Accordingly, investors should rely only on the information contained in this prospectus and the Application Forms, and no reliance should be placed on any information not contained in this prospectus in making your investment decision on whether to subscribe to the Offer Shares.

Management presence in Hong Kong

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Given that the Group's principal business operations are located, managed and conducted in the PRC, most of the Group's senior management reside in the PRC and currently, none of the executive Directors ordinarily resides in Hong Kong. The Company does not and, for the foreseeable future, will not have sufficient management presence in Hong Kong. Accordingly, the Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted the Company, a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules.

In order to maintain effective communication with the Hong Kong Stock Exchange, the Company will put in place the following measures:

(i) Mr. Lin, an executive Director, and Mr. Chan Wing Hang, the company secretary and chief financial officer of the Company are appointed as the Company's authorized representatives who will act as the Company's principal channel of communication with the Hong Kong Stock Exchange. Each of the authorized representatives will be available to meet with the Hong Kong Stock Exchange upon short notice and will be readily contactable by telephone, facsimile and e-mail;

(ii) all the authorized representatives have means to contact all Directors promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters. To enhance communication between the Hong Kong Stock Exchange, the authorized representatives and the Directors, (a) each Director will provide his mobile phone number, residential phone number, office phone number, fax number and e-mail address to the authorized representatives and the Hong Kong Stock Exchange; and (b) in the event that a Director expects to travel or otherwise be out of office, he will provide valid phone numbers or means of communication to the authorized representatives;

(iii) the Company's company secretary and two independent non-executive Directors, namely Messrs. Chan Tsz Fu Jacky and Choi Tze Kit Sammy, are ordinary residents in Hong Kong and will serve as the Company's additional channel of communication with the Hong Kong Stock Exchange;

(iv) each of the Directors who is not ordinary resident in Hong Kong possesses valid travel documents to visit Hong Kong and will be able to meet with the Hong Kong Stock Exchange within a reasonable period of time; and

(v) the Company has appointed Piper Jaffray Asia as its compliance adviser, who will also serve as its additional communication channel with the Hong Kong Stock Exchange from the Listing Date to the date when the Company publishes its annual report for the first full financial year immediately after the Listing Date.

Issue of annual report and accounts and publication of annual results under the Listing Rules

Pursuant to Rule 13.46(2) of the Listing Rules, an issuer is required to send a copy of its annual report and accounts or summary financial report to its shareholders within four months after its financial year-end. In addition, pursuant to Rule 13.49(1) of the Listing Rules, an issuer is required to publish its annual results within the time prescribed in the Listing Rules.

As the financial information and annual results of the Company in respect of the financial year ended 31 December 2009 have been included in this prospectus, the Directors consider that strict compliance with the requirements of Rule 13.46(2) and Rule 13.49(1) of the Listing Rules will not provide further material information to the Shareholders but will incur unnecessary financial and administrative resources of the Group. The Directors also confirm that the departure from strict compliance of Rules 13.46(2) and 13.49(1) of the Listing Rules will not be in breach of the Articles or laws and regulations of the Cayman Islands or other regulatory requirements regarding the Company's obligation to publish annual results announcements and distribute annual reports and accounts. In addition, a short statement as to whether the Company intends to comply with the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules after the Listing has been set out in the paragraph headed "Corporate Governance" under the section headed "Directors, Senior Management and Employees" in this prospectus. On the above basis, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the annual results for the financial year ended 31 December 2009.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the SFO, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Global Offering. For applicants under the Global Offering, this prospectus and the related Application Forms contain the terms and conditions of the Global Offering.

The Global Offering is sponsored by the Sole Sponsor. Pursuant to the Underwriting Agreements, the Global Offering is fully underwritten by the Underwriters. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

SELLING RESTRICTIONS

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and the related Application Forms to the public in any jurisdiction other than Hong Kong. Accordingly, this prospectus or the related Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorized in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by the Company, the Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person involved in the Global Offering.

Each person acquiring the Offer Shares under the Global Offering will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

The following information is provided for guidance only. Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

United Kingdom

This prospectus does not constitute a prospectus for the purpose of the prospectus rules issued by the United Kingdom Financial Services Authority ("FSA") pursuant to section 84 of the Financial Services and Markets Act 2000 (as amended) ("FSMA") and has not been approved by or filed with the FSA. The Offer Shares may not be offered or sold and will not be offered or sold to the public in the United Kingdom (within the meaning of section 102B of the FSMA) save in circumstances where it is lawful to do so without an approved prospectus (within the meaning of section 85 of FSMA) being made available to the public before the offer is made. In addition, no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any Offer Shares except in circumstances in which section 21(1) of FSMA does not apply to the Company. This prospectus is directed only at (i) persons outside the United Kingdom; or (ii) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) order 2005 (as amended) (the "FPO"); or (iii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in article 49 of the FPO or persons who fall within another exemption to the FPO. Any investment or investment activity to which this prospectus relates is only available to and will only be engaged in with such persons and any person who does not fall within (i) to (iii) above should not rely on or act upon this prospectus.

Singapore

This prospectus has not been and will not be lodged with and registered by the Monetary Authority of Singapore ("MAS") in Singapore as a prospectus under the Securities and Futures Act, Chapter 289 of Singapore ("SFA") and the Global Offering is made pursuant to an exemption invoked under Sections 274 and 275 of the SFA. Accordingly, this prospectus and any other document or material in connection with the Global Offering may not be issued, circulated or distributed in Singapore, nor may any of the Offer Shares be offered for subscription or purchase, whether directly or indirectly, nor may any invitation or offer to subscribe for or purchase any Offer Shares be made, whether directly or indirectly, to any person in Singapore other than (1) to an institutional investor under Section 274 of the SFA, (2) to a relevant person pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trustee of a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor.

The shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within six months after that corporation or the trustee of that trust has acquired the Shares pursuant to an offer made under Section 275 of the SFA except:

(a) where the transfer is made only to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets. In the case where the transfer is made by a corporation, such transfer must also be made in accordance with the conditions specified in Section 275(1A) of the SFA; or

(b) where no consideration is or will be given for the transfer; or

(c) where the transfer is by operation of law.

The MAS takes no responsibility for the contents of this prospectus or any of the documents referred to above.

Cayman Islands

No offer of the Offer Shares may be made to the public in Cayman Islands.

PRC

This prospectus may not be circulated or distributed in the PRC and the Offer Shares may not be offered or sold directly or indirectly to any resident of the PRC, or offered or sold to any person for re-offering or re-sale directly or indirectly to any resident of the PRC except pursuant to applicable PRC laws and regulations.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including Shares which may fall to be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme) on the Main Board.

Save as disclosed in this prospectus, no part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by the Hong Kong Stock Exchange.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares to be issued pursuant to the Global Offering will be registered on the Company's Hong Kong share register of members to be maintained in Hong Kong by the Hong Kong share registrar, Computershare Hong Kong Investor Services Limited. The Company's principal register of members will be maintained in the Cayman Islands. Only Shares registered on the Company's Hong Kong share register of members maintained in Hong Kong may be traded on the Hong Kong Stock Exchange.

Dealings in the Shares registered in the Hong Kong share register of the Company will be subject to Hong Kong stamp duty.

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of the Shares will be paid to the Shareholders listed on the Hong Kong share register of the Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of the Company, or if joint Shareholders, to the first-named therein in accordance with the Articles.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and the Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date as HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasized that none of the Group, the Underwriters, the Sole Sponsor, any of their respective directors, supervisors, agents or advisers or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of Shares.

OVER-ALLOCATION AND STABILIZATION

In connection with the Global Offering, the Sole Global Coordinator or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Sole Global Coordinator or any person acting for it to do this. Such stabilization action, if taken, may be discontinued at any time and is required to be brought to an end after a limited period. An announcement will be made to the public within seven days after the end of the stabilizing period as required under the Securities and Futures (Price Stabilizing) Rules.

In connection with the Global Offering, the Company intends to grant to the Sole Global Coordinator (on behalf of the Underwriters) the Over-allotment Option, which will be exercisable in full or in part by the Sole Global Coordinator (on behalf of the Underwriters) no later than 30 days after the last day for the lodging of applications under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, the Company may be required to allot and issue at the Offer Price up to an aggregate of 30,000,000 additional Shares, representing 15% of the total number of Shares initially available under the Global Offering, in connection with over-allocations in the International Placing, if any.

Further details with respect to stabilization and the Over-allotment Option are set out in the section headed "Structure of the Global Offering – Over-allocation and Stabilization".

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board are expected to commence at 9:30 a.m. on 29 April 2010. Shares will be traded in board lots of 1,000 Shares each.

The Hong Kong Stock Exchange stock code for the Shares is 1863.

The Company will not issue any temporary documents of title.

Dealings in the Shares on the Hong Kong Stock Exchange will be effected by participants of the Hong Kong Stock Exchange whose bid and offer quotations will be available on the Hong Kong Stock Exchange's teletext page information system. Delivery and payment for Shares dealt on the Hong Kong Stock Exchange will be effected two trading days following the transaction date ("T+2"). Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Only certificates for Shares registered on the share register of the Company will be valid for delivery in respect of transactions effected on the Hong Kong Stock Exchange. If you are unsure about the procedures for dealings and settlement arrangement on the Hong Kong Stock Exchange on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisors.

PROCEDURES FOR APPLICATION FOR OFFER SHARES

The procedures for applying for the Offer Shares are set out in the section headed "How to Apply for the Hong Kong Public Offer Shares" to this prospectus and on the relevant Applications Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" to this prospectus.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Lin Shengxiong (林生雄)	Room1602, No.69 Zhenhai Road Siming District Xiamen Fujian, PRC	Chinese
Mr. Zhang Hongwang (張宏旺)	1-301 Aomei Yuan 7 Jinhuan Road Cangshan District Fuzhou, Fujian, PRC	Chinese
Mr. Huang Wanneng (黃萬能)	Room 702, No. 11 Building Jinlong Residential Quarter No. 64 Wenquan Road Branch Gulou District Fuzhou, Fujian, PRC	Chinese
Independent non-executive Directors		
Mr. Chan Tsz Fu, Jacky (陳子虎)	Unit D, Floor 18 Seaview Parkridge Village 2 Parkridge Crescent Discovery Bay Hong Kong	Chinese
Mr. Choi Tze Kit, Sammy (蔡子傑)	Flat A, Floor 5 Ming Court 130-132 Boundary Street Kowloon Hong Kong	Chinese
Mr. Cai Weican (蔡維燦)	Room 703 No. 27 Sha Zhou Road Sanyuan District Sanming Fujian, PRC	Chinese

PARTIES INVOLVED

Sole Sponsor	Piper Jaffray Asia Limited 3902B, 39/F, Tower 1 Lippo Centre 89 Queensway Hong Kong
Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager	Piper Jaffray Asia Securities Limited 3901B, 39/F, Tower 1 Lippo Centre 89 Queensway Hong Kong
Joint Lead Manager	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
Co-lead Manager	Oriental Patron Securities Limited Suite 2701-3 & 2705-8, 27/F Two Exchange Square 8 Connaught Place Central, Hong Kong
Hong Kong Underwriters	Piper Jaffray Asia Securities Limited 3901B, 39/F, Tower 1 Lippo Centre 89 Queensway Hong Kong China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong Oriental Patron Securities Limited Suite 2701-3 & 2705-8, 27/F Two Exchange Square 8 Connaught Place Central, Hong Kong Taifook Securities Company Limited 25/F, New World Tower 16-18 Queen's Road Central Central, Hong Kong

International Underwriters

Piper Jaffray Asia Securities Limited
3901B, 39/F, Tower 1
Lippo Centre
89 Queensway
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

Oriental Patron Securities Limited
Suite 2701-3 & 2705-8, 27/F
Two Exchange Square
8 Connaught Place
Central, Hong Kong

CIMB Securities (HK) Limited
25/F, Central Tower,
28 Queen's Road Central
Hong Kong

Daiwa Capital Markets Hong Kong Limited
Level 26, One Pacific Place,
88 Queensway,
Hong Kong

Legal advisors to the Company

As to Hong Kong law
Tung & Co.
19/F., 8 Wyndham Street
Central
Hong Kong

As to PRC law
Guantao Law Firm
17/F, Tower 2, Yingtai Center
No. 28 Finance Street
Xicheng District
Beijing 100140
PRC

As to Cayman Islands law
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Legal advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong law* Orrick, Herrington & Sutcliffe 43/F., Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law* Jingtian & Gongcheng Room 3505, K. Wah Centre 1010 Huai Hai Road (M) Shanghai 200031 PRC
Auditors and Reporting Accountants	Ernst & Young *Certified Public Accountants* 18th Floor Two International Finance Centre 8 Finance Street Central Hong Kong
Property valuer	DTZ Debenham Tie Leung Limited 16th Floor, Jardine House 1 Connaught Place Central Hong Kong
Receiving Bank	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business and headquarters in the PRC	No. 288 Huanxi Street Huanxi Town, Jinan District, Fuzhou, Fujian, PRC
Principal place of business in Hong Kong	Suite 1603, 16th Floor Office Tower, Convention Plaza 1 Harbour Road Wanchai, Hong Kong
Company Secretary	Chan Wing Hang, *FCCA, CPA*
Authorized Representatives	Lin Shengxiong Room 1602, No. 69 Zhenhai Road Siming District Xiamen Fujian, PRC Chan Wing Hang, *FCCA, CPA* Flat E, 26/F, Block 2 Park Island, Ma Wan New Territories, Hong Kong
Audit committee	Chan Tsz Fu, Jacky *(Chairman)* Choi Tze Kit, Sammy Cai Weican
Remuneration committee	Choi Tze Kit, Sammy *(Chairman)* Chan Tsz Fu, Jacky Cai Weican

Nomination committee	Cai Weican *(Chairman)* Chan Tsz Fu, Jacky Choi Tze Kit, Sammy
Compliance Advisor	Piper Jaffray Asia Limited 3902B, 39/F, Tower 1 Lippo Centre 89 Queensway Hong Kong
Cayman Islands principal share registrar and transfer office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 609 Grand Cayman, KY1-1107 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	Agricultural Bank of China Jiangtou branch 2/F, Jiuzhou Building 62 Xiangxiuli, Siming District, Xiamen Fujian Province The PRC Bank of China Jinan branch 111 Fuxin Middle Road, Fuzhou Fujian Province The PRC China Merchants Bank Nanmen branch 49 Middle 817 Road, Fuzhou Fujian Province The PRC

This section contains certain information which is derived from official government publications and industry sources as well as a report the Group commissioned from Frost & Sullivan, an Independent Third Party. While the Group has exercised reasonable care in compiling and reproducing such information from official government publications, it has not been independently verified by the Group, or any of the Group's affiliates or advisers, nor by the Underwriters or any of their affiliates or advisers or any party involved in the Global Offering. The information from official government publications may not be consistent with information available from other sources within or outside the PRC. The Group, its affiliates or advisers, the Underwriters or their affiliates or advisers, or any party involved in the Global Offering do not make any representation as to the accuracy, completeness or fairness of such information from official government publications and, accordingly, you should not unduly rely on such information from official government publications.

The information extracted from the Frost & Sullivan report reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. References to Frost & Sullivan should not be considered as Frost & Sullivan's opinion as to the value of any security or the advisability of investing in the Group. The Directors believe that the sources of the information extracted from the Frost & Sullivan report are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Group has no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information extracted from the Frost & Sullivan report has not been independently verified by the Group, Piper Jaffray Asia, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

OVERVIEW

Introduction

Reinforced Materials refer to polymer processed high strength polyester fabric composite materials and other reinforced composite materials. Reinforced Materials are a category of high performance composite materials using fabrics such as nylon or high strength polyester fabrics, adding PVC, TPU or other polymer through calender, coating, lamination, or a combination of the above processes, and other additional treatment as needed, such as surface treatment. Reinforced Materials are primarily different from conventional functional materials in terms of strength and performance. According to Frost & Sullivan research, "Reinforced Materials" or its Chinese equivalent is a term commonly used in the industry.

Due to the fine performance of Reinforced Materials, they can be used in a wide range of applications, such as pool, inflatable boat, large scale inflatable toy, waders and protective clothing, air bed, sports hall flooring, biogas tank, and so on. And with further technology development, Reinforced Materials are likely to be seen in more emerging applications. Reinforced Materials are currently widely adopted in a large number of applications as listed below:



Source: Frost & Sullivan

REINFORCED MATERIALS INDUSTRY IN CHINA

China's Rapid Economic Growth

China is one of the fastest growing economies in the world and has experienced significant economic growth since it began its economic reforms in the late 1970s. According to the National Statistics Bureau of China, the GDP of China increased from about RMB11.0 trillion in 2001 to about RMB30.1 trillion in 2008, growing at a CAGR of about 15.5%. China's rapid economic growth is a result of a series of measures on economic reform, including the removal of trade and investment barriers to attract foreign investments. According to IMF, China's nominal GDP is expected to sustain moderate growth and reach about RMB56.8 trillion by 2014, growing at a CAGR of about 11.2% from 2008 to 2014.

As a result, from 2001 to 2008, China's per capita GDP has also been growing rapidly due to its fast advancing economy. In 2008, China's per capita GDP was RMB22,698.0, up by about 163.3% from RMB8,622.0 in 2001. According to IMF, China's nominal GDP per capita is expected to sustain moderate growth and reach RMB39,540.4 by 2014.

The rapid economic growth in China and the significant increase in Chinese consumers' purchasing power have created an attractive economic environment for increasing its demand for Reinforced Materials. As consumers' disposable income increases, they have higher requirements in spending their leisure time. More people are expected to attend outdoor leisure activities as well as sports activities, such as boating, water sports, and fishing etc, which in turn, will drive Reinforced Materials market.

The following chart sets forth the historical and expected GDP growth rates between 2001 and 2014 for China.

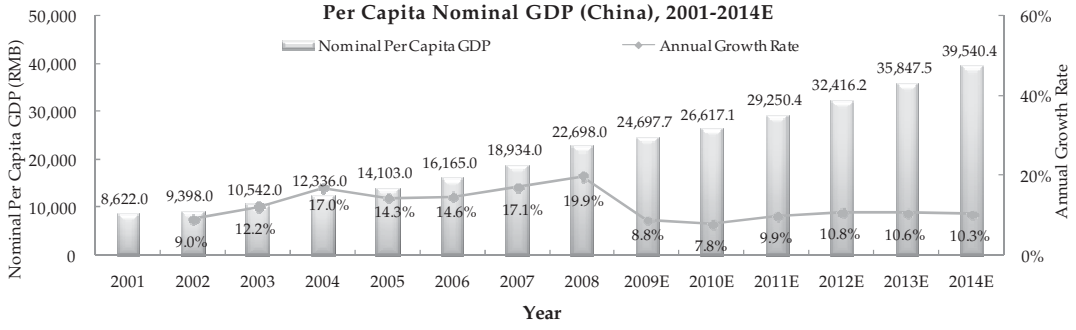


Note: All data are rounded.

Source:

1. *Historical data: National Bureau of Statistics of China*
2. *Projected data: IMF, April 2009*

The following chart sets forth the historical and expected per capita GDP growth rates between 2001 and 2014 for China.



Note: All data are rounded.

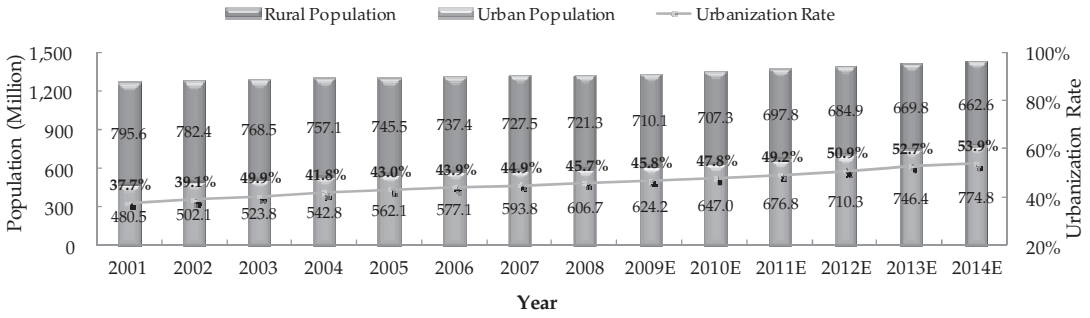
Source:

1. *Historical data: National Bureau of Statistics of China*
2. *Projected data: IMF, April 2009*

Urbanization has emerged as one of the important features of China's modernization. Increasing urbanization rate is expected to drive the development of outdoor leisure, construction, logistics, advertising and many other industries. Manufacturers of Reinforced Materials are anticipated to benefit from continuous urbanization. China's urban population has been on a rising trend since 1990s. From 2001 to 2008, the level of urbanization in China increased from about 37.7% to 45.7%. China's

urban population is estimated to reach about 774.8 million by 2014. The urbanization rate is forecast to be about 53.9% in 2014, with a CAGR of about 2.8% from 2008 to 2014 as follows:

Population and Urbanization (China), 2001-2014E



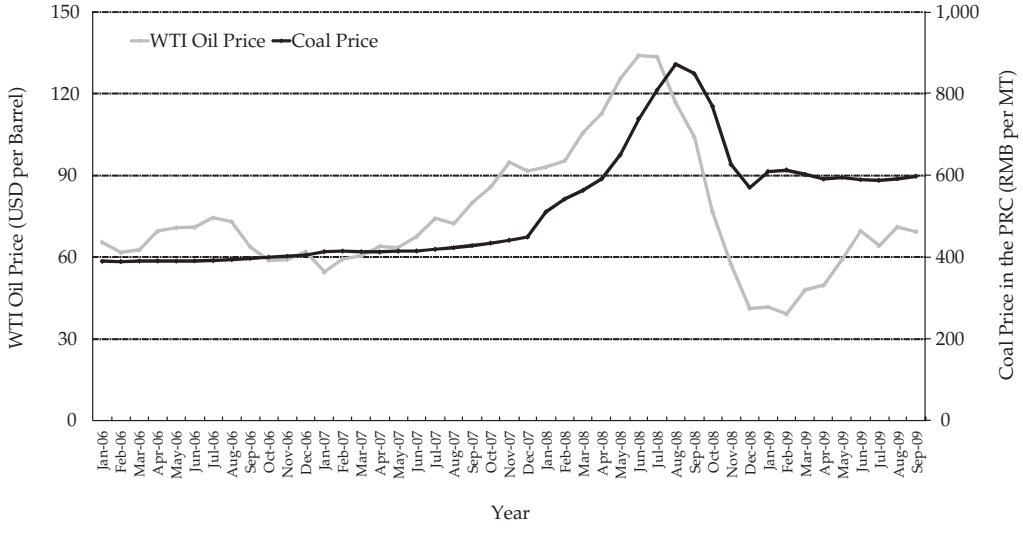
Note: All data are rounded.

Source:
1. *Historical data: National Bureau of Statistics of China*
2. *Projected data: Frost & Sullivan*

Price of Crude Oil and Coal

The following chart sets forth the historical crude oil price in the world and coal price in the PRC between January 2006 and September 2009.

Crude Oil and Coal Market: Historic Price Trend, January 2006-September 2009



Source: West Texas Intermedium (WTI) oil price is from Energy Information Administration (EIA); Coal price is from China Coal Trade & Development (CCTDA)

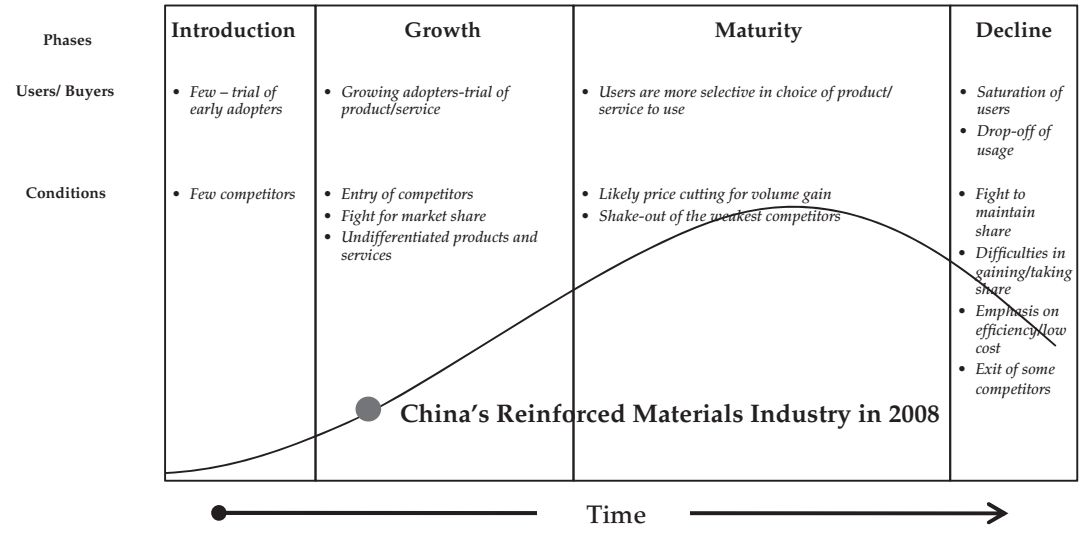
Note: WTI oil price is monthly price calculated by EIA from daily data by taking an unweighted average of the daily closing spot prices FOB for a given product over the specified time period. Coal price is monthly average price in China calculated by China Coal Trade & Development Association (CCTDA) by taking a weighted average from the monthly average prices of nine major types of coal produced by eight major coal-producing regions in China. All data are rounded.

From 2006 to 2008, crude oil price was on the rise, while since the second half of 2008 it has witnessed a drop due to the financial crisis, dramatically to about $40.0 per barrel or even lower in early 2009. As a result, the Organization of Petroleum Exporting Countries (OPEC) has adopted more effective measures to stabilize oil prices by controlling crude oil production. From June to September of 2009, the oil price stayed at around $70 per barrel. Due to the rising cost of crude oil production, and the favorable economic expectations in the long run, oil prices could hardly fell. According to the International Energy Agency, crude oil prices could average about $100.0 per barrel between 2008 and 2014.

China has abundant coal resource, and produced about 2,782.0 million MT of coal in 2008 which accounted for over half of the global coal output of that year. Compared with crude oil, the price of coal in China has been more stable. It has witnessed very slightly increase during year 2006 and 2007. The coal price in China has grown from about RMB389.8 per MT in January 2006 to about RMB449.2 per MT in December 2007. Since 2008, the price has been driven mainly by the high oil price and strong domestic demand, from RMB510.8 per MT in January to a record high of about RMB871.3 per MT in August. Afterward, it experienced a similar drop with crude oil during the rest months of the year due to financial crisis and shrinking demand. In 2009, the coal price has stayed at about RMB600.0 per MT for the first nine months.

The costs of raw materials used for most of the Group's products generally follow, among other factors, price trends of, and vary with the market conditions for petroleum or coal which may be highly volatile and cyclical. Please refer to the disclosure of the relevant risk factor "Fluctuations in the price and supply of raw materials" in the "Risk factors" section.

Reinforced Materials Market: Industry Life Cycle (China), 2008



Source: Frost & Sullivan

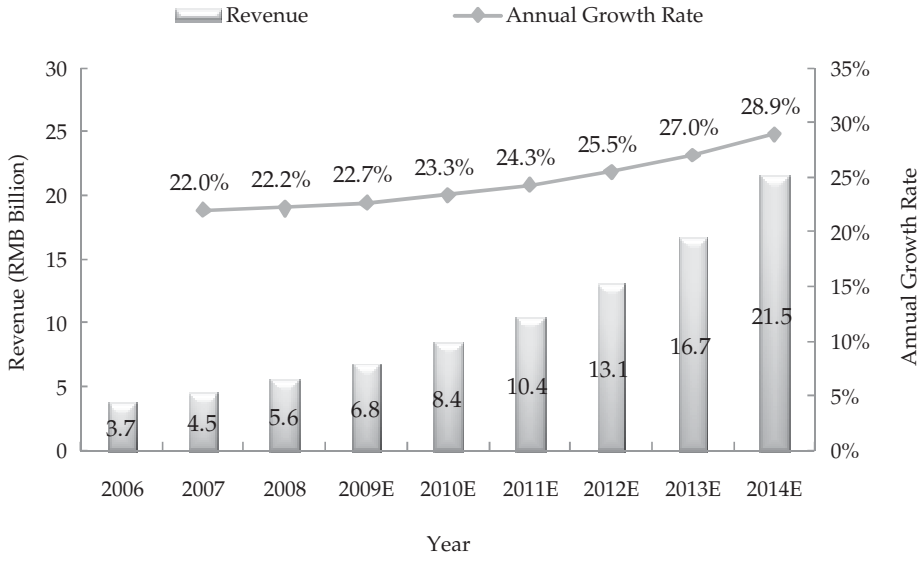
Emerged only in middle 1990s, China's Reinforced Materials industry remained in the early growth stage in 2008, and is forecasted to stay in this stage during the forecast period (2009-2014). As the industry has been developed for only over a decade in China, technology, especially for producing high quality products, is lagging behind that in the developed countries. Only a small number of manufacturers in China are capable of competing in high-end market. With the development of technology, domestic manufacturers are anticipated to improve the technology and participate in the high-end market more frequently. Large manufacturers are likely to offer a wide range of products, covering not only low to high end market, but also products that customized in function and performance to meet specific customer needs. The technology of combining coating process and lamination process has been seen adopted in the industry, which is an advanced technology that could leverage the benefits of both processes, and provide better product quality, or comparable quality with lower cost.

Another foreseeable trend of the industry is for competent manufacturers to integrate downstream businesses into their original business scope, as the quality of Reinforced Materials is the key to make good downstream end-user products. Via integrating downstream businesses, manufacturers of Reinforced Materials can not only capture the growth of downstream markets, but also better control the cost, so to win the competition in the downstream end-user products markets.

Reinforced Materials Market Size in China

The following chart sets forth the historical and expected total manufacturing revenue of Reinforced Materials between 2006 and 2014 for China.

Reinforced Materials Market: Total Manufacturing Revenue and Forecast (China), 2006-2014E



Note: All data are rounded.

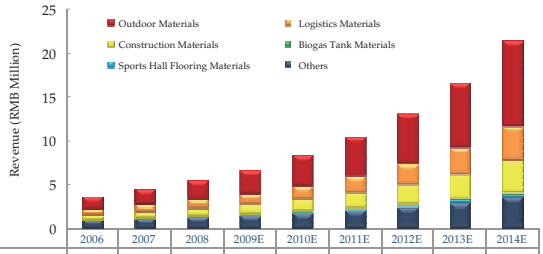
Source: Frost & Sullivan

Total manufacturing revenue of Reinforced Materials in China has been steadily growing, having reached about RMB5.6 billion in 2008 from about RMB3.7 billion in 2006, representing a CAGR of about 22.1%. Considering the large number of downstream applications, and the growing domestic demand, Reinforced Materials market in China is anticipated to keep increasing and targeted to reach about RMB21.5 billion in 2014 from about RMB5.6 billion in 2008, representing a CAGR of about 25.3%.

According to Frost & Sullivan, among all applications of Reinforced Materials, the segment of outdoor materials constitutes the largest component and is expected to grow the fastest, with a CAGR of about 27.9% from 2008 to 2014. The portion of construction materials is estimated to grow at a CAGR of about 27.7% from 2008 to 2014, thanks to the emerging application of new type of Reinforced Materials such as TPU treated membrane structure, PVDF treated membrane structure, and polytetrafluoroethylene (PTFE) treated membrane structure which not only possess good performances as other Reinforced Materials but also has additional high properties, such as good self-cleaning performance, high flexibility, high strength, and light transmittance. Sports hall flooring materials, biogas tank materials, and logistics materials are estimated to grow at a CAGR above 26.0% from 2008 to 2014, at about 26.9%, 26.5%, and 26.0%, respectively.

The following chart sets forth the historical and forecasted breakdown (by application) of the Reinforced Materials market between 2006 and 2014 for China.

Reinforced Materials Market: Manufacturing Revenue Breakdown by Application and Forecast (China), 2006-2014E



	2006	2007	2008	2009E	2010E	2011E	2012E	2013E	2014E
Outdoor Materials Revenue	1,423.2	1,777.2	2,222.1	2,787.1	3,513.4	4,460.4	5,715.4	7,409.6	9,745.2
Outdoor Materials Percentage	38.2%	39.1%	40.0%	40.9%	41.8%	42.7%	43.6%	44.5%	45.4%
Logistics Materials Revenue	663.2	813.6	1,000.0	1,233.4	1,529.7	1,911.6	2,412.0	3,080.4	3,992.5
Logistics Materials Percentage	17.8%	17.9%	18.0%	18.1%	18.2%	18.3%	18.4%	18.5%	18.6%
Construction Materials Revenue	536.5	668.2	833.3	1,042.6	1,311.2	1,660.9	2,123.6	2,747.4	3,606.1
Construction Materials Percentage	14.4%	14.7%	15.0%	15.3%	15.6%	15.9%	16.2%	16.5%	16.8%
Biogas Tank Materials Revenue	36.5	45.0	55.6	68.8	85.7	107.6	136.3	174.8	227.5
Biogas Tank Materials Percentage	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.1%	1.1%
Sports Hall Flooring Materials Revenue	54.4	67.3	83.3	103.6	129.4	163.0	207.1	266.4	347.7
Sports Hall Flooring Materials Percentage	1.5%	1.5%	1.5%	1.5%	1.5%	1.6%	1.6%	1.6%	1.6%
Others Revenue	1,011.9	1,174.1	1,361.1	1,578.9	1,835.7	2,142.4	2,514.2	2,972.2	3,546.0
Others Percentage	27.2%	25.8%	24.5%	23.2%	21.8%	20.5%	19.2%	17.9%	16.5%
Total Revenue	3,725.7	4,545.4	5,555.3	6,814.4	8,405.2	10,445.8	13,108.7	16,650.8	21,465.1
Total Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Application Segment	CAGR from 2008 to 2014 (Percent)
Outdoor Materials	27.9
Construction Materials	27.7
Sports HallFlooring Materials	26.9
Biogas Tank Materials	26.5
Logistics Materials	26.0
Others	17.3

Notes:

1. *All data are rounded.*
2. *Others include packaging materials, medical materials, curtain materials, and so on.*

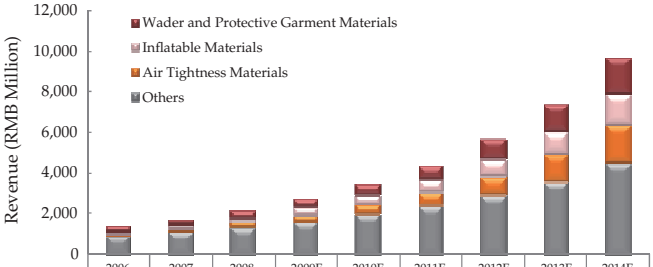
Source: Frost & Sullivan

From 2006 to 2008, the percentage of outdoor Reinforced Materials compared with the whole Reinforced Materials in China has increased from about 38.2% to about 40.0% in terms of turnover. According to Frost & Sullivan forecast, about 45.4% of all Reinforced Materials in China is estimated to be outdoor Reinforced Materials in 2014.

Among all sub-applications of Reinforced Materials for outdoor materials, air tightness material (i.e. for producing inflatable boats) is the fastest growing one, growing at an estimated CAGR of about 42.0% from 2008 to 2014. Inflatable material (i.e. for producing inflatable toy) is estimated to grow at a CAGR about 35.0% from 2008 to 2014. Wader and protective garment materials (i.e. for producing waders and protective clothing) are estimated to grow at a CAGR about 31.1% from 2008 to 2014.

The following chart sets forth the historical and forecasted breakdown of the type of Reinforced Materials market for outdoor application between 2006 and 2014 for China.

Reinforced Materials for Outdoor: Manufacturing Revenue Breakdown by Sub-application and Forecast (China), 2006-2014E



	2006	2007	2008	2009E	2010E	2011E	2012E	2013E	2014E
Wader and Protective Garment Materials	216.3	279.0	360.0	452.9	588.5	769.4	1,014.5	1,352.3	1,827.3
Inflatable Materials	131.7	182.2	250.0	339.5	460.0	622.0	839.0	1,129.3	1,516.7
Air Tightness Materials	104.6	157.3	230.0	330.3	469.0	662.4	934.5	1,322.6	1,885.7
Others	970.6	1,158.7	1,382.1	1,664.4	1,995.8	2,406.6	2,927.4	3,605.4	4,515.5

Application Segment	CAGR from 2008 to 2014 (Percent)
Air Tightness Materials	42.0
Inflatable Materials	35.0
Wader and Protective Garment Materials	31.1

Notes:

1. *All data are rounded.*
2. *Others include pool materials, air bed materials, and so on.*

Source: Frost & Sullivan

Favorable Regulatory Environment

In later 2008, the PRC government announced a series of restructuring and revitalization plans for ten major industries including petrochemical industry which gets special supports under the plan. New chemical materials are one of the key segments under the petrochemical industry, therefore, new materials such as the Reinforced Materials are expected to benefit from this plan in terms of technology development, product development, and so on. Apart from central government, local governments such as Fujian provincial government have also been supportive to the development of the Reinforced Materials. For example, when manufacturers of new materials apply for a loan from bank, they are likely to gain interest subsidy from Fujian provincial government. Additionally, Fujian provincial government offers various incentives to encourage financial institutions to support the development of certain manufacturers of new materials.

For the past five years, Fujian government has provided subsidy for new materials development in connection with research and development projects, obtaining international certificates such as ISO9000, innovative products, "well-known brands of Fujian Province", and so forth. In most cases, the subsidy allocated to each item per company ranges from less than RMB100,000 to less than RMB1 million.

The subsidy the Group has received is at or above industry average. The amount provided by the local government is small relative to the Group's business scale. Such subsidy mainly demonstrates the government's supportive and persisting attitude to the development of new material, rather than serving as an essential source of capital for the Group.

Key Industry Growth Drivers

Major factors contributing to the growth of the PRC Reinforced Materials market include:

- **Growth of Current Downstream End-Users Products Markets:** As a category of fine performance materials, Reinforced Materials have a wide range of applications, which are seen in a number of industries. With the stable economic growth in China, many such downstream end-user products markets have been growing rapidly. For example, outdoor recreation industry has witnessed a high growth rate in the past several years. Another example is that the Chinese waders and protective clothing industry expands as they are widely used in agriculture, chemical, and many other industries. The rapid and sustainable growth of downstream end-user products markets is essential to the growth of Reinforced Materials market from 2008 to 2014.

- **Rise of Emerging Applications:** With technological development, more applications are likely to be discovered for Reinforced Materials; biogas tank is one type of such emerging applications. As the Chinese government encourages clean energy development, biogas tank industry is estimated to grow quickly in the near future. Another emerging application is membrane structure in construction. As a recent innovation, membrane structure is light, energy saving, self-cleaning, and stylish. It is suitable for stadiums, railway stations, airports and other public buildings. Many other such emerging applications are anticipated to be seen in the future.

- **Increasing Product Diversification:** The large number of applications and great difference of customer needs have been driving the product range of Reinforced Materials to be more flexible and customized. With special functions innovated or enhanced, Reinforced Materials are likely to meet more customer needs, which is anticipated to drive the growth of Reinforced Materials market in China.

- **Potential in High End Market:** At present, the majority of Reinforced Materials manufacturers are offering medium and low end products. Only a small number of large manufacturers are capable of producing high end products. As the demand for high end products in China is growing due to the favorable economic expectation, there is a potential in high end market for the large and competent manufacturers to grow. As the price of products is higher in such market segment, the growth of high end market is likely to increase the total manufacturing revenue of Reinforced Materials in China.

Industry Outlook

- **Market Growth:** Downstream end-user products markets of Reinforced Materials are growing significantly. For instance, the Chinese outdoor recreation industry is witnessing a high growth rate as an increasing number of Chinese people are attending outdoor recreational activities. Total manufacturing revenue of Reinforced Materials in China has been growing steadily, reaching about RMB5.6 billion in 2008. Considering rapid growth of downstream applications, Reinforced Materials market in China is anticipated to keep increasing, touching a record high of about RMB21.5 billion in 2014.

- **Product Trends:** Driven by the increasing customers' requirements, the technology of PRC Reinforced Materials industry is improving quickly. The technology improvements focus on two aspects, product performance and product diversification. Customer-tailored product is expected to be a trend of Reinforced Materials, in terms of product appearance, function, and so on.

- **Technology Trends:** As the industry has been developing for only over a decade, technology, especially for producing high quality products, is lagging behind that of developed countries. With the technical development, domestic manufacturers are anticipated to gradually improve their production, technology, and are likely to be able to offer a wider range of product, from low to high end markets. For example, on top of coating process and lamination process, the combination of both processes has been seen adopted in the industry to leverage the advantages of both processes. In the future, local manufacturers are expected to offer products that are more customized in function and performance to better meet specific customer needs.

- **Raw Materials:** Major raw materials of Reinforced Materials include polymer (mostly PVC), polyester and additives. At present, the supply of PVC in China is sufficient. Production of high strength polyester increases quickly. The capacity for producing high strength polyester has witnessed high growth from 2006 to 2008. As a result, the supply of polyester currently exceeds the demand and the price is not expected to increase greatly in the short to medium term (from 2009 to 2014). The prices of major raw materials for the production of Reinforced Materials are relatively stable.

Competitive Landscape

According to Frost & Sullivan, competition in the Reinforced Materials industry is mainly based on the product quality and customization. Large scale manufacturers are frequently seen in medium and high end market, where product quality is better and margin is more favorable. However, high end market has many entry barriers that prevent medium scale manufacturers to enter whereas small scale manufacturers only provide low end products with less added value.

Reinforced Materials Market: Competitive Landscape (China), 2008

Tiers of Competitors	• Large scale manufacturers are frequently seen in medium and high end market, where product quality is better and margin is favorable. Some of them provide low end products only when the amount of order reach a certain level. • Middle scale manufacturers are footed in medium end market while trying to move to high end. However, producing high end products requires advanced technology and a considerable capital investment in equipment, which keep them distant from high-end market. • Small scale manufacturers provide low end products with lower value added. Many of such manufacturers' business is focusing on offering various kinds of products, rather than Reinforced Materials.
Degree of Competition	Medium
Key Applications	• Outdoor • Logistics • Construction • Biogas tank • Sports hall flooring

According to Frost & Sullivan, the PRC Reinforced Materials market is fragmented with the top 5 manufacturers together accounted for about 14.9% of the market in 2008, each with market share close to each other within the range of 2.2% to 3.3%. The Group ranked number four with about 3.0% market share in terms of turnover in 2008 and, with a two-year CAGR of about 139.3%, the Group had a higher growth rate than the other top manufacturers and the industry average from 2006 to 2008. The market share of the Group increased to about 4.5% and was ranked number one in terms of turnover for the eight months ended 31 August 2009.

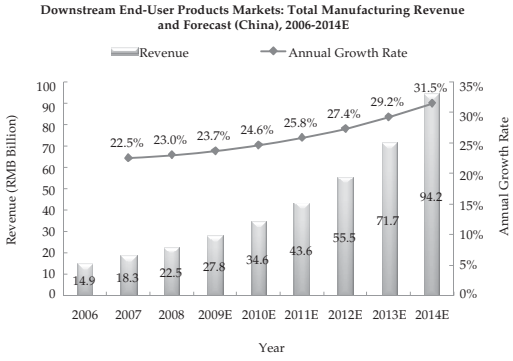
According to Frost & Sullivan, the following illustrates the market share and ranking of the Group under the certain outdoor sub-sectors of the PRC Reinforced Materials market:

Type	For the year ended 31 December 2008 Total Manufacturing Revenue *(RMB'billion)*	For the eight months ended 31 August 2009 Total Manufacturing Revenue *(RMB'billion)*	For the year ended 31 December 2008 The Group's Market Share *(%)*	For the year ended 31 December 2008 The Group's Ranking	For the eight months ended 31 August 2009 The Group's Market Share *(%)*	For the eight months ended 31 August 2009 The Group's Ranking
Wader and protective garment materials	0.4	0.3	10.4	First	20.4	First
Inflatable materials	0.3	0.2	28.1	First	29.0	First
Air tightness materials	0.2	0.2	10.5	First	18.2	First

DOWNSTREAM END-USER PRODUCTS MARKETS OF REINFORCED MATERIALS IN CHINA

Reinforced Materials are widely adopted in a large number of applications, seen in various industries, including outdoor, logistics, construction, renewable energy, sports hall flooring, and so on. With the economic development in China, downstream end-user products markets are experiencing a fast growth. Total downstream end-user products markets revenue was about RMB22.5 billion in 2008 and is forecasted to reach about RMB94.2 billion by 2014. As a key raw material to these end-user products, the Reinforced Materials market is expected to share the growth with downstream end-user products markets, too.

The following chart sets forth the historical and forecasted of the total manufacturing revenue of downstream end-user products between 2006 and 2014 for China.



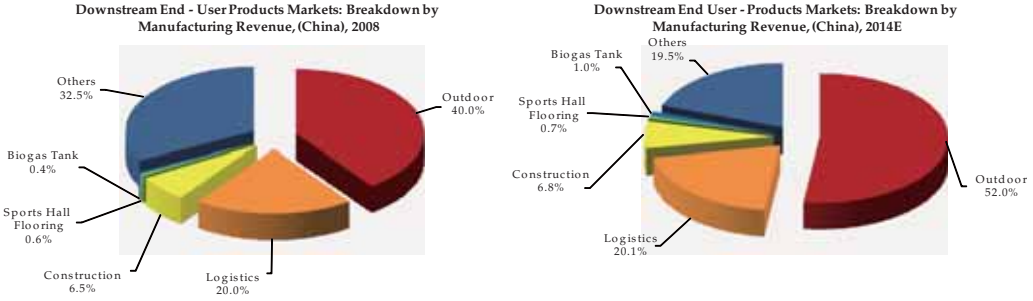
Downstream End-User Products Market Segment	Manufacturing Revenue in 2008 (RMB Billion)	CAGR from 2008 to 2014 (Percent)
Outdoor	9.0	32.7
Logistics	4.5	27.1
Construction	1.5	28.0
Sports Hall Flooring	0.1	31.2
Biogas Tank	0.1	47.9
Others	7.3	16.6

Notes:

1. *All data are rounded.*
2. *Others include packaging, medical uses, curtain, and so on.*

Source: Frost & Sullivan

The following chart sets forth the breakdown of the total revenue (by market) of downstream end-users products market between 2006 and 2014 for China.



Notes:

1. *All data are rounded. The base year is 2008.*
2. *Others include labor protection, medical, advertising, and so on.*

Source: Frost & Sullivan

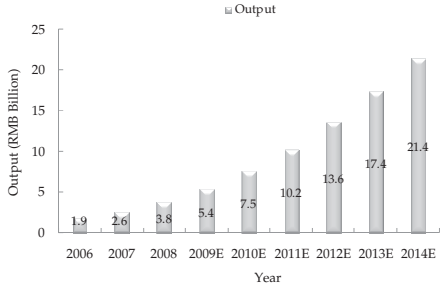
Major Reinforced Materials Downstream End-User Products Markets include:

Outdoor Recreation Market

Due to the improving living standard, increasing number of people take part in outdoor recreational activities, such as floating, fishing, mountaineering, skiing, camping, and so on. Outdoor recreation industry is estimated to witness a CAGR of about 33.5% from 2008 to 2014.

Among all downstream end-user products markets, the manufacturing revenue of outdoor downstream end-user products (refers to the market in which products are made of Reinforced Materials and used for outdoor purposes, such as waders and protective clothing, large scale inflatable toy, inflatable boat, pool, air bed, snowshoe, outdoor bag, tent, and so on.) is the largest one, reached about RMB9.0 billion in 2008, and is estimated to grow at a CAGR of about 32.7% from 2008 to 2014, surging to about RMB49.0 billion in 2014.

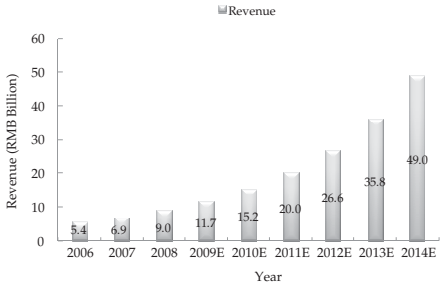
Outdoor Recreation Industry: Output and Forecast (China), 2006-2014E



Note: All data are rounded.

Source:
1. *Historical data: China Outdoor Commercial Association;*
2. *Projected data: Frost & Sullivan*

Outdoor Downstream End-User Products Market: Manufacturing Revenue and Forecast (China), 2006-2014E



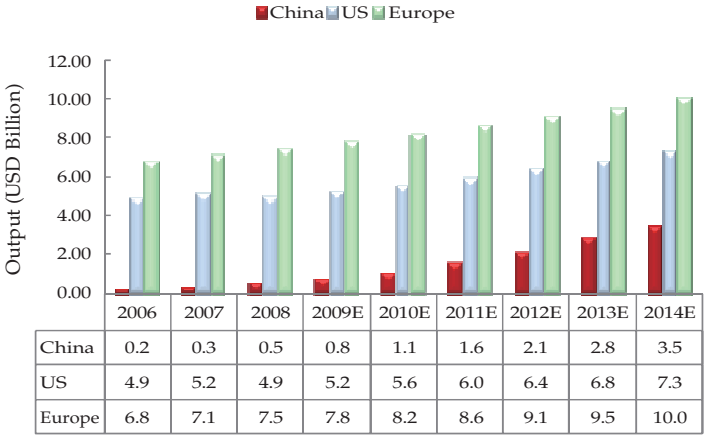
Note: All data are rounded.

Source: Frost & Sullivan

The outdoor recreation industry in the U.S. was worth about USD4.9 billion in 2008; and in Europe, the size of outdoor recreation industry was about USD7.5 billion in the same year. From 2008 to 2014, the U.S. outdoor recreation industry is

expected to grow at a CAGR of about 6.7%; and in Europe it is likely to grow at about 5.0%. Both U.S. and Europe outdoor market is huge in output, and is expected to witness a stable growth rate as follows:

Outdoor Recreation Industry: Output Comparison among China, US, and Europe, 2006-2014E



	2006	2007	2008	2009E	2010E	2011E	2012E	2013E	2014E
China	0.2	0.3	0.5	0.8	1.1	1.6	2.1	2.8	3.5
US	4.9	5.2	4.9	5.2	5.6	6.0	6.4	6.8	7.3
Europe	6.8	7.1	7.5	7.8	8.2	8.6	9.1	9.5	10.0

Region	CAGR from **2008 to 2014 (%)**
China	36.4%
US	6.7%
Europe	5.0%

Note: All data are rounded.

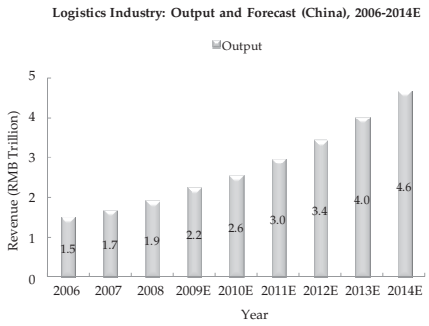
Source:

1. *Historical data: Outdoor Industry Association (of US), the European Outdoor Group, and China Outdoor Commercial Association*
2. *Projected data: Frost & Sullivan*

Comparing to U.S. and Europe, China's outdoor recreation industry is expected to grow at a higher rate. Chinese outdoor recreation industry achieved about USD0.5 billion in 2008, which was only about 10.9% of the value of the U.S. outdoor recreation industry. The Chinese outdoor recreation industry is anticipated to grow to about USD3.5 billion in 2014, at an estimated CAGR of about 36.4% from 2008 to 2014.

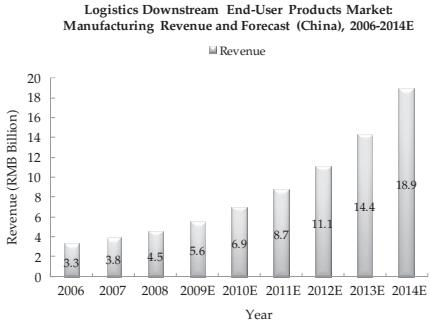
Logistics Market

Continued economic development in China is expected to continue to drive the growth for logistics downstream end-user products market. The output of logistics industry increased by about 14.6% from about RMB1.7 trillion in 2007 to about RMB1.9 trillion in 2008 and according to Frost & Sullivan, Chinese logistics industry is expected to remain high growth rate in the near future. The output is estimated to be about RMB4.6 trillion in 2014, with CAGR of about 15.7% from 2008 to 2014. The main application of Reinforced Material for the logistics downstream end-user products market is covers for container trucks/trains and the logistics downstream end-user products market was the second largest downstream end-user products market of Reinforced Materials in China in 2008. In 2008, the manufacturing revenue of logistics downstream end-user products was about RMB4.5 billion, and is expected to increase to about RMB18.9 billion in 2014, holding a CAGR of about 27.1% from 2008 to 2014.



Note: All data are rounded.

Source:
1. *Historical data: China Federation of Logistics and Purchasing*
2. *Projected data: Frost & Sullivan*

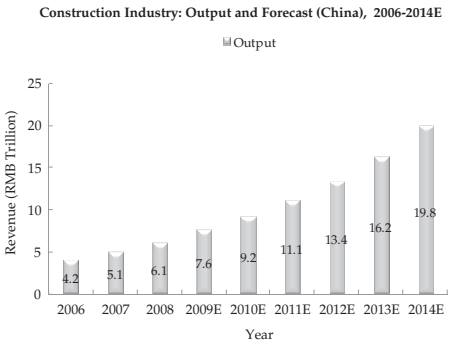


Note: All data are rounded.

Source: Frost & Sullivan

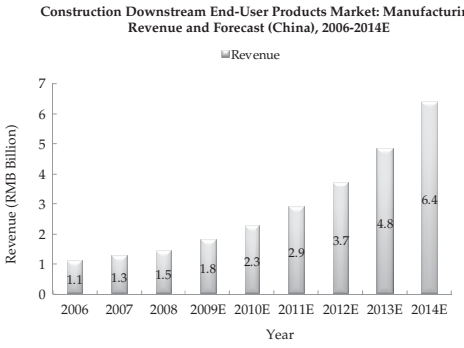
Construction Market

Construction is an important industry for Chinese economy. The Chinese Government attaches much importance to the development of construction industry. As a mean of driving economy growth, the Chinese Governments has invested heavily in the construction of infrastructure. Also as a result of rapid urbanization process, real estate industry has also developed substantially in China. The construction downstream end-user products market is the third largest downstream end-user products market of Reinforced Materials in China. In construction, membrane structure is expected to be a growing emerging application. The manufacturing revenue of the construction downstream end-user products is expected to rise from about RMB1.5 billion to about RMB6.4 billion, or a CAGR of about 28.0% from 2008 to 2014.



Note: All data are rounded.

Source:
1. *Historical data: National Bureau of statistics of China*
2. *Projected data: Frost & Sullivan*



Note: All data are rounded.

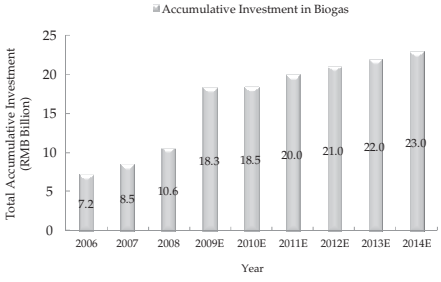
Source: Frost & Sullivan

Biogas Tank Market

As biogas is a kind of renewable energy, Chinese Government encourages the development of biogas industry. In 2007, China has issued *the China's National Climate Change Program (《應對氣候變化國家方案》)*. Since then, the government has swiftly adopted measures ranging from laws, economy, administrative measures and technology which combine to reduce greenhouse gas emissions and imbue the country with a flexible approach to climate change. In 2008, new investment of biogas project in China was about RMB10.6 billion. It is estimated to increase to about RMB23.0 billion in 2014, with CAGR of about 13.8% from 2008 to 2014.

Reinforced Materials can be made into biogas tank, which functions as generator and/or a storage for sewage gas. As a result of the aforementioned factors, the production of biogas tank is expected to witness a strong growth. The manufacturing revenue of biogas downstream end-user products is forecast to increase from about RMB89.8 million in 2008 to about RMB941.5 million in 2014, with CAGR of about 47.9% from 2008 to 2014.

Biogas Industry: New Investment and Forecast (China), 2006-2014E

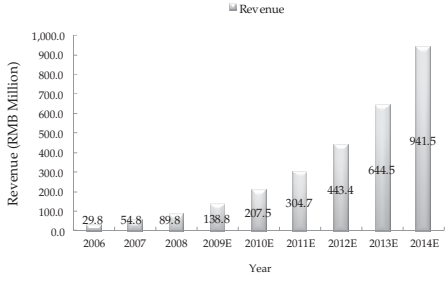


Note: *All data are rounded.*

Source:

1. *Historical data: Ministry of Agriculture of the People's Republic of China*
2. *Projected data: Frost & Sullivan*

Biogas Tank Downstream End-User Products Market: Manufacturing Revenue and Forecast (China), 2006-2014E



Note: *All data are rounded.*

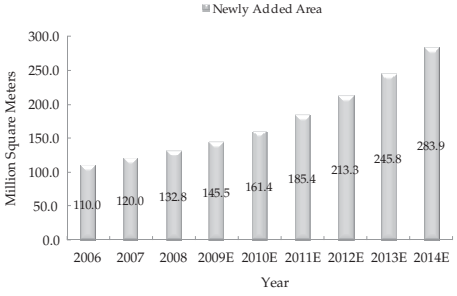
Source: *Frost & Sullivan*

Sports Hall Flooring Market

As per capita income increases, Chinese people, especially urban residents have become more interested in participating in sports activities. In addition, the 2008 Olympic Games in Beijing has generated people's passion for sports in the long run. These are estimated to lead to increase in demand for sports venues. In 2008, area of added sports venues was about 132.8 million square meters. In 2014, area of added sports venues is forecasted to increase to about 283.9 million square meters, with CAGR of about 13.5% from 2008 to 2014.

Reinforced Materials can be used to produce sports hall flooring. Driven by increasing construction of sports venues, the manufacturing revenue of sports hall flooring downstream end-user products is forecast to increase quickly, from about RMB125.7 million in 2008 to about 640.2 million in 2014, with a CAGR of about 31.2%.

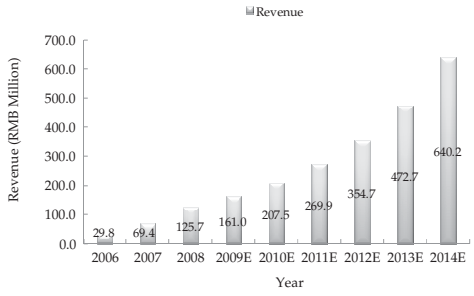
Sports Hall Flooring Industry: Newly Added Area of Sports Hall and Forecast (China), 2006-2014E



Note: All data are rounded.

Source:
1. *Historical data: National Bureau of Statistics of China, General Administration of Sport of China*
2. *Projected data: Frost & Sullivan*

Sports Hall Flooring Downstream End-User Products Market: Manufacturing Revenue and Forecast (China), 2006-2014E



Note: All data are rounded.

Source: Frost & Sullivan

REPORTS COMMISSIONED FROM FROST & SULLIVAN

Frost & Sullivan, an independent market research and consulting company was commissioned by the Company to conduct an analysis of, and to report on, the Reinforced Materials market and related downstream end-user products markets in the PRC for the period from 2006 to 2014. The report commissioned has been prepared by Frost & Sullivan independent of the Group's influence. The Group paid Frost & Sullivan fees of RMB380,000, which the Group considers as reflecting market rates. Founded in 1961, Frost & Sullivan has 35 global offices with more than 1,800 industry consultants, market research analysts, technology analysts and economists. Its services include technology research, market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Based in the United States, it has been covering the Chinese market from its offices in China since the 1990's.

The Frost & Sullivan's report that the Group commissioned includes information on the Reinforced Materials market, downstream end-user products markets of Reinforced Materials and other economic data, which have been quoted in this prospectus. Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various sources within the PRC. Primary research involved interviewing 60 leading industry participants from 25 companies as well as industry experts, and 20 end-users in 10 cities. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected total market size in the PRC were obtained from historical data analysis plotted against macroeconomic data as well as specific related industry drivers such as increasing disposable income, rise of emerging applications, increasing product diversification, and potential in high-end products market mapped against available projected drivers obtained through interviews with industry experts and participants.

Frost & Sullivan's report was compiled based on the below assumptions:

- China's economy would be able to maintain steady growth in the next decade, even under the global financial crisis;
- China's social, economic, and political environment would remain stable in the forecast period, which ensures the stable development of Reinforced Materials industry;
- Growth of current downstream end-user products markets will drive the development of PRC Reinforced Materials industry;
- With technological development, more applications for Reinforced Materials would be discovered in China;
- The product range of Reinforced Materials in China would be more flexible and customized; and
- The growth potential of high end market would lead to an increase in the total manufacturing revenue of Reinforced Materials in China.

The relevant PRC laws and regulations applicable to the business of the Group are set out below.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

The establishment and management of companies in the PRC are governed by the Company Law of the PRC (中華人民共和國公司法) (**the Company Law**) which was enacted by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) (**the Standing Committee of NPC**) on 29 December 1993 and was implemented on 1 July 1994. The Standing Committee of NPC amended the Company Law on 25 December 1999, 28 August 2004 and 27 October 2005 respectively. The Company Law provides the establishment, corporate structure and corporate management of companies. The Company Law also applies to foreign-invested enterprises. Where laws and regulations relating to foreign-invested enterprises otherwise stipulate, such stipulations shall apply.

Sino-foreign equity joint ventures are also governed by The Law on Sino-Foreign Equity Joint Ventures of the PRC (中華人民共和國中外合資經營企業法) (**the JV Law**) and its implementation rules. The JV Law was adapted at the Second Meeting of the Fifth National People's Congress (第五屆全國人民代表大會第二次會議) on July 1 1979 and revised on 4 April 1990 and 15 March 2001 respectively. Wholly foreign-owned enterprises are also governed by The Law on Foreign-funded Enterprises of the PRC (中華人民共和國外資企業法) (**the Foreign-Funded Enterprise Law**) and its implementation rules. The Foreign-funded Enterprises Law was adopted at the 4th Meeting of the Sixth National People's Congress (第六屆全國人民代表大會第四次會議) on April 12 1986 and was amended by the Standing Committee of NPC on 31 October 2000. The establishment procedures, approval procedures, registered capital and corporate structures of sino-foreign equity joint ventures and wholly foreign-owned enterprises are regulated in the abovementioned laws and regulations. As Fujian Sijia is a sino-foreign equity joint venture and Xiamen Grandsoo is a wholly foreign-owned enterprise, their operation shall abide by these laws and regulations.

Foreign investors shall also abide by Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (**the Catalogue**). The Catalogue was promulgated on 28 June 1995 and was revised in 1997, 2002, and 2004. The currently effective Catalogue was promulgated by the Ministry of Commerce of the PRC (中華人民共和國商務部) and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) on 31 October 2007. The Catalogue classifies industries into three categories: encouraged, restricted and prohibited. Except otherwise stipulated by other laws and regulations, foreign investors are permitted to invest in industries not in the restricted or prohibited categories. Part of industries in the restricted category may be limited to equity or contractual joint ventures, in some cases with the Chinese shareholder as the controlling shareholder. Foreign investors shall not invest in industries in prohibited category. Foreign investment projects with a total investment amount of US$100 million or more in the Encouraged or Permitted categories, or US$50 million or more in the Restricted category, are subject to approval by NDRC while other foreign investment projects are only subject to approval by provincial governmental authorities.

In accordance with the currently effective Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) and the confirmation issued by Fujian Development and Reform Commission on 28 July 2008, the Company belongs to the industry which foreign investment is encouraged. The Company confirms that the application of the Company's products is not restricted in any industry.

The Ministry of Commerce or the relevant local authorities are responsible for approving the relevant joint venture contracts, articles of association of the foreign invested enterprises and other substantial changes to the foreign invested enterprises, such as changes in capital, equity transfer and consolidation. The Group have obtained all the necessary government approvals for the Group's PRC subsidiaries.

The Group confirms and the local government authorities supervising foreign investment certify that since the establishment, Fujian Sijia and Xiamen Grandsoo have complied with the relevant laws and regulations relating to foreign investment without any penalties due to violation of the relevant laws and regulations relating to foreign investment.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal law governing foreign currency exchange in the PRC is the Regulation of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例) (**the Foreign Exchange Rules**). The Foreign Exchange Rules was enacted by the State Council of the PRC (中華人民共和國國務院) (**the State Council**) on 29 January 1996 and implemented on 1 April 1996. On 14 January 1997 and 1 August 2008 the State Council amended the Foreign Exchange Rules. According to the currently effective Foreign Exchange Rules, international payment in foreign exchange and transfer of foreign exchange under current items shall not be restricted. The foreign exchange income of a domestic institution or individual may be transferred back into the PRC or deposited overseas, the specific conditions and term requirements of which shall be determined by the foreign exchange administrative department of the State Council in light of the balance of payments and the foreign exchange administrative requirements. An overseas institution or individual that makes direct investments in the PRC shall handle the registration formalities at a foreign exchange administrative organ upon the approval of the competent department. A domestic institution or individual that makes direct investment or issues or trades negotiable securities or derivative products overseas shall handle the registration formalities at the foreign exchange administrative department of the State Council. If the relevant state provisions require the approval or registration of the competent department, such approval or registration shall be obtained before handling the registration formalities. As the capital injection from foreign shareholders into Fujian Sijia and Xiamen Grandsoo involves foreign exchange and the Group is engaged in importing and exporting, laws and regulations relating to foreign exchange apply to the Group's operation.

Pursuant to Notice on Relevant Issues about Foreign Exchange Administration for Domestic Individuals to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) enacted by State Administration of Foreign Exchange (**the SAFE**) on 21

October 2005 and became effective on 1 November 2005, the PRC individual engaging in stock right financing (including convertible bond financing) abroad with the enterprise assets or interests inside the PRC via overseas special purpose companies shall apply to register with the local branch of foreign exchange administration for foreign exchange registration of overseas investments. Upon accomplishment of overseas financing, the domestic individual may, according to the plan on use of funds as stated in the business plans or the prospectus, transfer the funds which ought to be arranged for use inside the PRC into the PRC. A domestic individual may, after accomplishing the procedures for foreign exchange registration of overseas investments or for modification thereof in accordance with the legal provisions, pay the profits, dividends, liquidation expenses, stock right assignment expenses, capital decrease expenses, etc. to the special purpose company. Where a special purpose company meets with a major capital modification such as capital increase or decrease, stock right assignment or exchange, merger or division, investment with long-term stock rights or credits, provision of guaranty to a foreign party, etc., and is not involved in return investment, the domestic individual shall, within 30 days as of the major modification, apply to the foreign exchange administration for filing modification or foreign exchange registration of the overseas investments. On 29 May 2007 the SAFE issued Notice of Printing and Distributing the Operating Rules for the Notice on Relevant Issues about Foreign Exchange Administration for Domestic Individuals to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (關於印發《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》操作規程的通知). Since Mr. Lin, being the ultimate controlling shareholder of the Company, Hong Kong Sijia and Xiamen Grandsoo and a PRC individual, is planning the Listing with the enterprise assets or interests inside the PRC via overseas special purpose company, he shall obtained the Domestic Residents Personal Offshore Investment Foreign Exchange Registration Certificate in accordance with the above Notice.

The Group confirms and the local government authorities supervising foreign exchange certify that since the establishment, Fujian Sijia and Xiamen Grandsoo have complied with the relevant laws and regulations relating to foreign exchange without any penalties due to violation of the relevant laws and regulations relating to foreign exchange.

REGULATIONS ON DIVIDEND DISTRIBUTION

The principal regulations governing distribution of dividends paid by PRC wholly foreign-owned enterprise include (i) PRC Company Law (《中華人民共和國公司法》); (ii) Wholly Foreign-Owned Enterprise Law (《中華人民共和國外資企業法》); and (iii) Wholly Foreign-Owned Enterprise Law Implementing Rules (《中華人民共和國外資企業法實施細則》). Under the above laws and regulations, domestic companies and wholly foreign-owned enterprises in the PRC may pay dividends only from accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, such enterprises are required to set aside at least 10% of their after-tax profits each year, if any, to fund certain reserve funds. These reserves are not distributable as cash dividends. Under the relevant PRC law, no net assets other than the accumulated after-tax profits can be distributed in the form of dividends.

These regulations are covered by laws and regulations relating to foreign investment. As the Group confirms and the local government authorities supervising foreign investment certify that since the establishment, Fujian Sijia and Xiamen Grandsoo have complied with the relevant laws and regulations relating to foreign investment without any penalties due to violation of the relevant laws and regulations relating to foreign investment, the Group also complies with regulations on dividend distribution.

LAWS AND REGULATIONS RELATING TO TAXATION

Both Fujian Sijia and Xiamen Grandsoo are foreign-invested companies incorporated in the PRC. and shall pay tax in accordance with PRC laws and relating to taxation.

Income Tax

Prior to 1 January 2008, Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得税法) and its implementation rules applied to foreign-invested enterprises. According to the said law, any enterprise with foreign investment of a production nature scheduled to operate for a period of not less than ten years shall, from the year beginning to make profit, be exempted from income tax in the first and second years and allowed a fifty percent reduction in the third to fifth years.

Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) (**the New Tax Law**) and its implementation rules, which became effective on 1 January 2008, tax payers are divided into resident enterprise and non-resident enterprise. A resident enterprise refers to an enterprise that is established inside the PRC, or which is established under the law of a foreign country (region) but whose actual institution of management is inside the PRC. A resident enterprise shall pay the enterprise income tax on its incomes derived from both inside and outside the PRC at the rate of 25%. A non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not inside the PRC but which has offices or establishments inside the PRC; or which does not have any offices or establishments inside the PRC but has incomes sourced in the PRC. A non-resident enterprise having offices or establishments inside the PRC shall pay enterprise income tax on its incomes derived from the PRC as well as on incomes derived from outside the PRC but which has real connection with the said offices or establishments at the rate of 25%. A non-resident enterprise having no office or establishment inside the PRC, or whose income have no actual connection to its institution or establishment inside the PRC shall pay enterprise income tax on the incomes derived from the PRC at the rate of 10%.

For the enterprises that were established prior to the promulgation of the New Tax Law and enjoyed lower tax rates according to the provisions of the previous tax laws and regulations, their income tax rates shall, according to the provisions of the State Council, be gradually transferred to the tax rate provided in the New Tax Law within five years after the New Tax Law is promulgated. The enterprises that have enjoyed the preferential treatment of tax exemption for a fixed term may, according to the provisions of the State Council, continue to enjoy such treatment after the promulgation of the New Tax Law

until the fix term expires. However, for those that have failed to enjoy the preferential treatment due to failure to make profits, the term of preferential treatment may be counted as of the year when the New Tax Law is promulgated.

Pursuant to the New Tax Law of the PRC and its implementation rules, the High and New Technology Enterprises that require key state support certificated by the administrative departments of all provinces, autonomous regions, municipalities directly under the Central Government and cities specifically designated in state plan, in coordination with finance and taxation departments at the same level as the administrative departments are subject to the applicable enterprise income tax rate with a reduction of 15%.

Pursuant to the Agreement between the Mainland and the Hong Kong Special Administration Region for Avoidance of Double Taxation and Tax Evasion on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed by the PRC and Hong Kong Special Administration Region on 21 August 2006, where a Hong Kong enterprise directly holds at least 25% of shareholding of a PRC enterprise, the withholding tax rate in respect to the payment of dividends by such PRC enterprise to such Hong Kong enterprise is 5%. Otherwise, the withholding tax rate is 10% for the relevant dividends.

VAT

On 13 December 1993 the State Council promulgated Interim Regulation of the PRC on Value Added Tax (中華人民共和國增值稅暫行條例) (**the VAT Interim Regulation**). On 5 November 2008 the State Council amended the VAT Interim Regulation which became effective on 1 January 2009. Pursuant to the VAT Interim Regulation and its implementation rules, entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods in the PRC are taxpayers of value added tax and shall pay value added tax at the rate of 17% unless otherwise stipulated.

The Group confirms and the local government authorities supervising taxation certify that since the establishment, Fujian Sijia and Xiamen Grandsoo have complied with the relevant laws and regulations relating to taxation and have fully paid due taxation without any penalties due to violation of the relevant laws and regulations relating to taxation.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

On 22 February 1993 the Standing Committee of NPC enacted Product Quality Law of the PRC, which was revised on 8 July 2000 by the Standing Committee of NPC. The said law stipulates that producers shall be responsible for compensating for damages to the person or property except the defective products themselves due to the defects of products. Where the case is severe enough to constitute a crime, criminal responsibility shall apply.

On 31 October 1993 the Standing Committee of NPC enacted Law of the PRC on Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法), which became effective on 1 January 1994. The rights and interests of consumers in purchasing and using commodities or receiving services for daily consumption shall be under the protection of the said law. Business operators shall guarantee that commodities and services supplied conform to the requirements of personal and property safety. Where damages occur, business operators shall make compensations. Where the case is severe enough to constitute a crime, criminal responsibility shall apply.

All the products produced and sold in PRC shall abide by these laws and regulations.

The Group confirmed, and the local government authorities supervising product quality had certified that, since their establishment, Fujian Sijia and Xiamen Grandsoo have complied with the relevant laws and regulations relating to product quality without any penalties due to violation of the relevant laws and regulations relating to product quality.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The principal laws and regulations governing environmental protection in the PRC are Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Law of the PRC on the Prevention and Control of the Air Pollution (中華人民共和國大氣污染防治法), the Law on Prevention of Water Pollution of the PRC (中華人民共和國水污染防治法), Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法), Law of the PRC on Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法) and the Administrative Regulations on Environmental Protection for Construction Project (建設項目環境保護條例). The discharge of any pollutant shall abide by the abovementioned laws and regulations. Construction projects shall conduct assessment of environmental impact, obtain approval on such assessment and be examined and considered up to the environmental protection standard. Prior to the construction of new facilities or expansion or transformation of existing facilities that may cause a significant impact on the environment, a report on the environmental impact of the construction project shall be submitted to the relevant environmental protection authority. The newly constructed production facilities cannot operate until the relevant department is satisfied that such facilities are in compliance with all relevant environmental protection standards. Environmental protection facilities shall be designed, constructed and put into use simultaneously with the main project construction.

Pursuant to the requirements of the "Environmental Protection Law"(《中華人民共和國環境保護法》), any production facilities that could possibly cause pollution or other public hazards shall adopt measures on environmental protection and shall establish a system on environmental protection and administration. Effective measures shall be adopted to prevent and control the pollution and harm caused to the environment by the emission of exhaust air, sewage, waste residues, dust, malodorous gas, radioactive substances, noise, vibration and electromagnetic radiation. Enterprises that discharge pollutants shall register with the relevant environmental protection authority. The State

Environmental Protection Administration shall formulate national standards on emission of pollutants in accordance with the national standards on environmental quality, and the State economic and technological conditions. Governments at the provincial level and of the autonomous regions and municipalities may formulate their respective local standards on the discharge of pollutants for items not specified in the national standards. The local governments may formulate local standards which are more stringent than the national ones. Pursuant to the requirements under the amended "Law on Prevention of Water Pollution of the PRC", which became effective on 1 June 2008 (《中華人民共和國水污染防治法》), "Law on Prevention of Air Pollution of the PRC" (《中華人民共和國大氣污染防治法》), which became effective on 1 September 2000 and "Administrative Regulations on Levy and Utilization of Sewage Charge" (《排污費徵收使用管理條例》), which became effective on 1 July 2003, enterprises which discharge water or air pollutants shall pay discharge fees pursuant to the types and volume of pollutants discharged. The discharge fees are calculated by the local environmental protection authority which shall review and verify the types and volume of pollutants discharged. Once the discharge fees have been calculated, a notice on payment of discharge fees shall be issued to the relevant enterprises.

In accordance with the "Law on Prevention of Environmental Pollution Caused by Solid Waste of the PRC" (《中華人民共和國固體廢物污染環境防治法》), which became effective on 1 April 1996, entities and individuals collecting, storing, transporting, utilising, or disposing of solid waste shall take precautions against the spread, loss, and leakage of such solid waste or adopt such other measures for preventing such solid waste from polluting the environment.

Government authorities may impose different penalties against persons or enterprises in violation of environmental protection laws and regulations. The penalties include warnings, fines, decisions to impose deadlines for cure, orders to stop production and imposition of administrative actions against relevant responsible individuals. Any entity whose construction projects fail to satisfy the requirements of pollution prevention may be ordered to suspend its production or operation and be subject to a fine. The responsible person of the entity may be subject to criminal liabilities for serious breaches resulting in significant damage to private or public property or personal death or injury.

Fujian Sijia and Xiamen Grandsoo's production facilities are located in PRC. The construction thereof shall abide by the Administrative Regulations on Environmental Protection for Construction Project (建設項目環境保護條例). The production may also generate certain pollutants and the discharge of the pollutants shall abide by these laws and regulations as well.

The Group confirmed, and the local government authorities supervising environmental protection certified that, since their establishment, Fujian Sijia and Xiamen Grandsoo have complied with the relevant laws and regulations relating to environmental protection without any penalties due to violation of the relevant laws and regulations relating to environmental protection.

LAWS AND REGULATIONS RELATING TO LABOR AND SOCIAL INSURANCE

On 5 July 1994 the Standing Committee of NPC promulgated The Labor Law of the PRC (中華人民共和國勞動法), which became effective on 1 January 1995. On 29 June 2007 the Standing Committee of NPC promulgated Labor Contract Law of the PRC (中華人民共和國勞動合同法), which became effective on 1 January 2008. Pursuant to the said law, a written labor contract shall be concluded within one month from the date when the employee commences working. Otherwise the employer shall pay twice of the monthly wage. Labor contract is divided into two types, namely labor contract with fixed term and labor contract without fixed term. Where the employee has already worked for the employer for 10 full years consecutively or the labor contract is to be renewed after two fixed-term labor contracts have been concluded consecutively, a labor contract without fixed term shall be concluded.

The PRC Law for Promotion of Employment (中華人民共和國就業促進法), promulgated by NPC Standing Committee on 30 August 2007 and effective as of 1 January 2008, provides that no employee can be discriminated in employment by reason of ethical group, race, gender, or religious belief. The employer should neither refuse, nor request higher conditions for, the employment of any woman, merely because of such gender; and no provision limiting any woman employee in marriage and child-bearing is allowed in the labor contract. The employer should not refuse the employment of any body just because of such person being an infection pathogen carrier, unless otherwise stated by laws and regulations. Additionally, enterprises should allocate the employee education fund intended for occupational training and further education of employees, violation of which may result in punishment imposed by the labor administration.

Pursuant to the Interim Regulations Concerning the Levy of Social Insurance Fees (社會保險費徵繳暫行條例) promulgated and implemented on 22 January 1999 by the State Council, the Interim Measures Concerning the Maternity Insurance of Enterprise Employees (企業職工生育保險試行辦法) promulgated on 14 December 1994 and implemented on 1 January 1995 by former Ministry of Labor, the Regulation Concerning the Administration of Housing Fund (住房公積金管理條例) promulgated and implemented on 3 April 1999 and amended on 24 March 2002 by the State Council, the Regulation on Occupational Injury Insurance (工傷保險條例) promulgated on 27 April 2003 by the State Council and implemented on 1 January 2004, the employer shall pay pension insurance fund, basic medical insurance fund, unemployment insurance fund, occupational insurance fund, maternity insurance fund and housing fund for the employees.

Fujian Sijia and Xiamen Grandsoo shall enter into the labor contracts with its employees and make the relevant contribution to social welfare in accordance with these laws and regulations. The Group confirmed, and the local government authorities supervising labor and social welfare certified that, since their establishment, Fujian Sijia and Xiamen Grandsoo have complied with the relevant laws and regulations relating to labor and social welfare without any penalties due to violation of the relevant laws and regulations relating to labor and social welfare.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

On 29 June 2002 the Standing Committee of NPC promulgated Production Safety Law of the PRC (中華人民共和國安全生產法), which became effective on 1 November 2002. The production and business operation entities shall observe the said law and other relevant laws, regulations concerning the production safety, strengthen the administration of production safety, establish and perfect the system of responsibility for production safety, perfect the conditions for safe production, and ensure the safety in production. The major person-in-charge of the production and business operation of the entities shall take charge of the overall work of the production safety of the entity concerned.

Fujian Sijia and Xiamen Grandsoo shall ensure the production safety in accordance with these laws and regulations. The Group confirmed, and the local government authorities supervising production safety certified that, since their establishment, Fujian Sijia and Xiamen Grandsoo have complied with the relevant laws and regulations relating to production safety without any penalties due to violation of the relevant laws and regulations relating to production safety.

Other than the temporary buildings on Fuzhou Land as disclosed under the paragraph headed "Property Interests-Fuzhou Land" (pages 184 and 185) under the "Business" section of the Prospectus, Fujian Sijia and Xiamen Grandsoo have complied with all the relevant laws and regulations of the PRC.

The Directors confirms that the export products of the Group were manufactured in accordance with the specifications provided by overseas customers and the quality of the products have complied with different quality control standards as required by overseas customers which the Directors understand have already taken into account the requirements of overseas regulations relevant to the overseas customers generally, the overseas customers are responsible for ensuring compliance with overseas regulations and quality control standards. The Directors were not aware of any responsibility and risks in relation to the compliance of these standards for sales to overseas customers which should be borne by the Group and will materially affect the Group. The Group has not received any complaint from overseas customers in respect of failure of the export products' failure to comply with the provided specifications or standards up to the Latest Practicable Date. To the best knowledge of the Directors, save as disclosed above, the Group has complied with all the relevant laws and regulations of overseas market during the Track Record Period and up to the Latest Practicable Date.

HISTORY AND DEVELOPMENT

Business milestones

The following events are the major milestones of the Group since its establishment:

2002 – 2003	• Established Hong Kong Sijia, as the holding company of the Group and Fujian Sijia • Consolidated interests in raincoat and general protective clothing manufacturing entities, namely Fujian Si Tai Di and Smile in Rain, into the Group • Commenced production of the Group's first range of products such as raincoats, general protective clothing and waterproof materials at Fuzhou Plant
2004	• Passed the European Standard (EN471) for high visibility clothing
2005 – 2006	• Named as New High Technology Enterprise in Fujian Province (福建省高新技術企業) by Fujian Provincial Department of Science Technology in September 2006 and Technologically Advanced Foreign-owned Enterprise (外商投資先進技術企業) by Fujian Provincial Department of Foreign Trade and Economic Cooperation in November 2006 • Made strategic decision in 2006 to focus on development and sale of "Sijia" branded Reinforced Materials • Established Xiamen Grandsoo as holding company of Xiamen Plant • Awarded the Group's first PRC national utility model patent
2007	• Obtained the gold award for the Group's Reinforced Materials at the Cross-strait Trade Union Innovation Exhibition (海峽兩岸職工創新成果展), an annual cross-straits event between PRC and Taiwan that honor innovative products organized by All China Federation of Trade Union (中華全國總工會) • Began small scale production of End Products
2008	• Disposed of raincoat and general protective clothing manufacturing business of Fujian Sijia and interests in Fujian Si Tai Di and Smile in Rain • Fujian Sijia recognized as Top 10 of major industries of Fujian Province (福建工業主要行業前十強) by Enterprise Assessment Centre and Association of Fujian Province in August 2008

- Its high strength polyester composite materials was awarded Second Prize of Science and Technology Progress in Fuzhou (福州市科技進步二等獎) by The People's Government of Fuzhou
- "Sijia" brand of Reinforced Materials recognized as a Fujian Famous Brand Product ("福建名牌產品") by The People's Government of Fujian

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- Commenced large scale production and sale of End Products at Xiamen Plant
- Awarded Second Prize of Science and Technology Progress in Fuzhou (福州市科技進步二等獎) by The People's Government of Fuzhou and its air tightness material was awarded Independent Innovative Products in Fujian Province (福建省自主創新產品) by Office of Science and Technology in Fujian Province, Economic and Trade Commission in Fujian Province, Development and Reform Commission in Fujian Province, Department of Finance in Fujian Province
- "Sijia" trademark recognized as "Year 2008 Famous Trademark in Fujian Province" by Administration for Industry & Commerce of Fujian Province
- Established sales representative offices in Guangzhou, Weihai and Zhengzhou.

Shareholding history of the companies within the Group

The Group was found in 2002 by Mr. Lin and Mrs. Lin. Mr. Lin had worked for enterprises in PRC engaging in manufacturing of polymer materials and plastic related products since 1985. After accumulating years of experience in the polymer materials manufacturing industry, Mr. Lin identified the vast business opportunity for waterproof and breathable fabric materials in PRC and overseas and subsequently decided to start his own business in manufacture of such fabric materials in PRC through the setting up of Hong Kong Sijia and Fujian Sijia in 2002 and consolidating his interest in the raincoat and general protective clothing manufacturing business into the Group during 2002 and 2003.

Hong Kong Sijia

On 15 April 2002, Mr. Lin incorporated Hong Kong Sijia in Hong Kong to act as the then holding company of the Group. At the time of its incorporation, Mr. Lin and his wife, Mrs. Lin, each held as to 50% interests in Hong Kong Sijia and were also the directors of Hong Kong Sijia.

In November 2006, Mrs. Lin transferred her interests in Hong Kong Sijia to Mr. Lin at par value of HK$1.00 each for a total consideration of HK$5,000 and resigned as a director of Hong Kong Sijia. As at 31 December 2006, the consolidated net asset value of Hong Kong Sijia amounted to about RMB39.6 million.

Mr. Lin and Mrs. Lin were ordinary residents in PRC. During the period between March 2007 and February 2008, Mr. Lin was principally engaged in the development of business of Xiamen Grandsoo and construction of Xiamen Plant since incorporation of Xiamen Grandsoo in mid 2006. In order to focus on the above and for the purpose of reducing the traveling and administrative burden on Mr. Lin in handling banking matters in Hong Kong relating to Hong Kong Sijia, Mr. Lam, a long time friend of Mr. Lin and a Hong Kong resident, replaced Mr. Lin to act as the sole director of Hong Kong Sijia in March 2007, and held the entire issued share capital of Hong Kong Sijia in trust for Mr. Lin which trust arrangement was evidenced by a duly stamped trust deed dated 28 November 2007. Under this trust deed, Mr. Lam agreed to hold the entire issued share capital of Hong Kong Sijia in trust for Mr. Lin and to assign such issued share capital at the request and costs of Mr. Lin back to Mr. Lin or to such person or persons at such time or times and in such manner as Mr. Lin shall direct. In addition, Mr. Lam shall serve as a director of Hong Kong Sijia subject to the overall direction of Mr. Lin. The management period is terminable by Mr. Lin or Mr. Lam upon giving reasonable advance notice to the other.

Mr. Lam was Mr. Lin's secondary school teacher in PRC in 1970's. Since then, Mr. Lin and Mr. Lam have kept contact and maintained a good relationship between them. In 1981, Mr. Lam and Mrs. Lam started to reside in Hong Kong and they both worked in weaving and dyeing factories in Hong Kong for nearly 20 years. After that, Mrs. Lam retired to become a housewife. In August 2001, Mr. Lam set up and acted as the chairman and sole shareholder of Fujian De Ming He Plastics Ltd (福建德銘和塑膠有限公司) (which changed its name to Long Shi Teng (Fujian) Sports Utilities Co Ltd (龍仕騰(福建)運動用品有限公司) ("**Long Shi Teng**") in 2008), a company incorporated in PRC. Long Shi Teng was principally engaged in the manufacture and sale of raincoat and general protective clothing. The business of Long Shi Teng was operated independent from the management of the Group. Mr. Lam disposed of all his interests in Long Shi Teng on 22 July 2008.

During the Track Record Period, Fujian Sijia sold Materials to Long Shi Teng. For each of the three financial years ended 31 December 2007, 2008 and 2009, the total sales of the Group to Long Shi Teng amounted to about RMB0.8 million, RMB2.8 million and nil respectively.

In February 2008, Mr. Lin was re-appointed as the director of Hong Kong Sijia to replace Mr. Lam and the entire issued share capital of Hong Kong Sijia was transferred back to Mr. Lin at par value of HK$1.00 per share each at a total consideration of HK$10,000. As at 31 December 2007, the consolidated net asset value of Hong Kong Sijia amounted to about RMB90.7 million. Mr. Lam has never received any dividend, salary, directors fee or remuneration from Hong Kong Sijia or other subsidiaries of the Group.

Up to the Latest Practicable Date, there has not been any change in the issued share capital of Hong Kong Sijia since its incorporation.

Save for the business and positions held in the Group and as disclosed herein, Mr. Lin did not have any other business (including those interests held by other persons/entities in trust for him) or hold position in any company during the Track Record Period and up to the Latest Practicable Date.

History and development of the Group's main PRC operating subsidiaries

Fujian Sijia

On 25 September 2002, Fujian Sijia Plastic Co., Ltd* (福建思嘉塑膠有限公司), the predecessor of Fujian Sijia, was established as a wholly foreign owned enterprise ("WFOE") in Fuzhou City, Fujian Province, PRC with registered capital of HK$10,000,000 and was wholly-owned by Hong Kong Sijia. Initially, Hong Kong Sijia had yet obtained the required funding for capital contribution to Fujian Sijia. In order to meet the prescribed time limit (i.e. 22 September 2003) for capital contribution to Fujian Sijia, Hong Kong Sijia transferred 20% and 23% unpaid registered capital in Fujian Sijia to (i) Fujian Si Tai Di, its then wholly owned subsidiary established in PRC and (ii) Xiamen Ming Lian Da, a PRC company wholly and beneficially owned by Mr. Lin Rongfeng, brother-in-law of Mr. Lin, respectively for nil consideration. The transfer of 23% unpaid registered capital to Xiamen Ming Lian Da was to enable Xiamen Ming Lian Da to inject its portion of registered capital into Fujian Sijia with the understanding that it would transfer back such registered capital to the Group at costs after the relevant funding had been obtained. Following such transfer, Fujian Si Tai Di and Xiamen Ming Lian Da contributed for their respective registered capital in Fujian Sijia. The remaining registered capital of HK$5.7 million to be contributed by Hong Kong Sijia was funded by Mr. Lin from loans granted by Mr. Lin Wanpeng to Mr. Lin at the interest rate of 5% per annum without security, guarantee and specific repayment date nor any other loan covenants.

Mr. Lin Wanpeng is a fellow townsman of Mr. Lin and has been a close friend of Mr. Lin for years since they first met each other in Fuzhou, PRC, in 1992. Mr. Lin Wanpeng now resides in Hong Kong and is an angel investor. Mr. Lin Wanpeng is engaged in the business of private investment since he moved to Hong Kong in 2002. Mr. Lin Wanpeng agreed to provide loans to Mr. Lin for his funding to the Group when Mr. Lin approached him for assistance in February 2003. Mr. Lin Wanpeng had never participated in the management and operation of Fujian Sijia since its incorporation. Save as those disclosed herein, Mr. Lin Wanpeng did not have any business or family relationship, whether in past or present, with the Group, its Controlling Shareholders or their respective associates.

Upon completion of these transfers and capital contribution, as at 24 November 2003, Fujian Sijia was owned as to 57% by Hong Kong Sijia, 23% as to Xiamen Ming Lian Da and 20% as to Fujian Si Tai Di.

On 26 August 2004, the name of Fujian Sijia Plastic Co. Ltd was formally changed to Fujian Sijia Industrial Material Co., Ltd. (福建思嘉環保材料科技有限公司). A new Business License of Corporate Entity (企業法人營業執照) was issued to Fujian Sijia on 26 August 2004.

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Since the establishment of Fujian Sijia in 2002, the Group has placed strong emphasis on the development of new products technologies and application of technologically-advanced production techniques in order to differentiate itself from mass-market conventional materials providers. In September 2006, Fujian Sijia was recognized as a New High Technology Enterprise in Fujian Province (福建省高新技術企業).

On 14 October 2004, Hong Kong Sijia transferred 10% of its equity interests in Fujian Sijia to Fujian Si Tai Di. As at 10 January 2006, Fujian Sijia was owned as to 47% by Hong Kong Sijia, 23% as to Xiamen Ming Lian Da and 30% as to Fujian Si Tai Di.

For the purpose of facilitating the Group's strategy to dispose of its raincoat and general protective clothing business (Please refer to paragraph headed "*Companies disposed of during the Track Record Period*" below) and consolidating the shareholding of Fujian Sijia under Hong Kong Sijia, Xiamen Grandsoo, a wholly owned subsidiary of Hong Kong Sijia established in PRC, acquired 23% and 30% interest in Fujian Sijia from Xiamen Ming Lian Da and Fujian Si Tai Di for considerations of HK$2,300,000 and HK$3,000,000 respectively based on their relevant portion of the registered capital in Fujian Sijia on 5 March 2007. The above equity transfer was completed on 4 November 2007. As at 31 December 2007, the net asset value of Fujian Sijia was RMB98,453,000. On 4 December 2007, the registered capital of Fujian Sijia was increased from HK$10,000,000 to HK$40,000,000 by way of capitalization of retained earnings.

Save as disclosed in this section and in the section headed "Financial Information" (page 235) of this prospectus, Mr. Lin Rongfeng did not have, whether past or present, any other business or family relationship with the Group, its Controlling Shareholders or their respective associates. Mr. Lin Rongfeng had never participated in the management and operation of Fujian Sijia since its incorporation.

As at 4 December 2007, Fujian Sijia was held as to 47% by Hong Kong Sijia and as to 53% by Xiamen Grandsoo respectively.

At the end of 2007, the Group intended to apply for listing of shares of Fujian Sijia on a reputable stock exchange. In order to provide flexibility and to prepare for such listing process, it was resolved that Fujian Sijia be converted into a joint stock limited company which would meet the listing requirements of different stock exchanges and would give Fujian Sijia more flexibilities on choice of location of listing. Therefore, for the purpose of converting Fujian Sijia into a joint stock limited company, the Group invited four other independent investors (namely, Xiamen Kailai Trading, Fuzhou Jutai Trading, Fuzhou Sanfang Trading and YueHui Investment) to become shareholders of Fujian Sijia. By a share transfer agreement dated 17 December 2007, Xiamen Grandsoo transferred its 5% interest in Fujian Sijia to YueHui Investment for a consideration of HK$3,000,000 based on an agreed premium over its relevant portion of the registered capital. By a joint investment agreement dated 17 December 2007 entered into between Hong Kong Sijia, Xiamen Grandsoo, Xiamen Kailai Trading, Fuzhou Jutai Trading, Fuzhou Sanfang Trading and YueHui Investment, the registered share capital of Fujian Sijia was increased from HK$40,000,000 to HK$50,000,000 and the increased HK$10,000,000 registered capital were subscribed as to 20%, 30%, 25% and 25% by Xiamen Kailai Trading, Fuzhou Jutai Trading, Fuzhou Sanfang Trading and YueHui Investment respectively. All relevant approvals

regarding the capital increment had been obtained. On 31 January 2008, the above equity transfer and the increase in registered capital were completed. The total investment costs of these four investors, including the above equity transfer, increase in registered capital and an additional proportionally contributed capital injection of RMB5,000,000 (recorded as reserve), amounted to RMB18,000,000. As at 31 December 2007, the net asset value of Fujian Sijia was RMB98,453,000.

Xiamen Kailai Trading, Fuzhou Jutai Trading, Fuzhou Sanfang Trading and YueHui Investment were introduced by friends of Mr. Lin. In view of the intended listing of shares of Fujian Sijia, the four investors were interested to inject some of their funds into Fujian Sijia as a means of investments seeking returns on short term basis. Fuzhou Jutai Trading's registered scope of business activity includes wholesale of clothing and daily utilities. Fuzhou Sanfang Trading's registered scope of business activities include wholesale of textile products and labour protective utilities. Xiamen Kailai Trading's registered scope of business activities include wholesale of fitness equipment, chemical industrial products. While YueHui Investment's registered scope of business activities include investments in industry, property, mining, finance, stocks and hotels. Each of the four investors is owned by Independent Third Parties and their businesses do not have any relationship with the Business of the Group. The Company confirms that save as disclosed herein, the four investors did not have any family or business relationships, whether past or present, with the Group, its controlling shareholder, Directors and any of their respective associates.

As a result, as at 31 January 2008, Fujian Sijia was held as to 37.6%, 38.4%, 4%, 6%, 5% and 9% by Hong Kong Sijia, Xiamen Grandsoo, Xiamen Kailai Trading, Fuzhou Jutai Trading, Fuzhou Sanfang Trading and YueHui Investment respectively.

On 20 November 2008, Hong Kong Sijia, through Xiamen Grandsoo, acquired an aggregate of 24% interests in Fujian Sijia held by Xiamen Kailai Trading, Fuzhou Jutai Trading, Fuzhou Sanfang Trading and YueHui Investment for a total consideration of RMB17,650,000 which consideration was arrived at after considering their total investment costs of about RMB18 million and their period of investment. It was also agreed that a premium of about RMB2.9 million would be paid to Xiamen Kailai Trading, Fuzhou Jutai Trading, Fuzhou Sanfang Trading and YueHui Investment as part of their investment return. This amount is classified as dividend in the accountants' report in Appendix I. The agreed premium or RMB2.9 million was negotiated and determined based on an agreed 24% annual return on their investment cost calculated on a daily basis from the date of injection of funding to the date of disposal of their interests in Fujian Sijia. On 4 January 2009, the above equity transfers were completed. As at 31 December 2008, the net asset value of Fujian Sijia was RMB155,760,000. As a result, Fujian Sijia was held as to 62.4% by Xiamen Grandsoo and 37.6% by Hong Kong Sijia on 4 January 2009. On the same day, the registered share capital of Fujian Sijia was increased to HK$65,000,000 from HK$50,000,000 through capitalizing retained earnings.

Fujian Sijia did not declare or pay any dividend to Fujian Si Tai Di and Xiamen Ming Lian Da since its establishment. In 2008, Fujian Sijia declared and paid dividend amounted to RMB18,281,000 and RMB20,615,000 to Hong Kong Sijia and Xiamen Grandsoo, respectively, from its 2007 profit based on the equity interests of Hong Kong Sijia and Xiamen Grandsoo in Fujian Sijia as at 31 December 2007.

Xiamen Grandsoo

Xiamen Grandsoo was incorporated by Hong Kong Sijia on 26 May 2006 under its former name Xiamen Hao Yuan Material Technology Co., Ltd * (廈門浩源環保材料科技有限公司) , in Gaolin Industrial Site of Xiamen City, Fujian Province, PRC to be the local holding company for the new Xiamen Plant that the Group was preparing to set up at that time. Xiamen Grandsoo is a wholly foreign owned enterprise 100% owned by Hong Kong Sijia with registered and paid-up share capital of HK$40 million. Mr. Lin raised the capital of HK$40 million from Mr. Lin Wanpeng at the interest rate of 5% per annum without security, guarantee and specific repayment date nor any loan covenants. Pursuant to an agreement dated 16 October 2006 between Mr. Lin and Mr. Lin Wanpeng, Mr. Lin and Mr. Lin Wanpeng agreed to convert the loan of HK$40 million together with the other outstanding sums of HK$5.7 million due and owing by Mr. Lin to Mr. Lin Wanpeng and any accrued interests thereon into 15% of the issued share capital of Hong Kong Sijia, (or upon reorganization, the Company) prior to Listing. Pursuant to this agreement, Mr. Lin Wanpeng has no right to appoint any Director and no other special rights were granted to him. Such loan in the principal amount of HK$45.7 million together with interests accrued thereon has been fully converted into Shares of the Company on 15 December 2009, amounting to 15% of the total issued Share capital of the Company immediately prior to completion of the Global Offering and about 11.25% of the total issued share capital of the Company immediately upon completion of the Global Offering (before exercise of the Over-allotment Option). The Shares held by Mr. Lin Wanpeng are subject to lock-up arrangements set out in the section headed "Underwriting" at pages from 257 to 259. Further details of such loan conversion are set out in the section headed "Corporate Reorganization" below. On 18 March 2008, Xiamen Hao Yuan Material Technology Co., Ltd* (廈門浩源環保材料科技有限公司) changed its name to Xiamen Grandsoo.

Mr. Lin Wanpeng had never participated in the management and operation of Xiamen Grandsoo since its establishment. The Company has no current intention to appoint Mr. Lin Wanpeng as a Director of the Company.

Companies disposed of during the Track Record Period

Smile in Rain and Fujian Si Tai Di were early raincoat and general protective clothing manufacturing companies established by Mr. Lin, whose interest was held in trust by Mr. Lam and Mrs. Lam respectively at the time of their incorporations. Since Mr. Lam and Mrs. Lam were Hong Kong residents, Smile in Rain and Fujian Si Tai Di were incorporated as foreign owned enterprises in PRC. This enabled Smile in Rain and Fujian Si Tai Di to enjoy the benefits and allowance commonly available to this kind of PRC entities and making it more favourable for Smile in Rain and Fujian Si Tai Di to develop business in PRC.

Under the trust arrangements, Mr. Lam and Mrs. Lam agreed, undertook and warranted that:

(1) they would unconditionally act in accordance with the instructions from Mr. Lin to transfer the shares beneficially owned by Mr. Lin in Fujian Si Tai Di and Smile in Rain (the "**Trust Shares**") to Mr. Lin or any other person appointed by Mr. Lin;

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(2) they should not, unless with the written approval by Mr. Lin, transfer, mortgage or pledge the Trust Shares;

(3) they should return all the benefits and interests arising from the Trust Shares to Mr. Lin within 30 days after their receipt of the same; and

(4) all Trust Shares were beneficially owned by Mr. Lin and they would operate Fujian Si Tai Di and Smile in Rain in accordance with the instructions from Mr. Lin from time to time.

No remuneration was paid to Mr. Lam and Mrs. Lam for such trust arrangements. Mr. Lam and Mrs. Lam had never participated in the management and operation of these two companies since their incorporation.

Save as disclosed above in this section, Mr. Lam and Mrs. Lam did not have any employment, business or family relationship with the Group, Controlling Shareholders or their respective associates.

After Mr. Lin has consolidated his control of Fujian Si Tai Di and Simile in Rain under Fujian Sijia in 2002 and 2003 respectively, from early 2006, the Group decided to centralize its raincoat and general protective clothing business under Fujian Sijia, thus Fujian Si Tai Di and Smile in Rain had remained inactive since then. The Group subsequently disposed of all of its equity interests in Fujian Si Tai Di and Smile in Rain to Bestide Int'l, a Hong Kong incorporated company wholly-owned by Mr. Cai Zhiguo, in January 2008 and its raincoat and general protective clothing business of Fujian Sijia (due to increasing market competition and relatively lower profit margin) to Smile in Rain (which at the time was owned by Bestide Int'l to hold the acquired raincoat and general protective clothing business of Fujian Sijia) in May 2008. All the considerations were settled by Mr. Cai Zhiguo's own funding. The consideration for acquiring Fujian Si Tai Di and Smile in Rain was settled in Renminbi by Bestide Int'l through Mr. Cai Zhiguo making payment to Mr. Lin directly in PRC on 17 February 2008 and such payment was used to reduce the amount of the loan due by the Group to Mr. Lin (details of which are set out in Appendix I, Accountant's Report of this prospectus). Since Mr. Cai Zhiguo lacked sufficient Hong Kong currency to settle the said consideration and Mr. Lin was in need of Renminbi, both parties therefore agreed to adopt such way of settlement arrangement. The raincoat and general protective clothing business acquired by Mr. Cai Zhiguo had to be injected into legal entities to continue its operation and PRC legal entities would be preferable because the raincoat and general protective clothing business was conducted in PRC. Mr. Cai Zhiguo considered that these two existing PRC companies, i.e. Fujian Si Tai Di and Smile in Rain, although had been dormant since 2006, had been carrying on raincoat and general protective clothing business for years since their incorporation in 2000. Hence, they would be more familiar to and recognized by those established raincoat customers and suppliers of the Group than a newly established company. In addition, the registered business scope of Fujian Si Tai Di and Smile in Rain had included manufacturing of raincoat materials and related products. Therefore, acquiring these two dormant existing companies would provide Mr. Cai Zhiguo an immediate platform to handle the purchase orders redirected from the Group after the acquisition and continue operation of the raincoat and general protective clothing business with minimal interruption. Mr. Cai Zhiguo was an employee of the Group and a director of Fujian Sijia for the period from September 2005 to December 2007 who was in charge of the management of the raincoat manufacturing business of the Group. On 17 December 2007, Mr. Cai Zhiguo resigned as a director of Fujian Sijia and ceased to be an employee of the Group. Save as disclosed herein, Mr. Cai Zhiguo does not have any relationship, whether past or present, with the Group, its Controlling Shareholders or their respective associates.

After disposals of Fujian Sijia's raincoat and general protective clothing business in May 2008, the Group ceased to hold any interests in raincoat and general protective clothing businesses. The Group however continues to manufacture and sell Materials including materials utilized to produce labour protective clothing and raincoat.

Fujian Si Tai Di

On 5 December 2000, Sanming Fang Ya Garment Co., Ltd* (三明方亞製衣有限公司), the predecessor of Fujian Si Tai Di, was established as a wholly foreign owned enterprise ("**WFOE**") in San Ming City, Fujian Province, PRC and held as to 100% by Mrs. Lam , in trust for Mr. Lin. The initial registered capital of Fujian Si Tai Di amounted to HK$2,100,000 which was solely funded by Mr. Lin. Before it became inactive since early 2006, Fujian Si Tai Di was principally engaged in the manufacture and sale of single layer raincoat and general protective clothing used primarily for its water proof and stain resistance function such as those used in farming, fishing, mining and construction activities.

In order to consolidate Mr. Lin's control of the raincoat and general protective clothing business under the Group, Mrs. Lam as trustee of Mr. Lin transferred her 100% interest in Fujian Si Tai Di to Hong Kong Sijia for a consideration of HK$2,100,000 on 12 June 2002. No payment of HK$2,100,000 was actually made by Hong Kong Sijia, which was recorded as an amount due from Hong Kong Sijia to Mr. Lin and was finally assigned to China Grandsoo under the Corporate Reorganization. On the same day, Fujian Si Tai Di changed its name to Fujian Fang Ya Plastic Co. Ltd* (福建方亞塑膠有限公司), and its registered capital was increased from HK$2,100,000 to HK$10,000,000 by way of capitalization of retained earnings in the sum of about HK$4.0 million and cash contribution in the sum of about HK$3.9 million paid by Hong Kong Sijia with funding provided by Mr. Lin. Subsequently, on 25 April 2005, Fujian Fang Ya Plastic Co., Ltd* (福建方亞塑膠有限公司) further changed its name to Fujian Si Tai Di.

Since early 2006, Fujian Si Tai Di had remained inactive as the Group resolved to centralize its raincoat and general protective clothing business under Fujian Sijia. There has been no intra-group sales to Fujian Si Tai Di from Fujian Sijia during the Track Record Period.

On 30 January 2008, Hong Kong Sijia disposed of its 100% interest in Fujian Si Tai Di (which held 75% interest of Smile in Rain) to Bestide Int'l for a consideration of HK$10,000,000 based on the registered capital of Fujian Si Tai Di, which consideration has been settled. The net asset value of Fujian Si Tai Di as at 31 December 2007 was RMB7,902,000.

Smile in Rain

On 24 January 2000, Fuzhou Fang Ya Garment Co. Ltd* (福州方亞製衣有限公司), the predecessor of Smile in Rain, was established as a sino-foreign enterprise in Fuzhou City, Fujian Province, the PRC and held as to 52.94% by Mr. Lam in trust for Mr. Lin, as to

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28.82% by Haoyang Papers, an Independent Third Party and as to 18.24% by Zhongsheng Plastics, an Independent Third Party. The initial registered capital of Smile in Rain amounted to RMB850,000 of which RMB450,000 (the 52.94% held by Mr. Lam) was funded by Mr. Lin, and RMB155,000 and RMB245,000 were funded by Zhongsheng Plastics and Haoyang Papers respectively. Before it became inactive since early 2006, Smile in Rain was principally engaged in the manufacture and sale of multi-layer raincoat and general protective clothing, which provide extra warmth and durability than single layer raincoat and general protective clothing, such as those used as police, security guard uniforms.

In order to consolidate Mr. Lin's control of the raincoat and general protective clothing business under the Group, Fujian Si Tai Di acquired 5.29%, 28.82% and 18.24% interest in Smile in Rain from Mr. Lam, Haoyang Papers and Zhongsheng Plastics respectively for the considerations of RMB45,000, RMB245,000 and RMB155,000 respectively based on their relevant portions of the registered capital in Smile in Rain on 21 May 2003. No payment of RMB45,000 being the proceeds of sale of 5.29% interest of Mr. Lam was actually made by Hong Kong Sijia, which was recorded as an amount due from Hong Kong Sijia to Mr. Lin and was finally assigned to China Grandsoo under the Corporate Reorganization. As a result, Smile in Rain was held as to 52.35% by Fujian Si Tai Di and 47.65% by Mr. Lam on 6 August 2003 and remained as a foreign-owned enterprise in PRC.

Since early 2006, Smile in Rain had remained inactive as the Group resolved to centralize its raincoat and general protective clothing business under Fujian Sijia. There had been no intra-group sales to Smile in Rain from Fujian Sijia before the disposal of Smile in Rain during the Track Record Period.

In contemplation of the sale of the Group's raincoat and general protective clothing business to Bestide Int'l as mentioned below, it was agreed between the Group and Bestide Int'l that the then inactive business of Smile in Rain was to be reactivated and Fujian Sijia would direct its customers to place their orders of raincoat and general protective clothing products to Smile in Rain and Fujian Sijia would dispose of its raincoat and general protective clothing business to Smile in Rain. For this purpose, on 8 September 2007, Hong Kong Sijia acquired Mr. Lam's share of 47.65% equity interest in Smile in Rain for a consideration RMB405,000 based on his relevant portion of the registered capital in Smile in Rain. On 8 September 2007, the registered capital of Smile in Rain was agreed to be increased to RMB10,000,000 in such proportion by Fujian Si Tai Di and Hong Kong Sijia so as to result in the registered capital of Smile in Rain to be held as to 75% by Fujian Si Tai Di and 25% by Hong Kong Sijia. As at 19 November 2007, Fujian Si Tai Di and Hong Kong Sijia contributed RMB2,230,000 and RMB1,145,148 respectively in connection with such increase of registered capital through funding provided by Mr. Lin. The relevant funding was applied by Smile in Rain to purchase production materials for its new sales orders. After such contribution, the total paid up capital of Smile in Rain was RMB4,225,148 and was contributed as to RMB2,675,000 by Fujian Si Tai Di and as to RMB1,550,148 by Hong Kong Sijia.

On 25 January 2008, Hong Kong Sijia disposed of its 25% interest in Smile in Rain to Bestide Int'l for a consideration of RMB1,550,148 based on the portion of the registered capital of Smile in Rain actually contributed by Hong Kong Sijia, which consideration has been settled. The net asset value of Smile in Rain as at 31 December 2007 amounted to RMB3,461,000. On the same day, Smile in Rain changed its name to Smile in Rain (Fuzhou) Waterproof Garment Co., Ltd. (斯美倫(福州)防水服裝有限公司). On 31 May 2008, Smile in Rain (now under ownership and management of Bestide Int'l) 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. After the disposal, Smile in Rain continued to purchase Materials from the Group for the production of its raincoat products. Sales (primarily related to polymer film, polymer coated polyster, PVC-poly, coated fabrics and wader and protective garment materials) by Fujian Sijia to Smile in Rain amounted to RMB29,921,000 and RMB19,851,000 for the years ended 31 December 2008 and 2009, respectively. The above sales accounted for about 9.3% and 3.5% of the total revenue of RMB321,229,000 and RMB570,492,000 of the Group from the combined continuing and discontinued operation for the years ended 31 December 2008 and 2009, respectively. Other than the above, there was no transaction between the Smile in Rain and other subsidiaries of the Group during the Track Record Period.

PRC Governmental Approvals

Pursuant to Notice on Relevant Issues about Foreign Exchange Administration for Domestic Individuals to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) ("**No 75**") enacted by SAFE on 21 October 2005 and became effective on 1 November 2005, PRC individual engaging in stock right financing (including convertible bond financing) abroad with the enterprise assets or interests inside PRC via overseas special purpose companies shall apply to register with the local branch of foreign exchange administration for foreign exchange registration of overseas investments. Upon accomplishment of overseas financing, the domestic individual may, according to the plan on use of funds as stated in the business plans or the prospectus, transfer the funds which ought to be arranged for use inside PRC into PRC. A domestic individual may, after accomplishing the procedures for foreign exchange registration of overseas investments or for modification thereof in accordance with the legal provisions, pay the profits, dividends, liquidation expenses, stock right assignment expenses, capital decrease expenses, etc. to the special purpose company. Where a special purpose company meets with a major capital modification such as capital increase or decrease, stock right assignment or exchange, merger or division, investment with long-term stock rights or credits, provision of guaranty to a foreign party, etc., and is not involved in return investment, the domestic individual shall, within 30 days as of the major modification, apply to the foreign exchange administration for filing modification or foreign exchange registration of the overseas investments. On 29 May 2007, the SAFE issued Notice of Printing and Distributing the Operating Rules for the Notice on Relevant Issues about Foreign Exchange Administration for Domestic Individuals to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (關於印發《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》操作規程的通知).

As advised by the Group's PRC legal advisor Guantao Law Firm, since Mr. Lin is the ultimate controlling shareholder of the Company, Hong Kong Sijia and Xiamen Grandsoo and a PRC individual, he is required to obtain, and has obtained the Domestic Residents Personal Offshore Investment Foreign Exchange Registration Certificate (境內居民個人境外投資外匯登記表) issued by SAFE Fujian branch on 4 September 2009. On 25 September 2009, he also received the Domestic Residents Personal Offshore Investment Foreign Exchange Registration Certificate (境內居民個人境外投資外匯登記表) issued by Xiamen branch of SAFE. Accordingly, he had complied with the requirements under the No.75 for the registration of offshore investment foreign exchange.

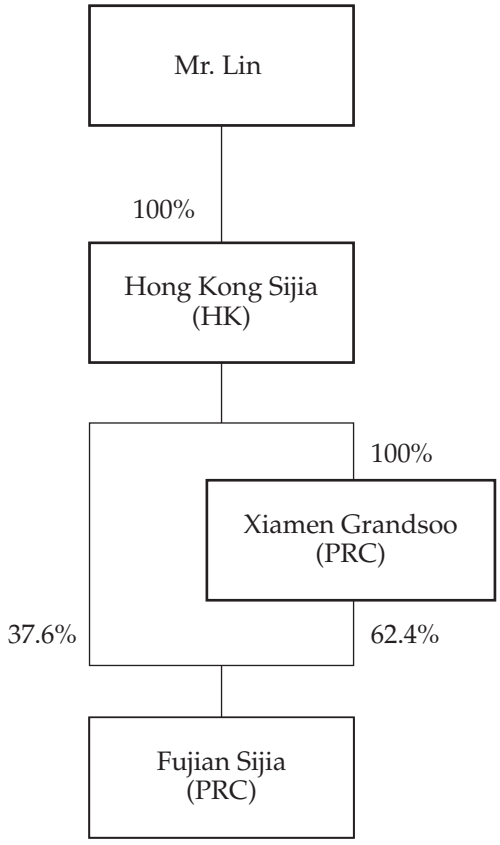
On 8 August 2006, MOFCOM, the State Assets Supervision and Administration Committee (國務院國有資產監督管理委員會), the State Taxation Bureau (國家税務總局), the State Administration of Industry and Commerce (國家工商行政管理總局), the China Securities Regulatory Committee (中國證券監督管理委員會) and SAFE jointly issued a set of new Rules on the Acquisition of Domestic Enterprises by Foreign Investors《關於外國投資者併購境內企業的規定》(the "**Foreign Investors M&A Rules**"). The Foreign Investors M&A Rules requires that where an offshore special purpose company formed for the purposes of an offshore listing and controlled directly or indirectly by PRC companies or individuals or the shareholders of the special purpose company purchase the equities of a non-foreign-funded company or the share increase of a non-foreign-funded company by paying with the equities of the special purpose company or by paying with the share increase of the special purpose company, the approval from the China Securities Regulatory Committee must be obtained prior to the listing of the securities of such offshore special purpose company on an overseas stock exchange. In accordance with the legal opinion of its PRC legal advisor, since Fujian Sijia and Xiamen Grandsoo were both foreign-funded companies established before the effectiveness of the Foreign Investors M&A Rules and all the previous shareholding changes in Fujian Sijia and Xiamen Grandsoo did not amount to acquisitions as defined in the Foreign Investors M&A Rules. Accordingly, the Listing is not subject to the Foreign Investors M&A Rules and does not require the approval of the China Securities Regulatory Committee.

At the end of 2007, for the purpose of converting Fujian Sijia into a joint stock limited company, the Group invited four other independent investors to become shareholders of Fujian Sijia. Nevertheless, at the end, the shareholders of Fujian Sijia did not proceed to convert Fujian Sijia into a joint stock limited company as originally planned. Nevertheless, Guantao Law Firm, the PRC legal adviser to the Group, confirmed that regardless of whether Fujian Sijia had been converted into a joint stock limited company, so long as it remains as a foreign-invested enterprise, Fujian Sijia would not be subject to Foreign Investors M&A Rules.

In accordance with the legal opinion of the Group's PRC Legal advisor, the Group has complied with all applicable PRC rules and regulations in connection with PRC governmental approvals for the Listing, and has obtained all relevant approvals from PRC government authorities for the Corporate Reorganization and the Listing.

CORPORATE STRUCTURE

The following chart shows the Group's corporate and shareholding structure immediately prior to the Corporate Reorganization:



Corporate Reorganization

The Group underwent the Corporate Reorganization in preparation for the Listing. The principal steps involved in the Corporate Reorganization are summarized below:

(a) On 7 September 2009, China Grandsoo was incorporated in the British Virgin Islands as an exempted company with limited liability with an authorized share capital of US$50,000 divided into 50,000 shares with the par value of US$1.00. On the same day, one share with the par value of US$1.00 was allotted and issued as fully paid to Mr. Lin. On 10 September 2009, Mr. Lin transferred such subscriber share in China Grandsoo to Hopeland International at par.

(b) On 10 September 2009, Hopeland International was incorporated in the British Virgin Islands as an exempted company with limited liability with an authorized share capital of US$50,000 divided into 50,000 shares with the par value of US$1.00. On the same day, one share with the par value of US$1.00 was allotted and issued as fully paid to Mr. Lin.

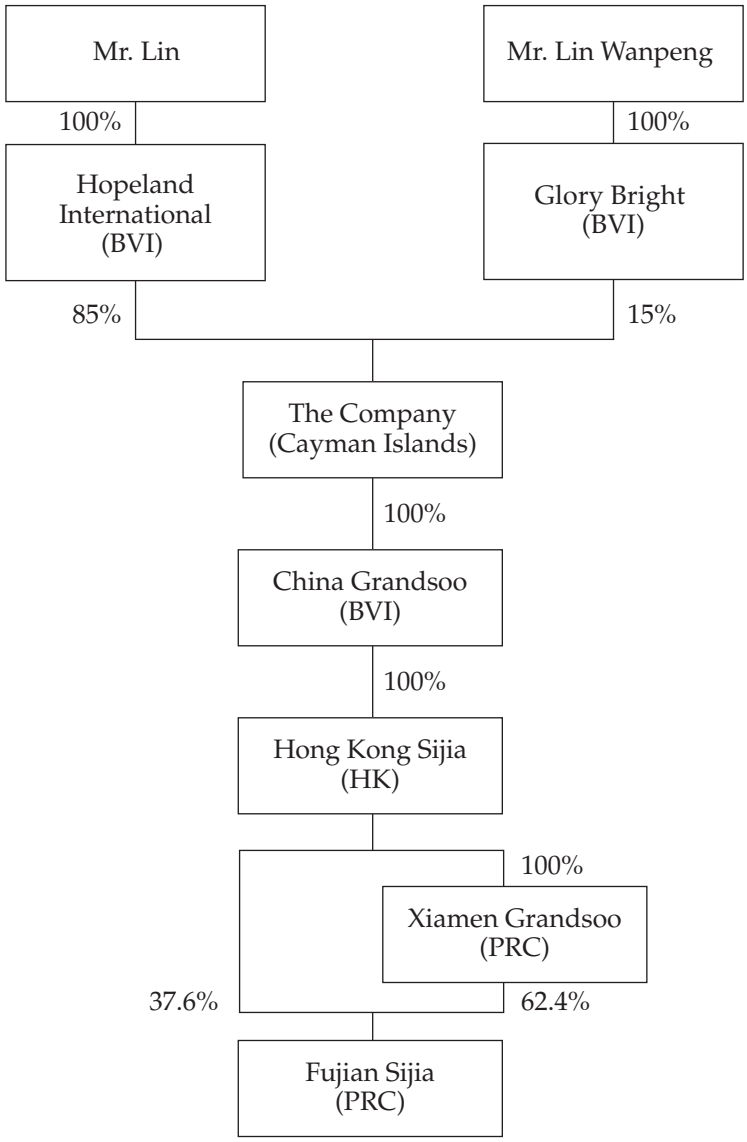
(c) On 7 October 2009, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorized share capital of HK$380,000 divided into 380,000,000 shares with the par value of HK$0.001. On the same day, one subscriber share with the par value of HK$0.001 was transferred to Hopeland International and 9,999 shares with par value of HK$0.001 were further alloted and issued to Hopeland International.

(d) On 21 October 2009, China Grandsoo acquired 10,000 shares with a par value of HK$1.00 each in the capital of Hong Kong Sijia, representing the entire issued shares of Hong Kong Sijia, and shareholder's loan in the principal amount of HK$40,762,714, from Mr. Lin. In consideration of such acquisitions, China Grandsoo allotted and issued two shares with a par value of US$1.00 each, credited as fully paid, to Hopeland International as directed by Mr. Lin.

(e) On 15 December 2009, the Company acquired three shares with a par value of US$1.00 each in the capital of China Grandsoo, representing the entire issued shares of China Grandsoo, from Hopeland International. In consideration of such acquisition, 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.

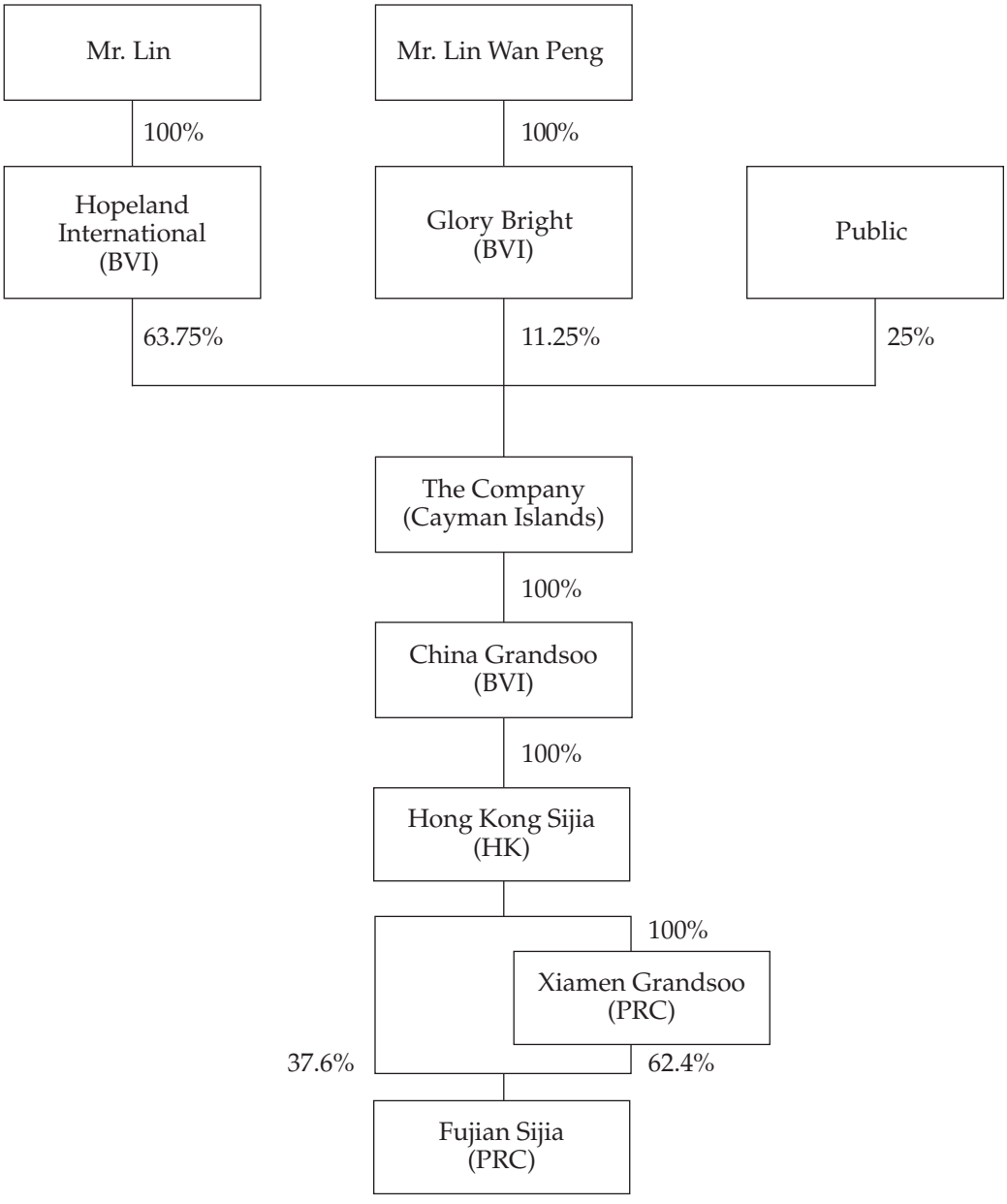
(f) On 15 December 2009, Mr. Lin procured Hopeland International to transfer 15,000,000 Shares, representing 15% of the then issued share capital of the Company to Glory Bright as full and final settlement of the loan in the principal amount of HK$45.7 million due and owing from Mr. Lin to Mr. Lin Wanpeng together with interests accrued thereon. The transfer price (calculated based on HK$45.7 million) represents an effective price of about HK$0.51 per Share representing a discount of about 84.5% to the Offer Price of HK$3.28 per Share.

Upon completion of the Corporate Reorganization, the Company became the holding company of the Group. The following chart sets out the structure of the Group immediately after the Corporate Reorganization:



Corporate Structure upon Completion of the Global Offering

The following chart sets forth the corporate structure of the Group after the Corporate Reorganization and immediately following allotment of the Offer Shares, assuming that the Over-allotment Option is not exercised:



OVERVIEW

The Group is principally engaged in the design, development, manufacture and sale of polymer processed high strength polyester fabric composite materials and other reinforced composite materials ("Reinforced Materials") and conventional materials ("Conventional Materials", and together with Reinforced Materials, collectively known as "Materials"). The Group has also expanded into the design, development, manufacture and sale of downstream related inflatable and waterproof products targeting the outdoor leisure, recreation and sports consumer market ("End Products").

According to the independent market research and consulting company, Frost & Sullivan, the Group was the fourth largest and the largest manufacturer of Reinforced Materials in the PRC in terms of turnover in 2008 and for the eight months ended 31 August 2009 respectively. Under the outdoor sub-sector of the PRC Reinforced Materials market, the Group was the largest manufacturer of wader and protective garment materials and with the widest product range and functions, the largest manufacturer of inflatable materials and the largest manufacturer of air tightness materials in terms of turnover for these two periods respectively. From 2006 to 2008, the percentage of outdoor Reinforced Materials compared with the whole Reinforced Materials in China has increased from about 38.2% to about 40.0% in terms of turnover.

Revenue generated from the abovementioned three products and as a percentage of the Group's total revenue from continuing operations during the Track Record Period are as follows:

	For year ended 31 December					
	2007		2008		2009	
	RMB'000	*% of Group's revenue*	*RMB'000*	*% of Group's revenue*	*RMB'000*	*% of Group's revenue*
Wader and protective garment materials	3,978	2.7%	37,496	12.5%	91,309	16.0%
Inflatable materials	8,561	5.8%	70,252	23.4%	89,814	15.7%
Air tightness materials	12,854	8.6%	24,204	8.1%	67,841	11.9%

Reinforced Material is high performance composite fabric material made from using fabric materials such as high strength polyester fabrics or nylon as basic material and adding polymer (such as PVC, TPU, etc.) through specific techniques and formulae. Reinforced Material has a number of high performance characteristics such as (i) high tensile strength, anti-tearing and high adhesive strength; (ii) high abrasion and impact resistance; (iii) flame retardant, waterproof, oil proof, anti-bacterial, anti-smudge, stain resistant, and high acid and alkali resistance; (iv) anti-UV, anti-static, anti-oxidation; and (v) high and low temperature resistance and durable. Due to the high performance of Reinforced Materials, it can be used in a wide range of applications and industries. Conventional Materials are made from fabrics other than high strength polyester fabric materials through less sophisticated production process and formulae, with features requirement normally lower than that of Reinforced Materials. The Group's Conventional Materials are mainly utilized to produce labour protective clothing and raincoats.

Over the years, the Group has received various awards and recognitions for the Group's technological advancements, product and production technique innovation capabilities and achievements from the relevant government authorities and associations. According to Frost & Sullivan, the Group ranked number one with about 4.5% market share in the PRC Reinforced Material market in terms of turnover for the eight months ended 31 August 2009. The Directors believe that its leading position in the Reinforced Material industry is attributable to the Group's strong research and development capabilities and technologically-advanced production technology/technique, which differentiate itself from other mass-market polymer materials manufacturers. The Group's Reinforced Materials sold under the "Sijia" brand are recognized as Fujian Famous Brand Product in December 2008. In addition, the Group has been accredited the "Year 2008 Famous Trademark in Fujian Province" for its "Sijia" trademark in December 2009.

The technical specifications of the Group's Reinforced Materials can meet international safety and environmental standards. Up to the Latest Practicable Date, the Group has passed all the necessary product verification testings required by the customers.

For example, out of the Group's Reinforced Materials, the visibility clothing materials of the Group have passed tests for EN471 standard, an European standard regarding the visibility of protective clothing and specifying, among other things, the materials to be used. The Materials of the Group have met the EN71 standard regarding safety of toys, which specifies, among other things, the chemical substances which the toys should contain. So far as requested by its customers to submit for testing, those Materials of the Group have also passed the requirements for total lead and soluble element content specified by the American Society for Testing and Materials – ASTM F963-07, the requirements for permissible lead and phthalates content in children's products specified in U.S. Public Law 110-314 (Consumer Product Safety Improvement Act of 2008), and the requirements for levels of regulated chemical substances in electrotechnical products specified in the Restriction of the Use of Certain Hazardous Substances (RoHS) Directive 2002/95/EC, an European standard.

In addition, the Reinforced Materials of the Group can meet international technical specifications such as ISO. For instance, the airtightness materials produced by the Group can reach a tensile strength, anti-tearing and adhesive strength of 4,500N, 430N and 105N, respectively, which is higher than 2,000N, 40N and 50N, respectively as required by ISO's international standards. The Group has obtained the NFPA701 ("Standard Methods of Fire Tests for Flame Propagation of Textiles and Films") certification issued by the United States Fire Administration with respect to its inflatable materials and medical materials, which normally apply to large scale inflatable toys and medical mattresses.

According to Frost & Sullivan, as at 30 September 2009, the Group was the only manufacturer who manufactures both Reinforced Materials for and End Products of biogas tanks for biomass and sewage related projects in the PRC. The Group began sale of biogas tank Reinforced Materials and biogas tank End Products in 2009 and for the year ended 31 December 2009, revenue from biogas tank Reinforced Materials and biogas tank End Products was about RMB14.4 million and RMB5.3 million respectively, representing about 2.5% and about 0.9% of the Group's total turnover from continuing operations during the year.

Biogas tanks require high air tightness and the Directors believe the Group's technical expertise and capabilities allow it to produce both the Reinforced Materials for and End Products of biogas tanks. The Group is currently applying for patent for the technology and design of its biogas tank Reinforced Materials.

In addition, to the knowledge of the Directors, as there are currently no relevant national standards which govern the technical specifications and requirements for biogas tanks in the PRC. In order to promote the development of the Reinforced Materials and End Products of biogas tanks in the PRC and standardization of technical specifications, the Group has taken the initiative and voluntarily prepared a set of proposed standards for adoption by the State Standardization Administration and has submitted the said proposed standards to the Quality and Technical Supervision Bureau of Fuzhou, which, upon approval, will be submitted to the Quality and Technical Supervision Bureau of Fujian province and subsequently to the State Standardization Administration to be adopted as the industry standards.

The Group offers a comprehensive portfolio of Reinforced Materials for a wide range of applications and industries as follows:

Type of products	**Main applications**	**Main characteristics**
Wader and protective garment materials	Waders for farming, fishing, chemical engineering, medical, construction, fire fighting, leisure and recreation, mining and tunneling and underground railway construction purposes	Colour fastness, fire retardant, oil proof, anti-acidic and alkaline, anti coldness, warmth keeping, anti-bacteria and easily washable
Air tightness materials	Inflatable boats such as drifting boats, kayak, motor boats and patrol boats and water leisure and recreational products such as water bicycles, water balls, water totters and icebergs, pools and oil fences	High tensile strength, anti-tearing and high adhesive strength, outstanding abrasion resistance and high air tightness, strong impact resistance, anti-UV, good weather resistance and temperature resistance

Type of products	Main applications	Main characteristics
Inflatable materials	Large scale inflatable toys such as slides, castles and bouncers, climbing structure, archway, billboard, movie screens, goal posts, function rooms, mazes, racing tracks, children's playgrounds and arenas	High tensile strength, anti-tearing, abrasion and high adhesive strength, strong water pressure resistance, fire retardant, anti-UV, anti-colour migration and colour fastness
Tarpaulin	Military tents, protection covers for military use, leisure tents, covers for container trucks/trains, construction covers and membrane structures	Anti-UV, good weather resistance, stain-resistant treatment, colour fastness, fire retardant, oil proof, acid and alkali resistance
Bag materials	Industrial package bags, specific tool bags, waterproof bags, boxing bags, ice bags, fishing bags, sports bags and luggage carriers	Anti-UV, good weather resistance, oil proof, stain resistance, fire retardant, environmental-friendly with no toxins, anti-bacteria and anti-static
Medical materials	Medical mattress, hospital beds, healthcare facilities, protective covers, blood pressure cuffs, oxygen bags and antibiotic bags	Fire retardant, liquid and odour resistance, environmental-friendly with no toxins, no allergic substance, anti-bacteria, anti-static, oil proof and stain resistance

Type of products	Main applications	Main characteristics
Biogas tank materials	Biogas tanks, biogas reservoir bags, biomass and sewage related projects	Strong heat absorption and warmth keeping function, high tensile strength and anti-tearing strength, high air tightness, strong impact resistance, anti-UV, good weather resistance, low temperature resistance, durable
Sports hall flooring materials	Flooring for indoor stadiums, sports centers, athletic meets of schools and courts for badminton, ping-pong, volleyball etc	Anti-bacteria, fire retardant, oil proof, anti-static, stain resistance, no toxic materials, environmental-friendly, abrasion-resistance formula, durable, surface embossing and high motive adhesion
Professional hiking snowshoes materials	Professional hiking snowshoes, sledges and snowboards	Low temperature resistance formula ensuring usage in low temperature, high tensile strength, anti-tearing and high adhesive strength
Curtain materials	Curtains for offices, hotels, residences and warehouses, and automatic rolling gates	Colour fastness, good opaque quality, fire retardant, oil proof, anti acidic and alkaline, anti bacteria, stain resistance and easily cleaned

Set out below is a revenue breakdown analysis of the Group's Reinforced Materials business segment:

	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Wader and protective garment materials	3,978	8.4	37,496	22.5	91,309	26.8
Air tightness materials	12,854	27.2	24,204	14.5	67,841	19.9
Inflatable materials	8,561	18.1	70,252	42.2	89,814	26.4
Tarpaulin	5,202	11.0	8,254	4.9	17,385	5.1
Bag materials	16,692	35.3	26,454	15.9	37,411	11.0
Medical materials	–	–	–	–	9,195	2.7
Biogas tank materials	–	–	–	–	14,437	4.2
Curtain materials	–	–	–	–	10,393	3.1
Professional hiking snowshoes materials	–	–	–	–	2,094	0.6
Sports hall flooring materials	–	–	–	–	771	0.2
Total	47,287	100.0	166,660	100.0	340,650	100.0

The Group's Conventional Materials include polymer coated polyester, polymer film, polymer coated nylon, PVC-poly, coated fabrics and lining, all of which are made from fabrics such as polyesters, nylon, or composite fabrics (other than high strength polyester fabrics), through less sophisticated production process and formulae with features requirement normally lower than that of Reinforced Materials.

The following is an overview of the types of Conventional Materials offered by the Group:

Type of Products	**Main applications**	**Main characteristics**
Polymer coated polyester	Production of raincoats, parkas, daily necessities and tents	Soft, good heat sealing ability, waterproof, moisture-proof and wind resistant
Coated fabrics	Production of military suit, police flight suit, protective clothing, outdoor clothing and labour protective clothing	Light weight, excellent luminance factor, flame retardant, waterproof, water vapor permeable and breathable
Lining	Production of raincoats, clothing and bags	Soft

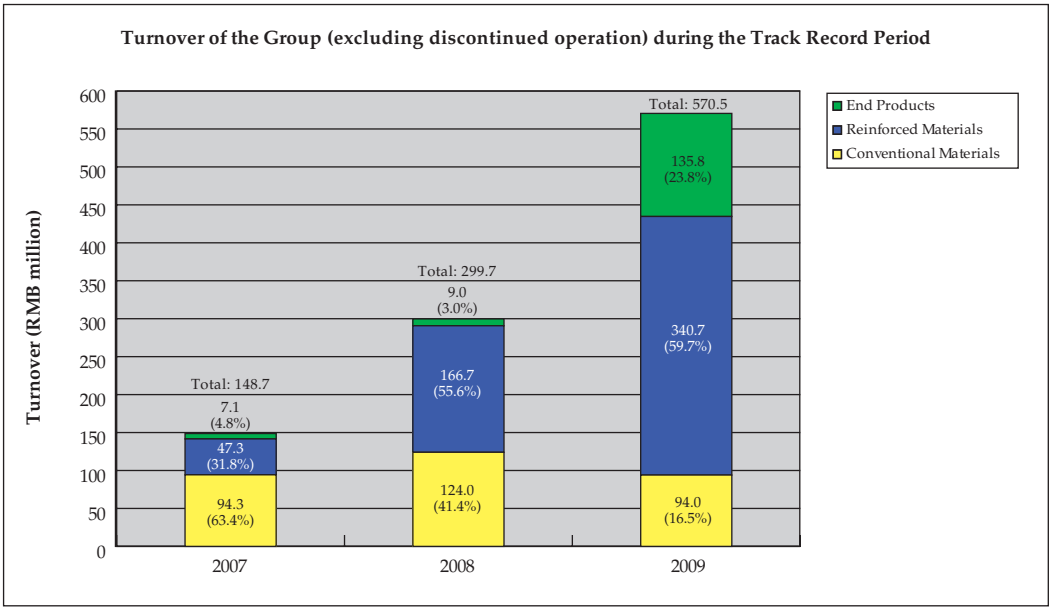
Type of Products	Main applications	Main characteristics
PVC-poly	Production of raincoats and aprons for labour protection	Heat sealing, waterproof, moisture-proof, puncture resistant, stable size, low temperature resistant, flame retardant, acid and alkaline resistant
Polymer film	Production of daily necessities, raincoats, aprons, bags, advertising materials, labour protective clothing, packing materials, swimming pools, inflatable toys and agricultural film	Soft, waterproof, anti-UV, low temperature resistant and flame retardant
Polymer coated nylon	Production of raincoats, parkas, labour protective clothing, waders and tents	Soft and comfortable texture, good colour fastness, excellent heat sealing ability, waterproof, moisture-proof, wind resistant, warmth keeping and durable

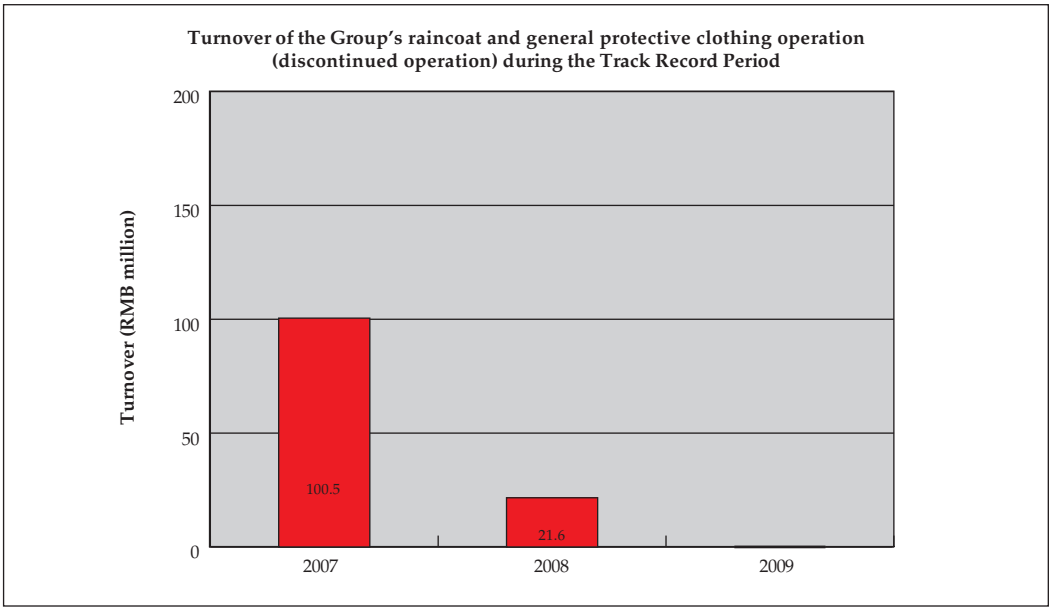
Set out below is a revenue breakdown analysis of the Group's Conventional Materials business segment:

	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Polymer film	16,101	17.1	14,363	11.6	26,622	28.3
Polymer coated polyester	44,938	47.6	73,163	59.0	50,869	54.1
Lining	4,094	4.3	3,836	3.1	1,858	2.0
Polymer coated nylon	967	1.0	480	0.4	4,872	5.2
PVC-poly	14,048	15.0	26,561	21.4	8,693	9.3
Coated fabrics	14,184	15.0	5,573	4.5	1,075	1.1
	94,332	100.0	123,976	100.0	93,989	100.0

During the Track Record Period, most of the Group's Conventional Materials were principally sold to the raincoat and labour protective clothing manufacturers and trading companies. Despite the Group's primary focus on the development and sale of Reinforced Materials, the Group would continue, depending on customer demand and profitability, to utilize its existing production facilities to develop and sell its Conventional Materials.

For each of the three years ended 31 December 2007, 2008 and 2009, turnover of Reinforced Materials accounted for about 31.8%, 55.6% and 59.7%, respectively, of the Group's total turnover (excluding discontinued operation) whilst turnover of Conventional Materials accounted for about 63.4%, 41.4% and 16.5%, respectively, of the Group's total turnover (excluding discontinued operation). Turnover of Reinforced Materials increased from about RMB47.3 million in 2007 to RMB340.7 million in 2009, representing a CAGR of about 168.4%. The increasing contribution by the Reinforced Materials business throughout the Track Record Period demonstrated the Group's successful strategy to focus on delivering high performance Reinforced Materials. To differentiate the Group's products from other manufacturers, the Group has started to imprint with and market the Group's Reinforced Materials under the "Sijia" brand name and the "" trademark.





As at the Latest Practicable Date, the Group's Materials were sold to over 400 domestic customers (including domestic manufacturers of End Products, OEM manufacturers of international brands and trading companies) as well as over 20 international customers in other countries, including the United States, Germany, the United Kingdom, New Zealand, South Korea, Iran, Singapore, Costa Rica, Chile and the Philippines.

To capitalize on the growing international and, in particular the PRC, downstream outdoor leisure and recreational products market and to leverage on its expertise in manufacturing Reinforced Materials which are used to manufacture downstream inflatable and waterproof products, the Group began to develop its End Products business and engaged in small scale production since 2007 and further increased its production capacity by commencing the operation of the Xiamen Plant in 2009. All End Products of the Group are manufactured using its own brand of Reinforced Materials in order to control the quality of its End Products. For each of the three years ended 31 December 2007, 2008 and 2009, turnover of End Products accounted for about 4.8%, 3.0% and 23.8%, respectively, of the Group's total revenue (excluding discontinued operation). Turnover of End Products for the year ended 31 December 2009 was about RMB135.8 million.

As at the Latest Practicable Date, the Group offers and plans to offer the following portfolio of End Products:

Product types	Major targeted markets	Brand names and logos
Waders and protective clothing 	Farming, aquaculture, fishing, chemical engineering, fire fighting, leisure and recreation, mining and construction	姜太公, 致富郎, 水傳說
Inflatable boats 	Maritime, port docking, military, drifting tourism spots, aquatic entertainment, recreational sports, life-saving	Long Standing
Inflatable aquatic leisure products 	Aquatic parks, recreational sports, leisure and recreation	Long Standing
Inflatable products (including large scale inflatable toys, inflatable tents, billboards and others) 	Outdoor entertainment parks, shopping malls, schools, sports centres, parks, advertisement	Long Standing
Biogas tanks 	Sewage and biomass related projects	Grandsoo
Sports hall flooring (expected to be launched in 2010) 	Sports halls in schools, sports stadiums	Grandsoo
Air beds (expected to be launched in 2010) 	Household, office, hotel and outdoor camping sites	Grandsoo
Pools (expected to be launched in 2010) 	Household, entertainment, outdoor camping sites	Source of joy

As at the Latest Practicable Date, the Group's End Products were sold to 123 and 43 domestic and international customers respectively (including outdoor and waterproof sports and leisure product retailers, wholesalers, trading companies, drifting clubs and outdoor event organizers). During each of the three years ended 31 December 2007, 2008 and 2009, the amount of about RMB7.1 million, RMB9.0 million and RMB135.2 million, representing about 100.0%, 100.0% and 99.5% of the Group's sales amount of End Products were sold under the Group's own brands. The remaining mainly represents sales to international brands.

During each of the three years ended 31 December 2007, 2008 and 2009, the Group's domestic sales (excluding discontinued operation) amounted to about RMB146.2 million, RMB289.8 million and RMB557.9 million, respectively, and the Group's overseas sales (excluding discontinued operation) amounted to about RMB2.5 million, RMB9.8 million and RMB12.6 million, for the same periods, respectively.

The raw materials used by the Group for production of its Reinforced Materials mainly include polymer, additives and fabrics, while its End Products are manufactured using own brand of Reinforced Materials and parts and components purchased externally. A majority of the raw materials purchased externally by the Group were sourced from suppliers based in the PRC.

The Group has two production facilities located in Fuzhou and Xiamen, Fujian Province. The Fuzhou Plant has been in operation since August 2003 and is primarily engaged in the manufacturing of the Group's Reinforced Materials and one type of End Products, namely large scale inflatable toys, with design and small scale production capability for other End Products. The Xiamen Plant commenced operations in August 2009 and is engaged in the design and manufacturing of the Group's End Products (except large scale inflatable toys).

The Group places strong emphasis on continued research and development and has a qualified research and development team based in Fuzhou, Fujian Province which focuses on improving its existing technology, processing techniques, production efficiency and the development of new products. As at the Latest Practicable Date, the Group's research and development department had 31 personnel with diploma and undergraduate qualifications, including two engineers and four assistant engineers, in the relevant disciplines including polymer materials, chemical engineering and electrical technology. As at the Latest Practicable Date, the Group held 49 registered patents (including 1 invention patent, 30 utility model patents and 18 design patents) and had 20 patents in the process of application for registration.

The Group also collaborates with established scholars and research institute under Fuzhou University, and has entered into (i) agreements with Professor Gu Zhenya (顧振亞), a professor and doctoral tutor at Tianjin Polytechnic University, and Professor Zheng Yuying (鄭玉嬰), Dean of Polymer Science and Technology Institute of Fuzhou University (福州大學) to act as exclusive technical consultants to the Group; and (ii) an agreement with the Fujian Center for Development of Functional Materials Technology of Fuzhou University to jointly establish the Center for Research and Development of High Strength Industrial Polyester Composite Fabric Materials.

The Group's technological advancements, product and production technique innovation capabilities and achievements have been recognized by the relevant government authorities and associations. The following awards and recognitions were granted to the Group up to the Latest Practicable Date:

Awards and recognitions	Awarded by	Year
New High Technology Enterprise in Fujian Province 福建省高新技術企業	Fujian Provincial Department of Science & Technology	September 2006
Technologically Advanced Foreign-owned Enterprise 外商投資先進技術企業	Fujian Provincial Department of Foreign Trade and Economic Cooperation	November 2006
Fujian Province Trustworthy Enterprise 福建省守合同重信用企業	Administration for Industry & Commerce of Fujian Province	April 2007
Gold Award in the Innovation Results 海峽兩岸職工創新成果金獎	Organizing Committee of Cross-strait Trade Union Innovation Exhibition	June 2007
Second Prize of Fuzhou Outstanding New Product 福州市優秀新產品二等獎	The People's Government of Fuzhou	December 2007
Top 10 of Major Industries of Fujian Province 福建工業主要行業前十強	Enterprise Assessment Centre and Association of Fujian Province	August 2008
Second Prize of Science and Technology Progress in Fuzhou 福州市科技進步二等獎	The People's Government of Fuzhou	September 2008
New High Technology Enterprise in Fujian Province 福建省高新技術企業	Office of Science and Technology in Fujian Province, Department of Finance in Fujian Province, Office of State Tax Administration of Fujian Province and Office of Local Tax Administration of Fujian Province	November 2008
Third Prize of Fuzhou Outstanding New Product 福州市優秀新產品獎三等獎	The People's Government of Fuzhou	December 2008
Fujian Famous Brand Product 福建名牌產品	The People's Government of Fujian	December 2008

Awards and recognitions	Awarded by	Year
2007-2008 Fujian Province Trustworthy Enterprise 二零零七至二零零八年度福建省守合同重信用企業	Administration for Industry & Commerce of Fujian Province	December 2008
Independent Innovative Products in Fujian Province 福建省自主創新產品	Office of Science and Technology in Fujian Province, Economic and Trade Commission in Fujian Province, Development and Reform Commission in Fujian Province, Department of Finance in Fujian Province	June 2009
Second Prize of Science and Technology Progress in Fuzhou 福州市科技進步二等獎	The People's Government of Fuzhou	October 2009
Enterprise Technology Center in Fuzhou 福州市企業技術中心	Economic and Trade Commission in Fuzhou	December 2009
Fujian Outstanding New Product 福建省優秀新產品	The People's Government of Fujian Province	December 2009
Fuzhou Outstanding New Product 福州市優秀新產品	The People's Government of Fuzhou	December 2009
Year 2008 Famous Trademark in Fujian Province 2008年度福建省著名商標	Administration for Industry & Commerce of Fujian Province	December 2009

The Directors believe that stringent quality control is also key to the Group's success. Stringent quality control measures are built into various stages of the Group's production process to ensure that its products meet the quality standards required by its customers and international safety standards. Besides winning a series of awards for its products, the Group was also accredited with ISO9001:2000 by the CQC Center in April 2006 in relation to the Group's quality management system.

The Directors believe that the Group's technology expertise, research and development capability and product quality, sales and services network and customer-oriented services contributed to the growth of the Group over the Track Record Period. During the Track Record Period, turnover (excluding the discontinued operation) increased from about RMB148.7 million in 2007 to about RMB570.5 million in 2009, representing a CAGR of about 95.9%. Net profit (excluding the discontinued operation) increased from about RMB26.1 million in 2007 to about RMB171.2 million in 2009, representing a CAGR of about 156.0%.

According to Frost & Sullivan, due to the wide range of downstream applications and the growing domestic and global demand, the PRC Reinforced Materials market is expected to grow from about RMB5.6 billion in 2008 to about RMB21.5 billion in 2014, representing a CAGR of about 25.3%. As a leading PRC manufacturer of Reinforced Materials which ranked number one with 4.5% market share in the PRC Reinforced Materials market in terms of turnover for the eight months ended 31 August 2009, the Directors believe it will continue to benefit from the expected growing demand for Reinforced Materials.

According to Frost & Sullivan, total PRC downstream product market revenue reached about RMB22.5 billion in 2008 and is forecasted to be about RMB94.2 billion in 2014, representing a CAGR of about 27.0%. The Directors believe the Group is well positioned to benefit from its End Products business.

COMPETITIVE STRENGTHS

The Directors consider the principal competitive strengths of the Group as follows:

Leading market position

The Group is a leading PRC manufacturer of Reinforced Materials. According to Frost & Sullivan, the PRC Reinforced Materials market is fragmented with the top 5 manufacturers together accounted for about 14.9% of the market in 2008, each with market share close to each other within the range of about 2.2% to 3.3%. The Group ranked number four with about 3.0% market share in terms of turnover in 2008 and, with a two-year CAGR of about 139.3%, the Group had a higher growth rate than the other top manufacturers and the industry average from 2006 to 2008. The market share of the Group increased to about 4.5% and ranked number one in terms of turnover for the eight months ended 31 August 2009. Under the outdoor sub-sector of the PRC Reinforced Materials market, the Group ranked number one and with about 10.4% market share in wader and protective garment materials, ranked number one and with about 28.1% market share in inflatable materials and ranked number one and with about 10.5% market share in air tightness materials in terms of turnover in 2008. The Group ranked number one and with about 20.4% market share in wader and protective garment materials, ranked number one and with about 29.0% market share in inflatable materials and ranked number one and with about 18.2% market share in air tightness materials in terms of turnover for the eight months ended 31 August 2009.

The Directors believe that the Group is also a leading PRC manufacturer of Reinforced Materials in terms of its technological advancement and technical capability. Over the years, the Group has received various awards and recognitions for the Group's technological advancements, products and production technique innovation capabilities and achievements from the relevant government authorities and associations. The technical specifications of the Group's Reinforced Materials can meet international safety and environmental standards. For further details of the Group's research and development capabilities, please refer to paragraph headed "Strong research and development capabilities and commitment to product innovation" in the section.

Vast product applications and integrated business model

The product portfolio of the Group ranges from inflatable materials, air tightness materials, wader and protective garment materials, tarpaulin, curtain materials, bag materials, medical materials, biogas tank materials and sports hall flooring materials which can be adopted in a large number of applications and industries including outdoor leisure and recreation, recreational sports, renewable energy, logistics, construction, labor protection, packaging, medical use, life-saving, advertising and household supplies. With its expertise in the manufacture of Reinforced Materials, the Group has expanded its business to the related downstream End Products such as inflatable boats, large scale inflatable toys, inflatable aquatic leisure products, waders and protective clothing and biogas tanks.

The customers of the Group's Reinforced Materials include domestic manufacturers of End Products across various industries (such as outdoor leisure entertainment, logistics, construction, labour protection, packaging, recreational sports, renewable energy, medical, life-saving, household supplies and advertising), OEM manufacturers of international brands and trading companies, and, international customers in other countries, including the United States, Germany, the United Kingdom, New Zealand, South Korea, Iran, Singapore, Costa Rica, Chile and the Philippines.

The Group's End Products are sold to a wide spectrum of domestic and international customers, including outdoor and waterproof sports and leisure product retailers, wholesalers, trading companies, drifting clubs and outdoor event organizers. As the Group has a broad customer base covering a large number of industries and does not place undue reliance on any industry segment, the Directors believe the Group can effectively limit its exposure to business risks resulting from the market downturn of individual industry.

In addition, the Directors believe that having an integrated business model allows the Group to (i) increase its income stream; (ii) lower overheads and transaction costs and further enhance its overall cost effectiveness; (iii) synchronize supply and demand along the product value chain, enhance the Group's market significance and minimize the market exposures associated with different parts of the value chain; and (iv) enhance quality of both upstream and downstream products through the understanding of end products requirements.

High brand recognition

The Group's Reinforced Materials are sold under the "Sijia" brand. Since the establishment of the Group in 2002, the "Sijia" brand has developed into a well known brand of Reinforced Materials in the PRC and is highly recognized by the Group's customers, relevant government bodies and trade associations. Among the awards and recognitions as set out under the "Awards and recognitions" section of the prospectus, the "Sijia" brand for the Reinforced Materials was accredited as Fujian Famous Brand Product (福建名牌產品) by the Fujian Government in 2008 and the air tightness materials was recognized as the Independent Innovative Products in Fujian Province (福建省自主創新產品) in 2009 and was listed in the purchase catalogue of the Fujian provincial government.

As a part of the branding strategy, the Group has started to imprint the Group's "Sijia" logo on its Reinforced Materials in order to differentiate from products of other suppliers and strengthen the brand status. The Group has registered its trademarks in Hong Kong, the United States, England, France, Germany and Singapore. The Directors believe that the strong brand recognition of the Group's brand is mainly attributable to its high products quality, devotion to product development and innovation, customer-oriented services, and the leading market position of the Group.

Strong research and development capabilities and commitment to product innovation

The Directors believe that one of the key success factors in the PRC Reinforced Materials market is the production technology and technical expertise to manufacture products which can meet specific customers' requirements on product performance and functions and to develop new products. As such, the Group places strong emphasis on continued research and development and has a qualified research and development team based in Fuzhou, Fujian Province, which focuses on improving its existing technology, processing techniques, production efficiency and the development of new products. As at the Latest Practicable Date, the Group's research and development team comprised 31 personnel with diploma and undergraduate qualifications, including two engineers and four assistant engineers, in the relevant disciplines including polymer materials, chemical engineering and electrical technology. As at the Latest Practicable Date, the Group held 49 registered patents (including 1 invention patent, 30 utility model patents and 18 design patents) and had 20 patents in the process of application for registration.

The Group also collaborates with established scholars and research institute under Fuzhou University, and has entered into (i) agreements with Professor Gu Zhenya (顧振亞), a professor and doctoral tutor at Tianjin Polytechnic University, and Professor Zheng Yuying (鄭玉嬰), Dean of Polymer Science and Technology Institute of Fuzhou University (福州大學) to act as exclusive technical consultants to the Group; and (ii) an agreement with the Fujian Center for Development of Functional Materials Technology of Fuzhou University to jointly establish the Center for Research and Development of High Strength Industrial Polyester Composite Fabric Materials.

During the Track Record Period, the Group has continued to expand its product offerings and has received various awards and recognitions for the Group's technological advancements, product and production technique innovation capabilities and achievements from the relevant government authorities and associations as set out under the "Awards and recognitions" section of the prospectus. Based on the above, the Directors believe that the Reinforced Materials developed by the Group are among the most technologically advanced products in the PRC.

The technical specifications of the Group's Reinforced Materials can meet international safety and environmental standards. Up to the Latest Practicable Date, the Group has passed all the necessary product verification testings required by the customers.

For example, out of the Group's Reinforced Materials, the visibility clothing materials of the Group have passed tests for EN471 standard, an European standard regarding the visibility of protective clothing and specifying, among other things, the materials to be used. Materials of the Group have met the EN71 standard regarding safety of toys, which specifies, among other things, the chemical substances which the toys should contain. So far as requested by its customers to submit for testing, those Materials of the Group have also passed the requirements for total lead and soluble element content specified by the American Society for Testing and Materials – ASTM F963-07, the requirements for permissible lead and phthalates content in children's products specified in U.S. Public Law 110-314 (Consumer Product Safety Improvement Act of 2008), and the requirements for levels of regulated chemical substances in electrotechnical products specified in the Restriction of the Use of Certain Hazardous Substances (RoHS) Directive 2002/95/EC, an European standard.

In addition, the Reinforced Materials of the Group can meet international technical specifications such as ISO. For instance, the air tightness materials produced by the Group can reach a tensile strength, anti-tearing and adhesive strength of 4,500N, 430N, and 105N, respectively, which is higher than 2,000N, 40N and 50N, respectively, as required by ISO's international standard. The Group has obtained the NFPA701 ("Standard Methods of Fire Tests for Flame Propagation of Textiles and Films") certification issued by the United States Fire Administration with respect to its inflatable materials and medical materials, which normally apply to large scale inflatable toys and medical mattresses.

According to Frost & Sullivan, as at 30 September 2009, the Group was the only manufacturer who manufactures both Reinforced Materials for and End Products of biogas tanks for biomass and sewage related projects in the PRC.

Biogas tanks require high air tightness and the Directors believe the Group's technical expertise and capabilities allow it to produce both the Reinforced Materials for and End Products of biogas tanks. The Group is currently applying for patent for the technology and design of its biogas tank Reinforced Materials.

In addition, to the knowledge of the Directors, there are currently no relevant national standards which govern the technical specifications and requirements for biogas tanks in the PRC. In order to promote the development of the Reinforced Materials for and End Products of biogas tanks in the PRC and standardization of technical specifications, the Group has taken the initiative and voluntarily prepared a set of proposed standards for adoption by the State Standardization Administration and has submitted the said proposed standards to the Quality and Technical Supervision Bureau of Fuzhou, which, upon approval, will be submitted to the Quality and Technical Supervision Bureau of Fujian province and subsequently to the State Standardization Administration to be adopted as the industry standards.

The Directors believe the Group's strong research and development capabilities enable the Group to manufacture higher end products compared to its competitors.

Strong manufacturing capability

The Directors believe that the Group possesses some of the most advanced and efficient automatic production facilities of Reinforced Materials and End Products in the PRC. For the manufacture of Reinforced Materials, the Group's major facilitates include eight self-assembled automatic production lines for coating, lamination and calendar processes. The Group's production equipments are assembled and customized internally according to specifications designed by its research and development team with parts purchased from the United States, Europe and Japan. To the knowledge of the Directors, most PRC manufacturers adopt either the coating or lamination technique but not a combination of both in the manufacture of Reinforced Materials. Reinforced Materials produced through the coating technique have higher strength, better durability and adhesiveness among layers whereas Reinforced Materials produced through the lamination technique has better air tightness and finer appearance. Besides adopting the coating and lamination processes independently, the Group's production facilities and process were designed to combine both the coating and lamination techniques, leveraging on the advantages of both processes. The Directors believe this ability enables the Group to produce products that better suit the customers' specifications and requirements.

The Directors believe that with these equipment, the Group can enhance its production capacities effectively, strengthen its product quality control capability, and achieve product diversification and economy of scale. The average annual production capacities of the Group's production lines were generally on the increase throughout the Track Record Period. For details, please refer to the paragraph headed "Production capacity" in this section.

High quality products with stringent quality control

The Directors believe that the quality and reliability of the Group's products are essential to its customers and the reputation of the Group. The Group has established a comprehensive quality control system for raw material inspection, quality control at various production process and final testing of finished products to ensure the products complying with the Group's quality standards and international technical specifications and satisfying the requirements of its customers. The Group's Fuzhou Plant production facilities have been awarded ISO9001: 2000 certifications in 2006. For each of the three years ended 31 December 2007, 2008 and 2009, the passing rates of products were over 99% and there had been no returned products by its customers. The Group's major products can pass all the necessary product verification tests required by the customers, which are conducted by independent testing and inspection institutions such as SGS, TUV and Intertek. In addition, the Group also collects feedbacks from customers and conducts product quality surveys on a regular basis to ensure customer satisfaction and improve the quality of customer services.

Dedicated, stable and experienced management team

With an average of over 18 years of industry experience, the Group's executive Directors have in-depth industry and professional knowledge as well as extensive managerial and operational experiences. The Group's chairman and executive Director, Mr. Lin, has more than 24 years of management experience in the polymers industry. The Group's general manager and executive Director, Mr. Zhang Hongwang, has been working in the industry for 13 years and has extensive experience in sales and marketing and brand development. The Group's chief engineer and executive Director, Mr. Huang Wanneng, has been working in the industry for 20 years and possesses expertise in the innovation and technologies for the development of new products, new production techniques and processes, and equipment upgrades. The Group's management team with extensive experiences in management, sales and marketing, production, quality control and financial administration has played a key role in building a result-driven culture that encourages delivering consistent and high-quality products and services, lowering costs and improving market responsiveness.

In addition, the Group has a stable management team. All the executive Directors have been with the Group since its establishment and the senior management has been working in the Group for an average of more than 5 years. The Directors believe that the Group's experienced and stable management team has enabled it to formulate and implement strategies effectively and seize opportunities for the development of new products and expansion into new markets.

FUTURE PLANS AND STRATEGIES

The Group plans to strengthen its leading position in the PRC Reinforced Materials market and increase its market share in the PRC Reinforced Materials and End Products markets. In view of this, the Group will implement the following strategies:

Development of new products

The Group also intends to apply new kinds of polymer materials such as TPU (Thermoplastic polyurethanes), PVDF (Polyvinylidene fluoride) and PTFE (Polytetrafluoroetylene) in addition to PVC, the currently most widely used polymer, to develop new types of Reinforced Materials with broader applications. TPU type of Reinforced Materials possesses outstanding abrasion-resistant and low-temperature performance characteristics and is commonly used in envelope materials for blimps, air-balloons, air-cushion boats, massage chairs, etc. PVDF type of Reinforced Materials, such as membrane structure material which is a new type of material suitable for construction use, is increasingly applied in large building structures such as gymnasiums, shopping malls, exhibition centers and transportation facilities. Such PVDF membrane materials are more resistant to dirt, light and with high strength, flexibility and transparency. PTFE type of Reinforced Materials is usually used as water-proof, permeable and breathable material for waders and protective clothing to allow sweat from evaporating and improve comfort in wearing. PTFE type of Reinforced Materials has the characteristics of fire retardant, anti-static, anti-smudge, self-cleaning and anti-acidic and alkaline.

The Group intends to launch new categories of End Products, such as air beds and pools in 2010.

Expand production capacity

In view of the increasing demands for Reinforced Materials and End Products in the global market (especially the PRC) and to position itself to expand its customer base and capitalize on this trend, the Group plans to expand its production capacity and product offerings. For Reinforced Materials, as the current available production facility at Fuzhou Plant is already operating at near full capacity with an occupancy percentage of nearly 100% for the gross floor area of Fuzhou Plant as at the Latest Practicable Date, the Group intends to install two additional lamination production lines to increase production capacity of Reinforced Materials by 20 million meters per year and an additional calendar production line to increase production capacity of polymer film by 15,000 tons per year (with an estimated cost of about RMB35 million). The existing calendar production lines will also be upgraded to increase production capacity by about 15.0% (with an estimated cost of about RMB13 million). The Group plans to further construct two production lines for air bed materials with production capacity of 16 million meters per year (with an estimated cost of about RMB8 million). To cater for these expanded production facilities for Reinforced Materials, the Group will construct the second phase of Fuzhou Plant, including production plant and hostel facilities for its staffs (with an estimated total cost of about RMB65 million). Fuzhou Plant phase two with a gross floor area of about 43,211 sq.m. and located right next to the existing Fuzhou Plant will be situated on the currently vacant portion within the Fuzhou Land currently owned by the Group (as defined in paragraph headed "Property Interests" is this section) of which gross floor area of about 35,000 sq.m. will be occupied by the abovementioned expanded production facilities and staff hostel facilities. The Group expects to commence the operation of Fuzhou Plant phase two no later than first half of 2011.

The Group is currently in collaboration with international equipment suppliers in the development of the production lines for TPU envelope material and PVDF membrane structure materials in Fuzhou Plant phase two (with an estimated total cost of about RMB55 million) and plans to complete construction of the production lines by the end of 2010. The Group will implement a plan to further develop a production line for PTFE water-proof, permeable and breathable materials thereafter.

For End Products, the Group plans to install four additional production lines for waders and protective clothing to increase its production capacity by 1,123,000 units per year (with an estimated total cost of about RMB12 million to be funded by the Group's internal resources). The Group plans to install a new production line for each of air bed and pools End Products, with an estimated production capacity of 109,000 and 62,000 units per year, respectively (with an estimated cost of about RMB10 million to be funded by the net proceeds from the Global Offering). The Group expects to have the above new production lines in operation by the end of 2010. As at the Latest Practicable Date, the gross floor area of Xiamen Plant is occupied at an occupancy rate of about 80.0%.

Expand sales network and distribution channels

The Group plans to expand its sales network by increasing the number of sales offices for the Group's products to intensify its coverage within the PRC. In addition to its existing sales offices in Guangzhou, Weihai and Zhengzhou, the Group intends to set up sales offices in other major cities such as Shanghai, Shenzhen, Chengdu, Qingdao, Linyi, Nanning, Nanchang, Wuhan, Changsha to promote sales and provide supporting services to surrounding cities and areas. In particular, the Group will strategically select locations to set up new sales offices depending on the particular products. For Reinforced Materials, sales offices were set up in Zhengzhou and Guangzhou which are major domestic markets for inflatable products. To the best knowledge of the Directors, Qingdao and Weihai are major domestic markets for air tightness products and the Group plans to set up a sale office in Qingdao in addition to its Weihai office to further develop the market for air tightness materials market. For End Products, the Group intends to set up sales offices in major fishery and agricultural areas such as Wuhan (Honghu, Changjiang and Hanjiang areas), Changsha (Dongtinghu), Nanchang (Boyanghu), Linyi, Chaohu and Guangzhou to promote its waders and protective clothing products. For inflatable boats and inflatable toys, the Group plans to develop the markets in provinces and cities with more drifting sites such as Nanning, Changsha, Guangzhou and Wuhan. According to Frost & Sullivan, there are over 1,000 drifting sites in China in 2008 and it is estimated that the number will increase to 3,000 in next 5 years.

For overseas sales channels, besides continuing to utilize the online marketing platform, participating in industry exhibitions and trade fairs, advertising in media and maintaining relationship with its existing customers, the Group will explore the opportunities in the overseas countries and expand its sales and distribution channels including opening overseas sales offices, forming strategic alliance with agents and distributors and liaising with brand product manufacturers in order to increase the Group's sales to overseas market. All these efforts will be funded through the Group's own financial resources.

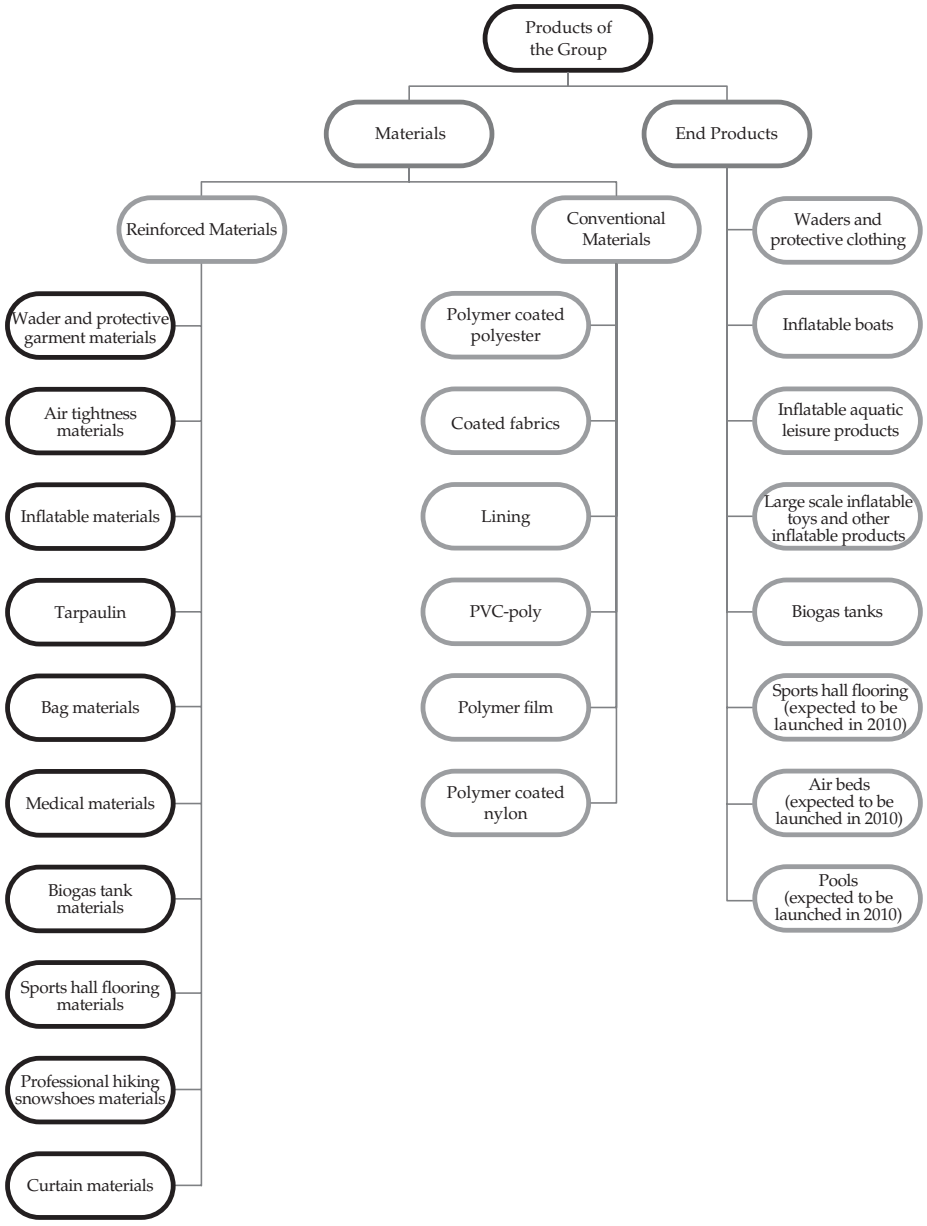
Brand building and product promotion

The Group plans to establish itself as a leading brand name of Reinforced Materials and outdoor leisure, recreational, sports and waterproof End Products in the PRC. To further strengthen the brand awareness of "Sijia" brand and develop its End Product brands (Long Standing, Grandsoo and Source of Joy), the Group intends to continue to invest in the promotion and marketing of its brands and products by organizing and participating in industry seminars, exhibitions and trade fairs, sponsoring leisure and entertainment programs and events, establishing or forming partnership with drifting, fishing and water sports clubs and posting of advertisements through different media including magazines, industry journals and Internet.

The Group has started to imprint the Group's "Sijia" logo on the Reinforced Materials to enhance market recognition of the "Sijia" brand. Besides, the Group plans to cooperate with certain end customers by placing the "Sjiia" brand tag on their products made of "Sijia" Materials, in order to further build brand awareness.

PRODUCTS

The Group primarily designs, develops, manufactures and sells polymer processed high strength polyester fabric composite materials and other reinforced composite materials ("Reinforced Materials") and conventional materials ("Conventional Materials", and together with Reinforced Materials, collectively known as "Materials"). The Group has also expanded into the design, development, manufacture and sale of downstream related inflatable and waterproof products targeting the outdoor leisure, recreation and sports consumer market ("End Products"). The product portfolio of the Group can be adopted in a large number of applications and industries including outdoor leisure and recreation, recreational sports, renewable energy, logistics, construction, labour protection, packaging, medical use, life-saving, advertising and household supplies. The diagram below sets out the products currently offered or expected to be launched by the Group:



The table below sets out the revenue of the Group by product category for each of the three years ended 31 December 2007, 2008 and 2009:

Products	Year ended 31 December 2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Materials			
Reinforced Materials	47,287	166,660	340,650
Conventional Materials	94,332	123,976	93,989
End Products	7,096	9,008	135,853
Revenue from continuing operations	148,715	299,644	570,492
Raincoats and general protective clothing – discontinued operation	100,481	21,585	–
Total	249,196	321,229	570,492

For each of the three years ended 31 December 2007, 2008 and 2009, turnover of Reinforced Materials accounted for about 31.8%, 55.6% and 59.7%, respectively, of the Group's total turnover (excluding discontinued operation). Turnover of Reinforced Materials increased from about RMB47.3 million in 2007 to about RMB340.7 million in 2009, representing a CAGR of about 168.4%.

(i) Materials

The Group's Materials are divided into two types: (a) Reinforced Materials and (b) Conventional Materials.

(a) Reinforced Materials

Reinforced Material is high performance composite fabric material made from using fabric materials such as high strength polyester fabrics or nylon as basic material and adding polymer (such as PVC, TPU, etc.) through specific techniques and formulae. Reinforced Materials have a number of high performance characteristics such as (i) high tensile strength, anti-tearing and high adhesion strength; (ii) high abrasion and impact resistance; (iii) flame retardant, waterproof, oilproof, anti-bacterial, anti-smudge and stain resistant, and high acid and alkali resistance; (iv) anti-UV, anti-static, anti-oxidation; and (v) high and low temperature resistance and durable. Due to high performance of Reinforced Materials, it can be used in a wide range of applications and industries.

The Group offers a comprehensive portfolio of Reinforced Materials to a wide range of end users manufacturers in various different industries as follows:

Type of products	Main applications	Main characteristics
Wader and protective garment materials	Waders for farming, fishing, chemical engineering, medical, construction, fire fighting, leisure and recreation, mining and tunneling and underground railway construction purposes	Colour fastness, fire retardant, oil proof, anti-acidic and alkaline, anti-coldness, warmth keeping, anti-bacteria and easily washable
Air tightness materials	Inflatable boats such as drifting boats, kayak, motor boats and patrol boats and water leisure and recreational products such as water bicycles, water balls, water totters and icebergs, pools and oil fences	High tensile strength, anti-tearing, and high adhesive strength, outstanding abrasion resistance and high air tightness, strong impact resistance, anti-UV, good weather resistance and temperature resistance
Inflatable materials	Large scale inflatable toys such as slides, castles and bouncers, rock climbing structures, archways, billboards, movie screens, goal posts, function rooms, mazes, racing tracks, children's playgrounds and arenas	High tensile strength, anti-tearing, abrasion and high adhesive strength, strong water pressure resistance, fire retardant, anti-UV, anti-colour migration and colour fastness
Tarpaulin	Military tents, protection covers for military use, leisure tents, covers for container trucks/trains, construction covers and membrane structures	Anti-UV, good weather resistance, stain-resistant treatment, colour fastness, fire retardant, oil proof, acid and alkali resistance
Bag materials	Industrial package bags, specific tool bags, waterproof bags, boxing bags, ice bags, fishing bags, sports bags and luggage carriers	Anti-UV, good weather resistance, oil proof, stain resistance, fire retardant, environmental-friendly with no toxins, anti-bacteria and anti-static

Type of products	Main applications	Main characteristics
Medical materials	Medical mattress, hospital beds, healthcare facilities, protective covers, blood pressure cuffs, oxygen bags and antibiotic bags	Fire retardant, liquid and odour resistance, environmental-friendly with no toxins, no allergic substance, anti-bacteria, anti-static, oil proof and stain resistance
Biogas tank materials	Biogas tanks, biogas reservoir bags, biomass and sewage related projects	Strong heat absorption and warmth keeping function, high tensile strength and anti-tearing strength, high air tightness, strong impact resistance, anti-UV, good weather resistance, low temperature resistance, durable
Sports hall flooring materials	Flooring for indoor stadiums, sports centers, athletic meets of schools and courts for badminton, ping-pong, volleyball etc	Anti-bacteria, fire retardant, oil proof, anti-static, stain resistance, no toxic materials, environmental-friendly, abrasion-resistance formula, durable, surface embossing and high motive adhesion
Professional hiking snowshoes materials	Professional hiking snowshoes, sledges and snowboards	Low temperature resistance formula ensuring usage in low temperature, high tensile strength, anti-tearing and high adhesive strength
Curtain materials	Curtains for offices, hotels, residences and warehouses, and automatic rolling gates	Colour fastness, good opaque quality, fire retardant, oil proof, anti-acidic and alkaline, anti-bacteria, stain resistance and easily cleaned

The technical specifications of the Group's Reinforced Materials can meet international safety and environmental standards. Up to the Latest Practicable Date, the Group has passed all the necessary product verification testings required by its customers.

For example, out of the Group's Reinforced Materials, the visibility clothing materials of the Group have passed tests for EN471 standard, an European standard regarding the visibility of protective clothing and specifying, among other things, the materials to be used. The Materials of the Group have met the EN71 standard regarding safety of toys, which specifies, among other things, the chemical substances which the toys should contain.

In addition, the Reinforced Materials of the Group can meet international technical specifications such as ISO. For instance, the air tightness materials produced by the Group can reach a tensile strength, anti-tearing and adhesive strength of 4,500N, 430N and 105N, respectively, which is higher than 2,000N, 40N and 50N, respectively as required by ISO's international standards. The Group has obtained the NFPA701 ("Standard Methods of Fire Tests for Flame Propagation of Textiles and Films") certification issued by the United States Fire Administration with respect to its inflatable materials and medical materials which normally apply to large scale inflatable toys and medical mattresses.

According to Frost & Sullivan, as at 30 September 2009, the Group was the only manufacturer who manufactures both Reinforced Materials for and End Products of biogas tanks for biomass and sewage related projects in the PRC.

Biogas tanks require high air tightness and the Directors believe the Group's technical expertise and capabilities allow it to produce both the Reinforced Materials for and End Products of biogas tanks. The Group is currently applying for patent for the technology and design of its biogas tank Reinforced Materials.

In addition, to the knowledge of the Directors, as there are currently no relevant national standards which govern the technical specifications and requirements for biogas tanks in the PRC. In order to promote the development of the Reinforced Materials for and End Products of biogas tanks in the PRC and standardization of technical specifications, the Group has taken the initiative and voluntarily prepared a set of proposed standards for adoption by State Standardization Administration and has submitted the said proposed standards to the Quality and Technical Supervision Bureau of Fuzhou, which, upon approval, will be submitted to the Quality and Technical Supervision Bureau of Fujian province and subsequently to the State Standardization Administration to be adopted as the industry standards.

Set out below is a revenue breakdown analysis of the Group's Reinforced Materials business segment:

	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Wader and protective garment materials	3,978	8.4	37,496	22.5	91,309	26.8
Air tightness materials	12,854	27.2	24,204	14.5	67,841	19.9
Inflatable materials	8,561	18.1	70,252	42.2	89,814	26.4
Tarpaulin	5,202	11.0	8,254	4.9	17,385	5.1
Bag materials	16,692	35.3	26,454	15.9	37,411	11.0
Medical materials	–	–	–	–	9,195	2.7
Biogas tank materials	–	–	–	–	14,437	4.2
Curtain materials	–	–	–	–	10,393	3.1
Professional hiking snowshoes materials	–	–	–	–	2,094	0.6
Sports hall flooring materials	–	–	–	–	771	0.2
Total	47,287	100.0	166,660	100.0	340,650	100.0

According to Frost & Sullivan, for the PRC market of Reinforced Materials, the Group ranked number four with about 3.0% market share in terms of turnover in 2008 and, with a two-year CAGR of about 139.3%, the Group had a higher growth rate than the other top manufacturers and the industry average from 2006 to 2008. According to Frost & Sullivan, the market share of the Group increased to about 4.5% and was ranked number one in terms of turnover for the eight months ended 31 August 2009. Under the outdoor sub-sector of the PRC Reinforced Materials market, the Group ranked number one and with about 10.4% market share in wader and protective garment materials, ranked number one and with about 28.1% market share in inflatable materials and ranked number one and with about 10.5% market share in air tightness materials in terms of turnover in 2008. The Group ranked number one and with about 20.4% market share in wader and protective garment materials, ranked number one and with about 29.0% market share in inflatable materials and ranked number one and with about 18.2% market share in air tightness materials in terms of turnover for the eight months ended 31 August 2009.

Revenue generated from the abovementioned three types of products and percentage of the Group's total revenue from continuing operations during the Track Record Period are as follows:

	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*% of Group's revenue*	*RMB'000*	*% of Group's revenue*	*RMB'000*	*% of Group's revenue*
Wader and protective garment materials	3,978	2.7	37,496	12.5	91,309	16.0
Inflatable materials	8,561	5.8	70,252	23.4	89,814	15.7
Air tightness materials	12,854	8.6	24,204	8.1	67,841	11.9

(b) Conventional Materials

The Group's Conventional Materials are mainly utilized to produce labour protective clothing and raincoats. The Group's Conventional Materials include polymer coated polyester, polymer film, polymer coated nylon, PVC-poly, coated fabrics and lining, which are made from fabrics such as polyesters, nylon, or composite fabrics (other than high strength polyester fabrics), through less sophisticated production process and formulae with features requirement normally lower than that of Reinforced Materials.

Type of products	**Main applications**	**Main characteristics**
Polymer coated polyester	Production of raincoats, parkas, daily necessities and tents	Soft, good heat sealing ability, waterproof, moisture-proof and wind resistant
Coated fabrics	Production of military suit, police flight suit, protective clothing, outdoor clothing and labour protective clothing	Light weight, excellent luminance factor, flame retardant, waterproof, water vapor permeable and breathable
Lining	Production of raincoats, clothing and bags	Soft
PVC-poly	Production of raincoats and aprons for labour protection	Heat sealing, waterproof, moisture-proof, puncture resistant, stable size, low temperature resistant, flame retardant, acid and alkaline resistant
Polymer film	Production of daily necessities, raincoats, aprons, bags, advertising materials, labour protective clothing, packing materials, swimming pools, inflatable toys and agricultural film	Soft, waterproof, anti-UV, low temperature resistant and flame retardant
Polymer coated nylon	Production of raincoats, parkas, labour protective clothing, wader and tents	Soft and comfortable texture, good colour fastness, excellent heat sealing ability, waterproof, moisture-proof, wind resistant, warmth keeping and durable

Set out below is a revenue breakdown analysis of the Group's Conventional Materials business segment:

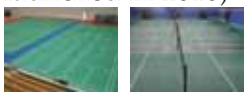
	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Polymer film	16,101	17.1	14,363	11.6	26,622	28.3
Polymer coated polyester	44,938	47.6	73,163	59.0	50,869	54.1
Lining	4,094	4.3	3,836	3.1	1,858	2.0
Polymer coated nylon	967	1.0	480	0.4	4,872	5.2
PVC-poly	14,048	15.0	26,561	21.4	8,693	9.3
Coated fabrics	14,184	15.0	5,573	4.5	1,075	1.1
	94,332	100.0	123,976	100.0	93,989	100.0

The Group's Conventional Materials were principally sold to the raincoat and labour protective clothing manufacturers and trading companies.

(ii) End Products

Starting from 2009, with a view to capturing the expansion opportunities arising from the growing demand in the PRC and overseas in recent years, the Group has started the large scale production of End Products, following the small scale production of inflatable toys since 2007. As at the Latest Practicable Date, the Group offers and plans to offer the following portfolio of End Products:

Type of products	Major targeted markets	Brand names and logos
Waders and protective clothing 	Farming, aquaculture, fishing, chemical engineering, fire fighting, leisure and recreation, mining and construction	姜太公, 致富郎, 水傳說
Inflatable boats 	Maritime, port docking, military, drifting tourism spots, aquatic entertainment, recreational sports, life-saving	Long Standing

Type of products	Major targeted markets	Brand names and logos
Inflatable aquatic leisure products 	Aquatic parks, recreational sports, recreation and leisure	Long Standing
Inflatable products (including large scale inflatable toys, inflatable tents, billboards and others) 	Outdoor entertainment parks, shopping malls, schools, sports centres, parks, advertisement	Long Standing
Biogas tank 	Sewage and biomass related projects	Grandsoo
Sports hall flooring (expected to be launched in 2010) 	Sports halls in schools, sports stadiums	Grandsoo
Air beds (expected to be launched in 2010) 	Household, office, hotel and outdoor camping sites	Grandsoo
Pools (expected to be launched in 2010) 	Household, entertainment, outdoor camping sites	Source of joy

Waders and protective clothing

Waders and protective clothing with main features of waterproof, oil proof, acid and alkaline resistant, anti-coldness and warmth keeping and fire retardant, can be widely used in various industries, such as leisure and recreation, construction, fire fighting, farming, fishing and aquaculture. Being the essential protective equipment for the operation and development in such industries, waders and protective clothing can provide labour safety and protection to workers and end users.

Inflatable boats and inflatable aquatic leisure products

Inflatable boats mainly comprise drifting boats, kayaks, motor boats and life-saving boats, while inflatable aquatic leisure products include water bicycles, walking balls, water totters, icebergs and other large scale aquatic game products.

Inflatable boats and inflatable aquatic leisure products can be mainly used in aquatic recreational sports, sea border defense, customs patrolling, maritime rescuing or flood rescuing. The products' main features include high tensile strength, tearing resistant, high adhesive strength, high air tightness, abrasion resistant and impact resistant.

Inflatable products

Inflatable products include large scale inflatable toys and other inflatable products such as inflatable tents and billboards. Large scale inflatable toys principally comprise inflatable amusement facilities and toys (such as slides, castles, obstacle courses, bouncers and climbing walls), and outdoor decoration (such as inflatable cartoon character, and rainbow arch). Large scale inflatable toys can be widely used in outdoor leisure and recreation, entertainment and amusement facilities and outdoor decoration. The main characteristics of inflatable products are fire retardant, anti-UV, high tensile strength, anti-tearing and adhesive strength, abrasion resistant and strong water pressure resistant. The Group has obtained the NFPA701 ("Standard Methods of Fire Tests for Flame Propagation of Textiles and Films") certification issued by the United States Fire Administration with respect to its inflatable materials which normally are used to produce large scale inflatable toys.

Biogas tanks

Biogas tanks are used in the fermentation of biodegradable materials such as manure, sewage, municipal waste, green waste and energy crops to produce biogas, which can be utilized as a fuel. Biogas tanks used in connection with modern biodegradable waste management to produce renewable fuel can be found in piggery, farms and rural areas. Pursuant to a document jointly issued by the NDRC and the Ministry of Agriculture (農業部) (發改辦農經[2008]2519號) (Fa Gai Ban Nong Jing [2008] No. 2519), in order to support the construction of biogas tanks in rural areas of the PRC, the PRC government has increased the level of subsidies payable to rural households. In addition, the construction of mid and large-scale biogas tanks is encouraged. The Group's biogas tanks have the main characteristics of strong heat absorption and warmth keeping function, high tensile strength and anti-tearing strength and high air tightness. The Group commenced the manufacture and sales of biogas tanks in 2009.

Set out below is a revenue breakdown analysis of the Group's End Products business segment:

	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Inflatable products	7,096	100.0	9,008	100.0	4,696	3.5
Biogas tanks	–	–	–	–	5,285	3.9
Inflatable aquatic leisure products	–	–	–	–	950	0.7
Inflatable boats	–	–	–	–	74,471	54.8
Waders and protective clothing	–	–	–	–	50,451	37.1
	7,096	100.0	9,008	100.0	135,853	100.0

(iii) Discontinued operation – raincoat and general protective clothing

Before the manufacture and sale of Reinforced Materials, the Group was also engaged in the raincoat and general protective clothing operation. The raincoat and general protective clothing were manufactured by using the Group's Conventional Materials as raw materials. In May 2008, the Group discontinued its raincoat and general protective clothing operation with a view to focusing on delivering Reinforced Materials.

AWARDS AND RECOGNITIONS

Since its establishment, the Group has obtained various awards and recognitions as follows:

Awards and recognitions	Awarded by	Year
New High Technology Enterprise in Fujian Province 福建省高新技術企業	Fujian Province Department of Science & Technology	September 2006
Technologically Advanced Foreign-owned Enterprise 外商投資先進技術企業	Fujian Provincial Department of Foreign Trade and Economic Cooperation	November 2006
Fujian Province Trustworthy Enterprise 福建省守合同重信用企業	Administration for Industry & Commerce of Fujian Province	April 2007
Gold Award in the Innovation Results 海峽兩岸職工創新成果金獎	Organizing Committee of Cross-strait Trade Union Innovation Exhibition	June 2007
Second Prize of Fuzhou Outstanding New Product 福州市優秀新產品二等獎	The People's Government of Fuzhou	December 2007
Top 10 of major industries of Fujian Province 福建工業主要行業前十強	Enterprise Assessment Centre and Association of Fujian Province	August 2008
Second Prize of Science and Technology Progress in Fuzhou 福州市科技進步二等獎	The People's Government of Fuzhou	September 2008
New High Technology Enterprise in Fujian Province 福建省高科技術企業	Office of Science and Technology in Fujian Province, Department of Finance in Fujian Province, Office of State Tax Administration of Fujian Province and Office of Local Tax Administration of Fujian Province	November 2008

Awards and recognitions	Awarded by	Year
Third Prize of Fuzhou Outstanding New Product 福州市優秀新產品獎三等獎	The People's Government of Fuzhou	December 2008
Fujian Famous Brand Product 福建名牌產品	The People's Government of Fujian	December 2008
2007-2008 Fujian Province Trustworthy Enterprise 二零零七至二零零八年度福建省守合同重信用企業	Administration for Industry & Commerce of Fujian Province	December 2008
Independent Innovative Products in Fujian Province 福建省自主創新產品	Office of Science and Technology in Fujian Province, Economic and Trade Commission in Fujian Province, Development and Reform Commission in Fujian Province, Department of Finance in Fujian Province	June 2009
Second Prize of Science and Technology Progress in Fuzhou 福州市科技進步二等獎	The People's Government of Fuzhou	October 2009
Enterprise Technology Center in Fuzhou 福州市企業技術中心	Economic and Trade Commission in Fuzhou	December 2009
Fujian Outstanding New Product 福建省優秀新產品	The People's Government of Fujian Province	December 2009
Fuzhou Outstanding New Product 福州市優秀新產品	The People's Government of Fuzhou	December 2009
Year 2008 Famous Trademark in Fujian Province 2008年度福建省著名商標	Administration for Industry & Commerce of Fujian Province	December 2009

PRODUCTION

Production planning for new products

Reinforced Materials

The Group's market development division, through participation in professional exhibition in the PRC or overseas as well as domestic and international market research activities, can promptly be familiar with the industry development trends, customer information and information of new materials and new technology in the global market. The market development division regularly prepares business reports suggesting plans of new product development for Reinforced Materials.

The Group's research and development center considering the development objective of the Group and the development plan of new products from market development division, prepares the project proposal for the development of new products, according to the market demand or corporate development objective, which will be implemented upon the approval of general manager. A project head engineer will then be assigned and a project research and development team will be established. The project head engineer is responsible for preparation of the time schedule of the research and development project and conducting market research and visiting the Group's customers, in order to fix various features indicators for the development of the new products. The materials testing engineer is responsible for the testing of raw materials, while the process engineer is responsible for the analysis of the techniques required for the production of new products and assesses whether it is necessary to conduct technique design and improvement. The process engineer will then work out the specific production techniques for each new product, including the optimal factors such as temperature, pressure and speed of the production process. Equipment engineer assesses the adequacy of the existing equipment to support the production of new products. If the existing equipment cannot meet the new product development, the project engineer will submit the proposal for new equipment purchase or the equipment customization and technology advancement to the Board of Directors for approval.

When production techniques and equipment technology are proven to be feasible for production of the new products, the formulation engineer will then establish the material formulae. Leverage on its strong research and development capabilities, the Directors believe the Group is able to produce Reinforced Materials of higher quality that can meet international standards. It is mainly due to the specifically designed material formulae for the Group's new products. In order to satisfy the specific usages, features indicators and functional performance of the new products required by the customers, the engineer will adjust the composition and specification of each raw material to be inputted to the production process, resulting in the optimal material formulae of the new products. At the same time, the Group will also take into account the cost analysis to assess if the formula is economically viable.

With the abovementioned specific production technique, customized equipment and specifically designed material formulae, the Group can launch to the customers new products of high quality and technologically advanced.

At the early stage of the new product development, trial production is first conducted at the laboratories to finalize the technique processes and conditions of the new products. The Group will also seek technical advice and support from its technical consultants, Professor Gu Zhenya (顧振亞) of Tianjin Polytechnic University (天津工業大學) and Professor Zheng Yuying (鄭玉嬰) of Fuzhou University (福州大學). Upon successful trial production, a small quantity of such new products will be manufactured in the Group's production lines to examine whether various features of the new products can meet the expected requirement and then generate samples for the customers' confirmation.

The final material formulae, technique conditions, features and product quality indicators will be recorded on documents for the roll-out of the mass production of the new products.

End Products

Similar to Reinforced Materials, the Group's market development division regularly prepares business reports exploring plans of new product development for End Products.

The Group's research and development centre will then assess whether the Group's existing Reinforced Materials can be utilized to produce the End Products satisfying the specifications and features required by the customers. If not, the research and development centre will make appropriate adjustments to the existing production technique and material formulae of the Reinforced Materials, in order to customize the features of the Reinforced Materials, suitable for the production of the specific End Products.

After the approval by the general manager on the new product development plan, design division will work on the product design for the appearance, size and style of the End Products. The product design will be prepared in electronic graphics. Depending on the requirement of the customers, certain customers will even provide their own product design.

Based on the product design of the customers or the design division, a small quantity of End Products will be produced for testing purpose and sampling for customers' confirmation. Mass production of the End Products can be launched upon the acknowledgement of the quality and features of the sample products by the customers.

Production process

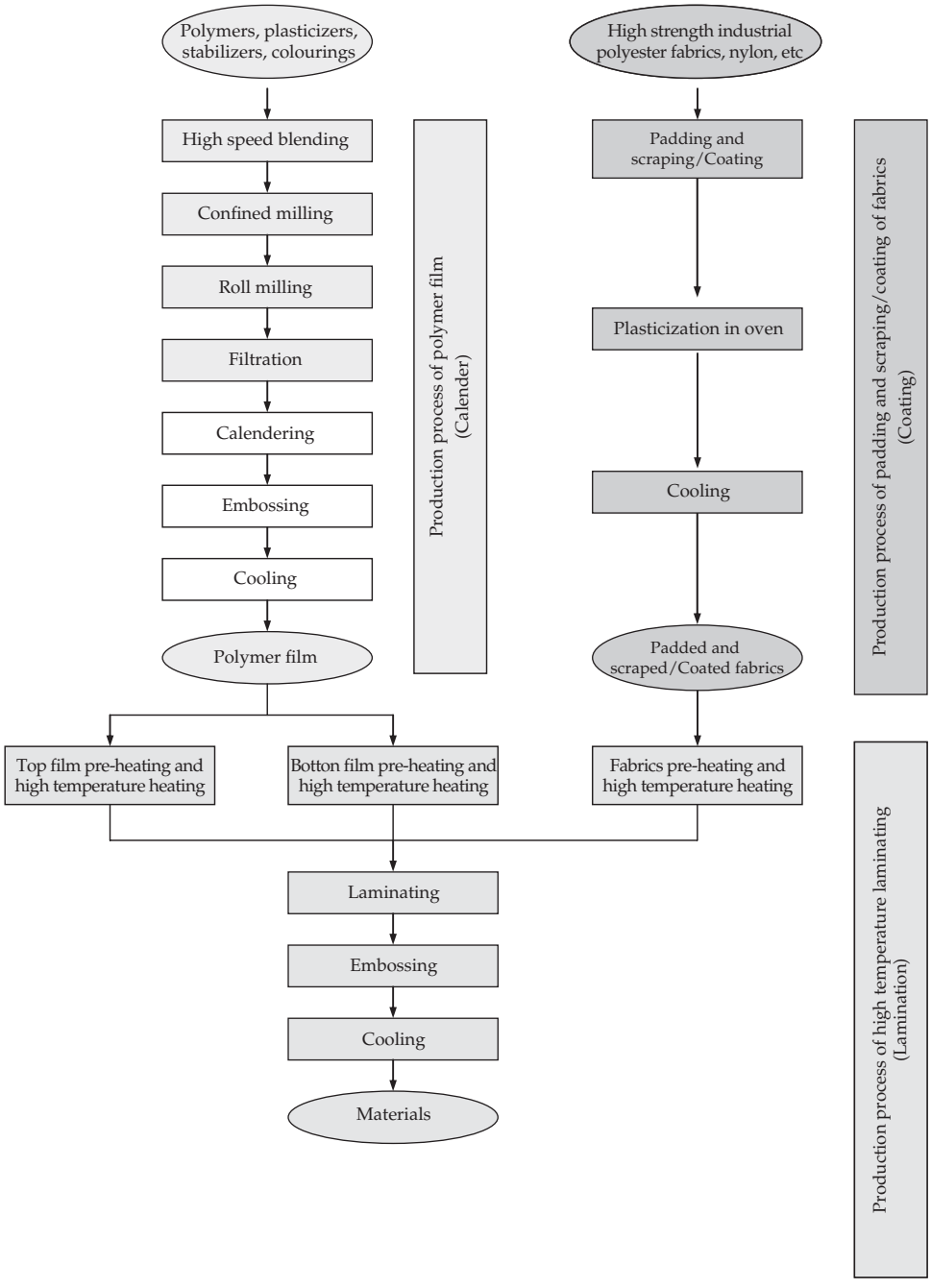
Reinforced Materials

The production process of the Group's Reinforced Materials can be divided into (i) calender; (ii) coating; and (iii) lamination. Calender is the process to smooth out the polymer by high pressure rollers to produce polymer film with high gloss. Coating is the process to cover the paste (prepared based on specific material formulae) on one side or both sides of the fabrics. Lamination is the process to unite layers of polymer films with one side or both sides of fabrics by way of heat and/or pressure, to produce Reinforced Materials.

Reinforced Materials produced through the coating technique have higher strength, better durability and adhesiveness among layers whereas those produced through the lamination technique has better air tightness/sealing and finer appearance. Besides adopting the coating and lamination processes independently, the Group's production process was designed to combine both the coating and lamination techniques, leveraging on the advantages of both processes.

The following flow chart illustrates the major steps involved in the production process for the Group's Reinforced Materials:

Reinforced Materials



Description of the production process:

I. Production process of polymer film (calender process)

(1)	High speed blending:	Prepare raw materials with required quantities according to the formula and mix in sequence. Blend the raw materials in a high speed until well-mixed;
(2)	Confined milling:	Plasticize the raw materials and further mix with colourings and recycled residue materials;
(3)	Roll milling:	For further plasticization;
(4)	Filtration:	Filter impurities and add supplements evenly into four rollers;
(5)	Calender:	Form and adjust thickness and width of the film according to specifications;
(6)	Embossing:	Press different patterns and gloss;
(7)	Cooling:	Firm up the shape according to specifications by cooling.

II. Production process of padding and scraping/coating of fabrics (coating process)

(1)	Padding and scraping:	Immerse high strength industrial polyester fabric into the polymer resin and form initial shape by pulling through knobbing rolls;
(2)	Coating:	Coat a thin layer of paste (prepared with specific material formula) onto the surface of the fabrics
(3)	Plasticization in oven:	Dry and plasticize well-rolled materials;
(4)	Cooling:	Firm up the shape by cooling.

III. Production process of high temperature laminating of Materials (lamination process)

(1)	Pre-heating top and bottom films:	Soften the top and bottom films as well as the fabrics padded with polymer resin by pre-heating;
(2)	High temperature heating:	Further soften the materials by heating;
(3)	Laminating:	Fuse films and fabrics together to form the shape in high temperature;
(4)	Embossing:	Press required patterns and gloss;
(5)	Cooling:	Firm up the shape by cooling.

Conventional Materials

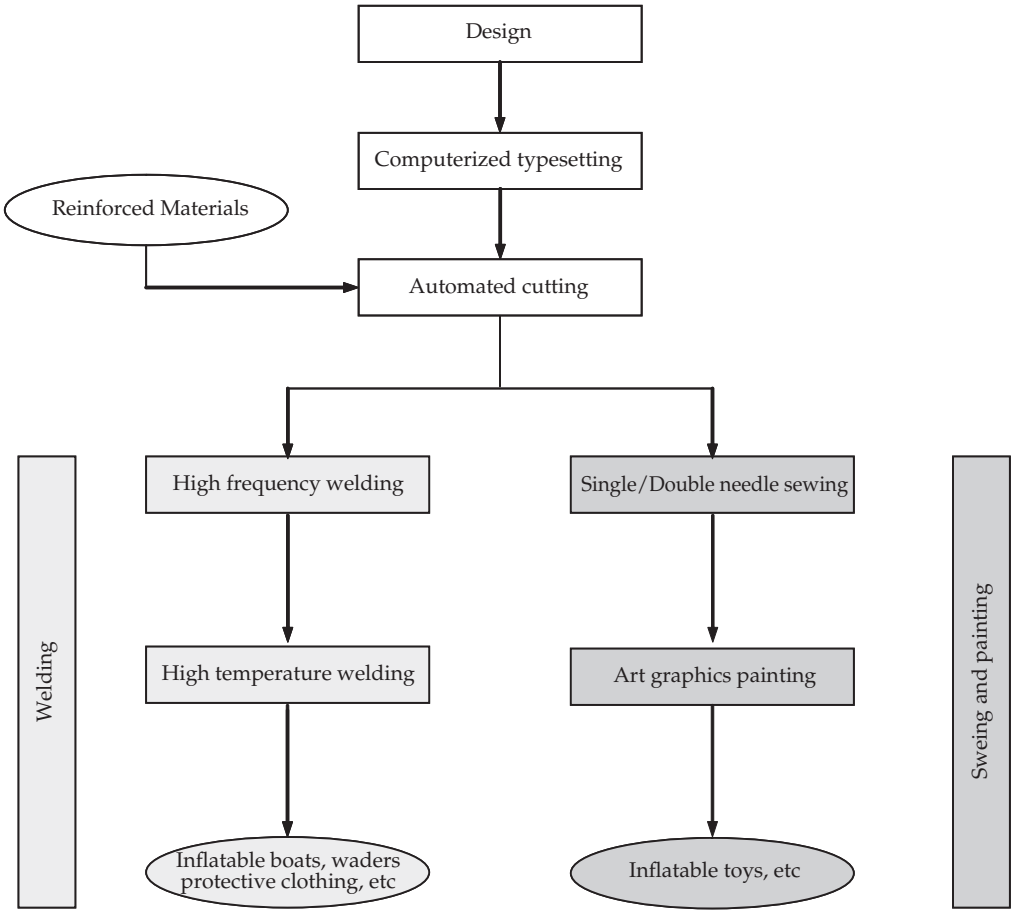
The production process of the Group's Conventional Materials is less sophisticated than that of Reinforced Materials. Compared to production of the Reinforced Materials, which mainly involves a combination of the calendar, coating and lamination process, the Conventional Materials are normally manufactured by only one single production step, such as through the calender process (e.g. polymer film) or the coating process (e.g. coated fabrics) or the lamination process (e.g. PVC-poly). Some types of Conventional Materials, depending on the required physical features, are produced by a combination of the calender and coating process (e.g. polymer coated nylon).

For the detailed description of the production process of the calender, coating and lamination process, please refer to the sub section headed "Reinforced Materials" above in this section.

End Products

The following flow chart illustrates the major steps involved in the production process for the Group's End Products:

End Products



Description of the production process:

(1) Design:

A: Product design by design team according to market analysis and market demand anticipation.

B: Design team designs products according to the customers' requirements and specifications.

C: Design team's design will incorporate patterns provided by the customers.

(2)	Computerized typesetting:	Scan and input the product design plan to computer for computerized typesetting of the required images and graphics
(3)	Automated cutting:	Cut the materials according to the design as required by automatic cutting machines
(4)	Welding:	Melt plastic with high temperature to connect the Materials. Welding features high strength and good air tightness to prevent air leakage, which is generally used for inflatable boats and other air tightness products
	A. High frequency welding:	Use moulds to weld the layers with large areas
	B. High temperature welding:	Weld the small scraps of materials to form the required shape
(5)	Sewing:	Sew the fabrics with needles and threads, generally used for inflatable toys
	A. Single needle sewing:	principally used for stitching the seam of various cartoons on inflatable toys and the seam of other large-sized parts, as well as that of thin materials
	B. Double needle sewing:	principally used for stitching the seam of parts on inflatable toys that bears greater strength and stress, as well as that of thicker materials
(6)	Art graphics painting:	Paint the art graphics in the appropriate areas of the products manually, to enhance the artistic appearance

The Group normally adopts the make-to-order arrangements for its End Products, and the production of End Products is normally scheduled upon the receipt of the sales order from the customers.

Production facilities

The Group currently owns each production plant in Fuzhou and Xiamen, Fujian Province, the PRC. The production plant in Fuzhou ("Fuzhou Plant") occupies a parcel of land with a site area of about 65,107 square meters with a gross floor area of about 11,586 square meters. The Fuzhou Plant commenced production in August 2003, which is

principally engaged in the design, development, manufacture and sale of Reinforced Materials and End Products. In view of the increasing demand for End Products both domestically and globally, the Group developed a new production plant in Xiamen ("Xiamen Plant") occupying a parcel of land with a site area of about 5,232 square meters with a gross floor area of about 8,736 square meters. The Xiamen Plant commenced production in August 2009, which is engaged in the design, development, manufacture and sale of End Products (except large scale inflatable toys).

Production capacity

The following table sets out the average designed capacities and utilization rates during the Track Record Period of Fuzhou Plant.

	For the year ended 31 December								
	2007			2008			2009		
	Actual production	Production capacity	Utilization rate (%)	Actual production	Production capacity	Utilization rate (%)	Actual production	Production capacity	Utilization rate (%)
Materials *(note 11)*									
Calender process *(note 3)*									
Production line A:									
Polymer film (tonne)	4,800	8,800	54.5	10,538	11,000	95.8	16,200	14,220	113.9
Production line B: *(note 4)*									
Polymer film (tonne)	435	5,500	7.9	500	6,800	7.4	5,000	7,100	70.4
Polymer coated polyester (million m)	20.03	46.00	43.5	23.30	49.00	47.6	17.60	52.00	33.9
Other Conventional Materials (million m)	15.19	36.80	41.3	18.23	38.00	48.0	2.39	40.00	6.0
Total utilization rate of production line B			92.7			103.0			110.3
Coating process									
Fabrics (million m)	25.18	28.00	89.9	27.73	30.00	92.4	16.00	30.00	53.3
Lamination process									
Materials (million m) *(note 6)*	3.91	5.00	78.2	12.32	15.00	82.1	23.45	24.50	95.7
End Products									
Inflatable products:									
Large scale inflatable toys (unit)	146	*note 8*	*note 8*	216	*note 8*	*note 8*	161	*note 8*	*note 8*
Other inflatable products, such as inflatable tents, billboards and others (unit)	–	–	–	–	–	–	4,411	*note 8*	*note 8*

Notes:

1. The designed capacity of all the production lines are calculated, assuming there are 26 working days for each month during the Track Record Period and assuming calender production lines, coating production lines and lamination production lines operate 24 hours, 12 hours and 24 hours per working day respectively, unless otherwise indicated.

2. For the production lines with utilization rate greater than 100%, it is due to overtime work arranged to meet with specific sales order.

3. There are 2 production lines for calender process, with production line A exclusively for the production of polymer films and production line B for the production of polymer films, polymer coated polyester and other Conventional Materials. Since the production capacity for the calender process of polymer film will vary significantly depending on the thickness of different models of polymer film, for illustrative purpose, the production capacity for polymer film is expressed assuming the Group produced only one standard thickness of polymer film to facilitate meaningful comparison of production capacity throughout the Track Record Period.

4. For illustrative purposes, the designed capacity of production line B of the calender process is calculated, assuming it is entirely utilized to produce only one specific type of products among polymer films, polymer coated polyesters and other Conventional Materials throughout the Track Record Period.

   Polymer films, polymer coated polyesters and other Conventional Materials are sharing the capacities of production line B. The exact allocation of capacities of production line B to produce each type of polymer films, polymer coated polyesters and other Conventional Materials will depend on the respective demand and sales order from customers and the planned production schedule of the Group. The utilization rate for certain Conventional Materials is relatively low, for example, about 6.0% for other Conventional Materials for the year ended 31 December 2009. It is due to the fact that production line B focused more on the manufacture of polymer films and polymer coated polyesters during the year ended 31 December 2009. The Directors consider that as polymer films, polymer coated polyesters and other Conventional Materials are sharing the capacities of production line B, in assessing the utilization of production line B, investors should consider the aggregate utilization rate for these products in order to arrive at the full picture. The low utilization rate in 2009 for other Conventional Materials only represented the relative smaller portion of capacity being allocated to other Conventional Materials. However, as a matter of fact, production line B was fully utilized for production for the year ended 31 December 2009 with aggregate utilization rate of about 110.3%.

5. The utilization rate of the Group's production lines are generally on the increase throughout the Track Record Period. This is due to the increase in the number of the Group's customers, sales volume and varieties of products offered, which resulted in increased production volume of the Group over the Track Record Period.

6. The significant increase in production capacity of lamination process in 2008 and 2009 is due to (i) the addition of one new production line each in July 2007 and December 2007, respectively; and (ii) in 2008 and 2009, the Group increased the operating hours from 12 hours to 24 hours per working day for certain production lines.

7. Fuzhou Plant is principally engaged in the manufacture of Conventional Materials and Reinforced Materials, while there is also one production line in Fuzhou Plant designed to produce End Product of large scale inflatable toys and other inflatable products.

8. Inflatable products of the Group include wide ranges of different products, such as slides, castles, bouncers, climbing walls, inflatable cartoon character, inflatable tents and billboards. Also, the inflatable products are normally tailor-made according to the customers' requests with customized size, shape and outlook, in which each of such specifications will affect the time required to manufacture the inflatable products. Therefore, the Directors are of the view that it is not practical to disclose the production capacities of the Group's inflatable products, given the large varieties of products offered and the significant variation of specifications among them.

9. The Directors consider that although Fuzhou Plant is operating at near or even exceeded full capacity, the Group has not been experiencing any bottleneck on production during the Track Record Period. The Group has adopted the ERP system to properly assess the available production capacities and to manage the receipt of sale orders and the production schedule, in order to meet the expected delivery time for the customers. Normally, there are 26 working days in each month for the Group. In case of urgent order from customers, the Group can also arrange overtime work so as to adjust the production capacities of the production facilities occasionally.

10. As disclosed in the paragraph headed "Expand production capacity" in this section of the prospectus, Fuzhou Plant phase two will be constructed to expand the Group's production capacity and is expected to commence operation by the first half of 2011. Upon the commencement of operation of Fuzhou Plant phase two, the production capacity of lamination process will be increased by about 10 million meters per year, while that of calendar process on polymer film will be increased by about 15,000 tons per year.

11. The Conventional Materials produced from calendaring process will either be sold as final products to the external customers of Conventional Materials or be utilized internally as raw materials in the manufacture of Reinforced Materials which will further go through coating and lamination processes. Therefore, the information set out on the table above included the production capacities of the Fuzhou Plant for Materials collectively (including both Reinforced Materials and Conventional Materials) by production processes.

During the Track Record Period, the production capacities of Fuzhou Plant increased, owing to the technology/techniques advancement and the replacement of production equipment with better efficiency. In addition, the Group has added one more lamination production line each in July 2007 and December 2007, respectively.

In August 2009, the Group commenced the operation of Xiamen Plant, focusing on the business of End Products (except large scale inflatable toys). The following table sets out the designed annual capacity of Xiamen Plant as at the Latest Practicable Date:

End Products	**Number of production lines**	**Designed annual production capacities (unit)**
Waders and protective clothing	2	561,600
Inflatable boats/inflatable aquatic leisure products/biogas tanks	2	18,720

Notes:

1. The designed capacity of all the production lines is calculated, assuming there are 26 working days for each month.

2. The Group began the sale of waders and protective clothing in September 2009. The existing production lines were put into operation by stages in the fourth quarter with actual production of 64,000 units up to 31 December 2009. To satisfy its customer's orders, the Group outsourced the production of about 962,000 units during this period. The Group's actual production quantity of inflatable boats, inflatable aquatic leisure products and biogas tanks (manufactured in Fuzhou Plant before August 2009 and production lines moved to Xiamen Plant since August 2009) aggregately amounted to about 20,691 units for the year ended 31 December 2009.

RAW MATERIALS AND SUPPLIERS

Raw materials

The raw materials used by the Group for production can be broadly categorized into (i) polymers and additives; (ii) fabrics; and (iii) parts and components.

(i) Polymers and additives

The Group requires polymers and additives including plasticizers, stabilizers, flame retardants, cold-resistant agents, anti-electrostatics agents and colorants as raw materials for the production of Reinforced Materials. The major raw materials of the Group's production are polymer resins and plasticizers.

Polymer, of which the most commonly used is Polyvinylchlorid ("PVC") , is a type of material with wide ranges of applications. Its heat resistance and tensile strength and ductility can be enhanced by the use of additives. Currently, it is regarded as more comprehensive which can serve better functional performance among all types of polymer materials. Polymer features good chemical corrosive resistance, electrical insulation, fire retardant, light weight and high strength and can be easily processed. The products made from polymer are widely used in industrial, agricultural, construction, electronic, electrical and automobile industries. The Group selects polymers with different properties according to the specifications of the Group's products.

Plasticizer is the most commonly used additives in new Reinforced Materials industry and plays an important role in the development of new Reinforced Materials. By adding different proportions of plasticizers, the Group can adjust the softness and flexibility, improve tensile strength, bending deflection, toughness and impact resistance, reduce the glass transition temperature, expand the applications of polymers at lower temperatures, strengthen adhesion of different base materials, increase the plasticity of Reinforced Materials during the production processes, improve lubrication effectiveness and reduce frictions of its products.

Based on the properties and specifications of products, other additives, such as stabilizers, flame retardants anti-UV agents, cold-resistant agents and anti-electrostatics agents are used according to the formulae in the production processes.

(ii) Fabrics

The following fabrics are commonly used for the production of the Group's Reinforced Materials:

Fabrics	**Types of Reinforced Materials produced**
High strength polyester fabrics	All types of Reinforced Materials
Knitted fabrics	Wader and protective garment materials
Nylon	Wader and protective garment materials

The Group's products are manufactured with different types of fabrics, depending on the requirement of customers in terms of physical features and performance of the products.

The main characteristics of the fabrics are as follows:

High strength polyester fabrics:

1. Light weight, environmental-friendliness, fire retardance, heat insulation, temperature keeping, moisture-proof, acid and alkaline resistance and corrosive resistance;

2. High stability, excellent electric conductivity, durability, ageing resistance and being easy to weld and adhere;

3. Strong impact resistance and high tensile strength; and

4. Glossy surface, brightly coloured and with wide applications as decorations.

Nylon – High polarity and strong crystalloid, shiny, durable, abrasion resistant, chemical resistant and antiseptic.

Knitted fabrics – High flexibility, soft, glossy and bouncy.

(iii) Parts and components

Parts and components mainly represent small parts required in the production of End Products and low value consumables used during the production process.

Suppliers

A majority of the raw materials used by the Group were sourced from suppliers based in the PRC. Sourcing and production management center of the Group assigns staff to conduct site visits of domestic raw material suppliers in different regions regularly and prepares the list of Raw Materials suppliers (原材料供應商名單) which includes all qualified suppliers. This enables the Group to compare the raw materials prices of various suppliers according to their quotations in order to minimize sourcing costs. In addition to prices of the raw materials, the suppliers are also assessed based on a number of criteria, including quality of the raw materials supplied, stability of supply in the past, delivery time, as well as production scale of the suppliers.

The Group will maintain long-term relationships with the suppliers of the principal raw materials such as polymers, plasticizers and fabrics. Some of the major suppliers have started to supply raw materials to the Group since 2003 (the time at which Fujian Sijia commenced its business). The Group's sourcing strategy is to avoid heavily relying on any single supplier for the principal raw materials and the Group has maintained close contact with at least three suppliers in respect of the same type of principal raw materials, in order to ensure stable supply and cost competitiveness.

For each of the three years ended 31 December 2007, 2008 and 2009, purchases from the Group's five largest raw materials suppliers in aggregate accounted for about 34.3%, 50.3% and 38.2%, respectively, of the Group's total amount of purchases. Purchases from the single largest raw materials supplier for the same periods accounted for about 11.1%, 19.5% and 9.4%, respectively, of the Group's total amount of purchases. None of the Directors, their respective associates or shareholders holding more than 5% of the Group's issued share capital held any interest in any of the Group's five largest raw materials suppliers during the Track Record Period.

For its sourcing of raw materials, the Group generally receives credit terms from its suppliers. Due to the Group's long term relationships with its suppliers, with respect to the principal raw materials, the Group generally receives credit periods of between 20 and 30 days from its suppliers. The payment terms for the Group's purchases with its suppliers vary from each other and payments are mainly made through bank transfer or issuing banks bills. The Group has not experienced any significant difficulties in sourcing raw materials. Given that the Group has maintained long-term and stable relationships with its major suppliers, and the Group usually sources the same type of raw material from multiple suppliers, the Group does not foresee any major problems in sourcing raw materials required for production in the near future. For new kinds of polymers such as TPU and PVDF etc to be used for planned production of new types of Reinforced Materials, the Group does not expect any significant difficulties in sourcing such raw materials as there has already been an established base of existing domestic and international suppliers. In addition, the Group has also received preliminary quotations from such potential suppliers as part of its planning and evaluation work for launching the new products.

The Company has not entered into any hedging arrangement to mitigate the raw materials price risk and the Directors consider it is not necessary. Instead, the Group would purchase relatively larger amount of raw materials as reserve for its production needs during periods of raw material price trough.

INVENTORY CONTROL, LOGISTICS AND WAREHOUSE

The operation flow of the Group is managed through the ERP system, which was implemented by the Group in 2008. All major business processes such as sales, production planning, procurement, production, quality control, inventory and warehouse management are now supported by the ERP System. Purchase orders, production plans and the related materials lists (which set out the up-to-date production materials requirements of the relevant products) were tracked in the ERP system.

1. Inventory control of raw materials

Production of the Group's products, especially Reinforced Materials and End Products, is normally scheduled based on the orders received. The purchases of raw materials required for each order is properly managed, mainly depending on the consumption amount in the previous years the safety buffer level of storage and the quantity required by the orders. The production management team arranges reasonable production timetable according to the delivery schedules and specifications of products provided in the orders. To meet the delivery schedule, the production orders are properly prioritized so as to enhance production efficiency.

2. Inventory control of finished goods

According to the Group's quality control system, all finished goods must pass the tests conducted by its quality control/quality inspection team before delivering to the warehouses. As for the products delivery, all finished goods can only be delivered to customers after obtaining the delivery orders from the sales centre and also the acknowledgement receipt of payments by the customers from the finance department. All movements in finished goods must strictly comply with the first-in-first-out principle. Production management team will determine the safety buffer level of storage according to the historical sales volume of finished goods.

The Group has established a policy to manage the stock-taking process and discrepancies reporting. The purposes of the Group's stock-take policy are (i) to safeguard the existence and safety of its products stored in its warehouses; and (ii) to resolve any discrepancy discovered during the stock-taking process.

In the event that discrepancies are found during or after the stock-taking process, an analysis report and proposal for treatment of discrepancies will be submitted to the Group's management for approval within a prescribed time period.

The Group distributes products either to its warehouses for customers' collection or to its domestic customers by vessel, railway or trucks, and to overseas customers through exports from ports in the PRC. For export sales to overseas customers, the Group adopts standard terms of either FOB or CFR models both of which are normally applied in international trade. Under the FOB model, the Group would arrange the products to be delivered to the shipper designated by the customers. Its responsibility ends and titles of the Group's products are passed when such delivery to the shipper is completed. The Group would not bear the shipment fees, insurance or any loss that may occur during shipping. Under the CFR model however, the Group's responsibility would continue until the products are delivered by shippers to customers' destination. Titles of the products are also not transferred until then. The Group would normally bear the same shipment fees or any loss that may occur during shipping. It should be noted that majority of the Group's contracts adopted FOB model and this put the Group at a much lesser risk position. As a result, depending on the terms of the contract, the transportation and related costs are generally borne by the oversea customers. During the Track Record Period, the Group had not experienced any major incident or delay in product delivery due to transportation which the Group was responsible for.

MARKETING

The Group mainly promotes its products through the following marketing channels for its sale operations, namely (i) through direct sales teams (from headquarters and regional sales representative offices); (ii) independent e-commerce websites; (iii) domestic and international sales exposition and industry trade exhibitions; (iv) seminars and recreational activities; and (v) other promotional activities. The Group does not have any retail store or consignment sale during the Track Record Period.

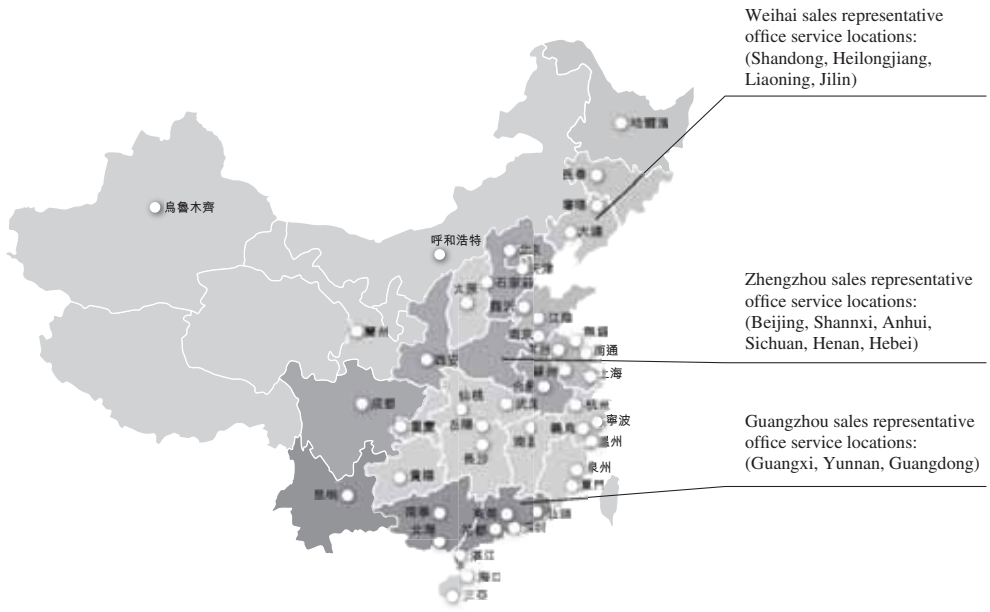
Due to the different nature and geographical locations of the respective target customers, the Group maintains two separate headquarters sales teams for its Materials (including both Reinforced Materials and Conventional Materials) and End Products, in order to better promote the Group's products. The headquarters sales teams for its Materials (including Reinforced Materials and Conventional Materials) and End Products are placed in Fuzhou and Xiamen, respectively and the regional sales representative offices will be established according to the location of the target customers. As at the Latest Practicable Date, the Group's sales teams comprise 47 and 22 staff for its Materials (including Reinforced Materials and Conventional Materials) and End Products, respectively and the Group's sales and marketing strategies are planned by senior management. The senior sales management team, comprising 5 members, is responsible for formulating strategies and coordinating sales personnel. The senior sales management team is strategically centralized at the Group's headquarters so as to enhance operation efficiency, especially internal communications with the production and research and development teams.

Direct Sales Team

The Group's direct sales team (including sales personnel assigned to designated sales representative offices in different regions) is responsible for identifying business and market opportunities, through referral by existing customers, enquiry by call and emails, direct customer visits, exposition and trade exhibitions, search through internet and magazines. The Group will also deliver the samples of the Group's products to target customers, liaise with regional and local customers on a regular basis and collect local market information to facilitate the Group's marketing and pricing strategies.

In October 2009, the Group has set up its sales representative offices in Guangzhou, Zhengzhou and Weihai. During the Track Record Period, the Group sent its sales staff to these provinces and their surrounding regions to carry out local sales and marketing work.

The following map shows the location of the Group's sale representative offices and the respective locations in the PRC that these offices serve:



Independent e-commerce websites

The Group has recognized the importance of online B2B marketplaces (such as Alibaba and Made-in-China websites, etc) for marketing its products to a wider range of potential international and domestic customers and has been utilizing such platform since September 2007. Currently, the Group primarily uses e-commerce websites as a marketing platform, and since the third quarter of 2009, has also commenced test operation of using e-commerce websites as a sales platform. For details, please refer to the subsection headed "Sales and Distribution – other sales channels" in this section.

The Group enters into service contracts with reputable e-commerce website service providers every year. Typical services will include:

- online marketing platform for business-to-business commerce;
- keyword ranking service, so that the Group's products will be listed in priority;
- promotion in exhibitions by publishing information about the Group and its products in magazines issued by the e-commerce website service providers and distributing such magazines to merchandisers in exhibitions or conferences to promote the Group's products and explore new business opportunities;
- providing regular free training programmes to the Group, including skills of e-commerce operations, marketing strategies and negotiation skills, in order to enhance the e-commerce business value; and
- organising regular procurement meetings such as those with Wal-mart and Metro to negotiate with target customers directly.

As at the Latest Practicable Date, the e-commerce website service providers of the Group include Alibaba, Made-in-China, Google, Baidu, China International Electronic Commerce Center, ECVV and Tradekey.

International and domestic sales expositions and industry trade exhibitions

As part of its sale strategy, the Group also participated actively in international and domestic sales expositions and industry trade exhibitions as a way to solicit direct feedback from buyers and end users customers, to introduce and market new products to potential customers and to solicit direct sales order.

The Group distributes product catalogues, promotes its brand and new products, conducts business negotiations and collects information of potential customers at the exposition and exhibition. All customer information collected at the expositions and exhibitions will be filed and assigned to the relevant marketing officers according to their responsible product types and sales locations for follow-ups. In addition, the Group will have business meetings on a regular basis to discuss various aspects of the business of the Group, including analyzing and evaluating the performance of expositions and exhibitions.

During the Track Record Period, the Group has participated in the following sales expositions and industry trade exhibitions:

Type	Month/Year	Location	Nature
• Shanghai International Advertising Technology & Equipment Exhibition	• 7/2007	• Shanghai	• Advertisment materials and coated fabrics
• International Technical Textiles and Nonwovens Exhibition in the North America	• 10/2007	• Las Vegas, USA	• Coated fabrics, tarpaulin, construction membrane industrial materials and composite materials
• Hong Kong Toys and Games Fair	• 1/2008	• Hong Kong	• Toys and leisure & entertainment product
• Nurenberg International Toy Fair	• 2/2008	• Nurenberg, Germany	• Toys and leisure & entertainment product
• Asia Attractions Expo	• 7/2008	• Macau	• Inflatable toys and inflatable aquatic leisure products
• China (Shanghai) International Inflatable Products Exhibition	• 7/2008	• Shanghai	• Inflatable toys and inflatable aquatic leisure products
• Euro Attraction Show	• 10/2008	• Munich, Germany	• Inflatable toys and inflatable aquatic leisure products
• International Technical Textiles and Nonwovens Exhibition in the PRC	• 10/2008	• Shanghai	• Coated fabrics, industrial materials and functional materials

Type	Month/Year	Location	Nature
• Attraction Expo of International Association of Amusement Parks and Attractions	• 11/2008	• Orlando, USA	• Inflatable toys and inflatable aquatic leisure products
• International Boat and Water Sports Equipment Expo in Dusseldorf, Germany	• 1/2009	• Dusseldorf, Germany	• Inflatable boats and inflatable aquatic leisure products
• Dubai International Boat Show	• 3/2009	• Dubai	• Inflatable boats and inflatable aquatic leisure products
• East China Fair	• 3/2009	• Shanghai	• Functional materials, inflatable toys, Waders and protective clothing and aquatic sports products
• China International Boat Show	• 4/2009	• Shanghai	• Inflatable boats and inflatable aquatic leisure products
• Canton Fair of Fujian Province	• Every spring/ autumn	• Guangzhou	• Functional materials, inflatable toys, waders and protective clothing and aquatic sports products
• China International Occupational Safety & Health Goods Expo	• 5/2009	• Shanghai	• Wader and protective garment material and Waders and protective clothing
• IAAPA Asian Expo 2009	• 6/2009	• Korea	• Inflatable toys and inflatable aquatic leisure products
• Euro Attraction Show	• 10/2009	• Netherlands	• Inflatable toys and inflatable aquatic leisure products
• International Boat and Water Sports Equipment Expo in Dusseldorf, Germany	• 1/2010	• Dusseldorf, Germany	• Inflatable boats and inflatable aquatic leisure products
• Guangxi Biogas Technology and Equipment Expo	• 3/2010	• Guangxi	• Biogas tank technology, equipment and end product

Seminars and recreational activities

The Group will regularly organize seminars of new Reinforced Materials, sharing the updated industry technology and market information, with the manufacturers, distributors and downstream end users. Through the seminars, the Group will introduce its innovative production technology and products development to the target customers, so as to strengthen the Group's brand recognition and enable the customers to realize the Group's strong capabilities of research and development.

On 25 July 2009, the Group successfully conducted in Fuzhou the First Wader Materials Seminars in the PRC, with active participation by government authorities, industry experts and peers.

Strategically for the promotion of End Products, the Group also organizes a variety of recreational and sports activities and supplies the Group's End Products (such as inflatable toys) to these activities in order to further enhance the popularity of the Group's products. In October 2008, the Group cooperated with Fujian Kid Channel in Quanzhou, Fujian Province on the programme "Cushion Fun Fair for Vacation", wherein the Group supplied large scale inflatable toys to the event organizer, which undertook to arrange advertisement and promotion for the Group's products during the programme. In 2009, the Group also organized certain drifting activities, in order to explore more cooperation relationships with the domestic drifting spots. To get familiar with the market information of End Products, the Group also joined China Association of Amusement Parks and Attractions and participates in market research activities organized by the association.

In August 2009, the Group supplied large scale inflatable toys to Fujian TV Sports Channel on "Happy Pingtan" activities, to enhance the presence and popularity of the Group's products.

Other promotional activities

Sales personnel regularly meet with customers to promote the Group's new products, as well as to collect customers' feedback. The Group aims to then adjust the products design whenever necessary to best suit the customers' needs, for better penetration to the consumer market.

The Group's marketing efforts also include placing advertisement in industry magazines. Also, the Group has started to imprint and market the Group's Reinforced Materials under the "Sijia" logo, so as to maximize product promotion. Besides, the Group plans to cooperate with certain end customers by placing the "Sjiia" brand tag on their products which use "Sijia" Materials, in order to further enhance brand awareness. This is also to enhance uniqueness and product differentiation from the Group's competitors.

As at the Latest Practicable Date, the Group's marketing team comprises 24 and 12 marketing personnel each for Reinforced Materials and End Products, respectively. The marketing team is solely responsible for coordinating the Group's sales and marketing activities. Each year, the marketing team formulates the Group's marketing strategies with reference to factors such as overall market conditions and industry trends, and prepares marketing plans accordingly.

SALES AND DISTRIBUTION

Historically, the Group's sales were conducted by way of direct sales to its customers. In order to expand the reach of its products, recently, the Group has also adopted other sales channels such as distributors or electronic trading platform.

Direct sales

After the Group has successfully established contact with the customers via any of the marketing channels, the Group will enter into sales contracts with the customers. Such contracts will specify terms such as price, product specifications, quantity, payment terms and delivery schedule. The sales contracts the Group enters into with its customers are

typically short term contracts, each governing only one specific transaction. In some cases, the Group may also enter into framework agreements with the customers without specific commercial terms on a yearly basis to signify the customers' intention to make purchases from the Group during the relevant period, while the Group will still enter into separate sales orders with the customers each time the customers make specific purchases.

Other sales channels

Distributors

Starting from the fourth quarter of 2009, the Group has also commenced engaging distributors to help distribute its products. A summary of the key terms of the distribution agreements that the Group has entered into with its distributors is set out below:

Term:	1 year
Responsibilities of the distributor:	(1) Distribute the Group's products within a specific designated region (2) Achieve the sales target designated by the Group
Responsibilities of the Group:	(1) Supply its products to the distributor at a specific, pre-agreed price (2) Upon the distributor successfully achieving its sales target, the Group shall provide an annual bonus of a certain percentage of the total sales to the distributor (3) Exchange defective goods for the distributor and be responsible for the relevant transportation cost
Renewal:	Upon the distributor successfully achieving the sales target, the distributor shall have preference for the distributorship right of the relevant region for the next year

For those distributors which enter into agreements with the Group for the first time, the Company will require payment of 30% of the total contract amount as deposit. For other distributors which have previous business relationships with the Group, no such deposit is required. In either case, the contract amount (or balance thereof where the distributors have placed deposit) is payable before inspection by distributors and delivery by Company and delivery of the products to the distributors. The Group will recognize revenue upon delivering its products to distributors.

Currently, only End Products of waders and protective clothing and inflatable boats are sold through such distributors. Depending on the success of the distributorship business model, the Group may also sell other End Products such as inflatable toys through distributors going forward. As of the Latest Practicable Date, the Group has a total of 8 distributors.

Going forward, the Group intends to appoint more distributors at different levels geographically. For instance, the Group intends to appoint distributors at municipal levels along watercourse areas such as Guangdong, Fujian, Hubei, Hunan, Zhejiang, Jiangxi and Anhui to promote its waders and protective clothing, and may also appoint distributors in Sichuan, Guangxi, Guizhou and Yunnan to promote its biogas tanks and inflatable boat products. For those distributors with good performance, the Group may grant distribution rights over a wider area going forward. The Group plans to provide training to distributors from time to time in order to equip them with knowledge on the Group's products, business focus, marketing strategies and development plans.

Electronic trading platform

Starting from the third quarter of 2009, the Group has also commenced using electronic trading platform to conduct sales by selling its goods on independent e-commerce websites such as Taobao.com (淘寶網), on a trial run basis, which has generated minimal revenue contribution to the Group up to the Latest Practicable Date. Through these websites, customers would be able to purchase the products which the Group offers for sale on those websites.

Sales transacted through electronic trading platform will be recognized upon delivery of the goods by the Group. The specific time the Group will receive payment from sales concluded on electronic sales platform depends on the terms and conditions of the online trading platform. In some cases, the Group will receive payment immediately upon payment by customers before delivery of goods, while in other cases, payment made by customers will be held on escrow by the trading platform and will only be released to the Group upon customers confirming receipt of goods.

CUSTOMER SERVICE

In additional to the headquarter sales team in Fuzhou and Xiamen, the Group has three sales representative offices in Guangzhou, Zhengzhou and Weihai. There are altogether nine sales personnel providing services to their respective service locations, to satisfy local customer needs in a timely manner.

Representatives from sales support division (including the staff at the sales representative offices) will be responsible to follow up sales orders, ensure timely delivery of products to customers, follow up on the products performance, conduct regular telephone interviews, perform customer satisfaction surveys and arrange customer meetings.

The Group's sales support division also monitors the overall level of customer satisfaction with the Group's products by maintaining an information database of all customers in their respective geographical coverage and requesting feedback from selected customers. Details of customer feedback are reviewed by the Group's senior management periodically.

CUSTOMERS

The customers of the Group's Reinforced Materials include domestic and overseas manufacturers of End Products across various industries (such as outdoor leisure entertainment, logistics, construction, labour protection, packaging, recreational sports, renewable energy, medical, life-saving, household supplies and advertising), OEM manufacturers of international brands in the PRC, and also include some of the international brands in the respective industries, such as Wibit Sports (a brand of inflatable aquatic leisure products), Sure-Chek (a brand of healthcare fabrics) and Tubbs (a brand of hiking snowshoes). Some Reinforced Materials are sold through trading companies which, as far as the Directors are aware, will be sold to customers that include OEM manufacturers of international brands and international brands in the respective industries of the Group's End Products. No Reinforced Materials are being sold to distributors in the PRC and overseas as at the Latest Practicable Date. The Group's Conventional Materials were principally sold to the raincoat and labour protective clothing manufacturers and trading companies.

As at the Latest Practicable Date, the Group's Materials were sold to over 400 domestic customers (including domestic manufacturers of End Products, OEM manufacturers of international brands and trading companies) as well as over 20 international customers in other countries including the United States, Germany, the United Kingdom, New Zealand, South Korea, Iran, Singapore, Costa Rica, Chile and the Philippines operating in various industries such as outdoor leisure entertainment, logistics, construction, labour protection, packaging, recreational sports, renewable energy, medical, life-saving, household supplies and advertising.

As at the Latest Practicable Date, the Group's End Products are sold to 123 and 43 domestic and international customers respectively including outdoor and waterproof sports and leisure product retailers, wholesalers, and trading companies, drifting clubs and outdoor event organizers and international brands and companies, such as Adcom Motion AG, Wibit Sports, Out of Home Media Group, Smart Digital Australia Pty Ltd, and Ozone s.r.l. During each of the three years ended 31 December 2007, 2008 and 2009, the amount of about RMB7.1 million, RMB9.0 million and RMB135.2 million, representing about 100.0%, 100.0% and 99.5% of the Group's sales amount of End Products were sold under the Group's own brands. The remaining mainly represents sales to international brands. The Group intends to continue to sell its End Products to international brands to expand its scale of operation and strengthen the Group's capabilities through cooperation with these brands.

The Group has maintained long-term relationships with its major customers. The Directors believe that the relationship between the Group and its customers has been and will continue to be good and stable. The Group has 95 customers which have maintained business relationships with the Group for 3 years or more and have purchased from the Group during the Track Record Period. During each of the three years ended 31 December 2007, 2008 and 2009, the Group's sales to these long term customers amounted to about RMB127.3 million, RMB224.2 million and RMB150.6 million, respectively. The Group takes a proactive approach in developing and strengthening its customer relationships by continually improving the quality of its customer service. In addition, the Group's ERP system allows it to better manage the customer information, and gain insight into the needs and behavior of its customers.

The Group will normally deliver the products to new customers only upon the receipt of payment, while the Group will even request certain new customers to pay deposits. For the customers with long-term relationship with the Group, after reviewing the credit history, the Group will allow the customers the credit terms of 30 days which in some cases may extend to 90 days following the date of delivery of its products.

The Group's customers generally settle payments for the Group's products by bank remittance. For export sales to overseas customers, the Group accepts payment by wire transfer in most cases. Letters of credit are also accepted in some cases.

For each of the three years ended 31 December 2007, 2008 and 2009, about 98.3%, 96.7% and 97.8%, respectively, of the Group's products from its continuing operations were sold domestically in the PRC while the remaining was exported to overseas markets. All the Group's export sales are concluded directly with overseas customers and not through trading agents in the PRC. Whilst the Group will manufacture its products in accordance with the specific requirements from the overseas customers which the Directors understand have already taken into account the requirements of overseas regulations relevant to the overseas customers generally, the overseas customers are responsible for ensuring compliance with overseas regulations and quality control standards. During each of the three years ended 31 December 2007, 2008 and 2009, the Group's domestic sales amounted to about RMB146.2 million, RMB289.8 million and RMB557.9 million, respectively and the Group's overseas sales amounted to about RMB2.5 million, RMB9.8 million and RMB12.6 million, for the same periods, respectively. For each of the three years ended 31 December 2007, 2008 and 2009, the Group's export sales generated from continuing operations represented about 1.7%, 3.3% and 2.2% of the Group's total sales respectively. The Group's sales are mainly denominated in RMB, Euro or US$. The Group's products being exported during the Track Record Period are mainly Reinforced Materials (comprising tarpaulins, bag materials, inflatable materials, air tightness materials, curtain materials, professional hiking snowshoes materials and medical materials), which accounted for about 88.0%, 84.0% and 78.7% of the Group's total export revenue for each of the three years ended 31 December 2007, 2008 and 2009. Other products that the Group exported include Conventional Materials of PVC-poly and End Products of inflatable products.

For each of the three years ended 31 December 2007, 2008 and 2009, sales to the top five customers of the Group in aggregate accounted for about 45.4%, 45.5% and 21.5% of the Group's total turnover (excluding discontinued operation), respectively. For the same

periods, sales to the Group's single largest customer accounted for about 12.8%, 10.0%, and 5.1% of the Group's total turnover (excluding discontinued operation) respectively. The Directors believe that the Group's ability to maintain customer loyalty is vital to its success. The Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, the Group did not experience any significant difficulties in retaining existing customers or procuring new customers.

None of the Directors, their respective associates, or so far as the Directors are aware, shareholders who own more than 5% of the issued share capital of the Company (immediately upon completion of the Global Offering, but assuming the Over-allotment Option has not been exercised), had any shareholding interest in any of the aforementioned five largest customers of the Group during the Track Record Period.

PRICING POLICY

The Group takes into account of factors such as the market conditions, cost and brand value when formulating its pricing strategy. Currently, the Group's product price is not subject to any law or regulation and the prices of the Group's products are mainly based on the demand in domestic and overseas markets. Prices of new products are determined by the management with reference to the costs calculated by the technology department. After mass production, marketing team will launch and promote the new products to the market. Product prices will be adjusted according to market response. Prices of the Group's certain products may also be subject to change due to fluctuation in major raw materials cost. The Directors believe that the quality of the Group's certain products are above the industry standards. The Group will consider factors such as brand value, prevailing market conditions, and product quality when determining prices. As a result, the prices of the Group's products are generally higher than that of its competitors.

COMPETITION

Competition in the industry is mainly based on the product quality and customization. Large scale manufacturers are frequently seen in medium and high end market, where product quality is better and margin is more favorable. However, high end market has many entry barriers that prevent medium scale manufacturers to enter whereas small scale manufacturers only provide low end products with less added value.

Positioned in the high end market, the Directors believe the Group is well recognized in the PRC Reinforced Materials market and can compete with its competitors in reputation, pricing, product features, technology, performance, reliability, quality and customer service.

According to Frost & Sullivan, the PRC Reinforced Materials market is fragmented with the top 5 manufacturers together accounted for about 14.9% of the market in 2008, each with market share close to each other within the range of about 2.2% to 3.3%. The Group ranked number four with about 3.0% market share in terms of turnover in 2008 and, with a two-year CAGR of about 139.3%, the Group had a growth rate higher than that of the other top manufacturers and the industry average from 2006 to 2008. The market share of the Group increased to about 4.5% and was ranked number one in terms of turnover for the eight months ended 31 August 2009. Under the outdoor sub-sector of the PRC

Reinforced Materials market, the Group ranked number one and with about 10.4% market share in wader and protective clothing materials, ranked number one and with about 28.1% market share in inflatable materials and ranked number one and with about 10.5% market share in air tightness materials in terms of turnover in 2008. The Group ranked number one and with about 20.4% market share in wader and protective clothing materials, ranked number one and with about 29.0% market share in inflatable materials and ranked number one and with about 18.2% market share in air tightness materials in terms of turnover for the eight months ended 31 August 2009.

The Group's competitors include domestic players such as Wuzhou Guardtex, Shenda-Kobond and Haining Jinda as well as overseas manufacturers that import Reinforced Materials into China. Even though there is no special license or approval required for engaging in the Reinforced Materials business in China, the barriers of entry to the industry, especially, for the high end market is considered high. According to Frost & Sullivan, significant entry barriers include:

(i) **Capital Needs:** In the Reinforced Materials industry, imported advanced equipment is important to guarantee high quality but requires a huge capital investment, while most domestic equipment is still behind the customer requirements. To survive in the competition, cost control via achieving economies of scale is key to new entrants. In order to achieve economies of scale, considerable capital investment is needed, which leads to a high barrier for new entrants.

(ii) **Confronting Market Leaders:** Existing leading manufacturers have set the market structure. New entrants are likely to face barriers set by market leaders such as winning customers over and establish relationships with suppliers.

(iii) **Talents:** As the industry is growing rapidly and with new technology and applications emerging, customer needs are changing quickly. To keep up with market changes, a strong team of research and development talents is key. However, such professionals are hard to find for new entrants, as the industry in China is still very young, and experienced people are very limited. Moreover, experienced technicians are currently insufficient in the PRC Reinforced Materials industry.

(iv) **Mastering Technology:** Manufacturing techniques include laminating, coating and a combination of both techniques and formula. New entrants are likely to face difficulties in mastering such production techniques to meet customer needs as these require certain level of professional experience and knowledge. For example, to achieve a good product quality, the formulation, additives, processing temperature, speed and timing, automation level and many other technology/techniques are all very essential. The proficiency in sample test and quality control is critical. Moreover, technology held by existing players is constantly being upgraded, which makes it even harder for new entrants to catch up with existing players.

As compared to other domestic manufacturers, the Directors believe that they generally do not compete with the Group in respect of brand name, product quality, manufacturing technologies and production capability. However, they do compete with the Group, from time to time, on pricing for certain low to mid end Reinforced Materials such as advertising fabrics, awning fabrics, and cover for truck and train. As such, the Directors believe the Group has certain technological and market share advantages over its domestic competitors demonstrated as follows:

- In producing inflatable materials, the Group has obtained the NFPA701 ("Standard Methods of Fire Tests for Flame Propagation of Textiles and Films") certification issued by the United States Fire Administration. Products that are not certified by NFPA701 of the United States Fire Administration are not allowed in the U.S. fire-resistant related products market.

- The Group is the leading Reinforced Materials supplier for wader and protective clothing material in the PRC, with the largest market share by turnover in the PRC in 2008 and for the eight months ended 31 August 2009. As compared with its domestic competitors, the Group produces the widest range of wader and protective clothing materials of different functions.

- The Group is also the leading Reinforced Materials supplier for inflatable and air tightness materials, with the largest market share by turnover in the PRC in 2008 and for the eight months ended 31 August 2009.

- The Group is the only manufacturer who manufactures both Reinforced Materials for and End Products of biogas tanks for biogas and sewage related projects in the PRC.

- The Group employs a number of advanced equipment imported from USA, Germany and Japan, including equipment for the production of End Products as well as test apparatus. The Directors believe that the manufacturing equipment designed and owned by the Group are among the most advanced equipment in the PRC Reinforced Materials industry. Due to the high technology contained, the equipment guarantees high products quality as well as high production efficiency for the Group.

As compared with overseas manufacturers, the Directors believe that the Group has competitive advantages which are attributable to its relatively lower labour costs, a well established production base in proximity to suppliers and customers, and an extensive customer base in China. The Directors believe that the Group is capable of providing high quality products up to international standards with affordable price to its customers.

In order to maintain or improve its competitiveness and profitability, the Group plans to continue to focus on higher margin Reinforced Materials products such as biogas tank materials, air tightness materials and inflatable materials; improve existing products or developed new products through innovation and research and development; and lower its unit cost by improving production efficiency and economy of scale.

RESEARCH AND DEVELOPMENT

The Group's research and development efforts focus on production technique engineering, material formulation and equipment engineering, for the purpose of development of new technology and technique and product performance enhancement. During each of the three years ended 31 December 2007, 2008 and 2009, the Group's research and development costs amounted to about RMB7.3 million, RMB13.1 million and RMB34.0 million, respectively. The Group's research and development facilities include a broad range of synthesis and testing equipment, such as computerized colour matching equipment imported from the United State, colorimeter imported from Japan, automated tensile strength testing equipment and roll milling equipment, to enable the Group to develop products that meet the changing needs of its customers.

As at the Latest Practicable Date, the Group's research and development team comprises 31 personnel with diploma and undergraduate qualifications, including two engineers and four assistant engineers, in the relevant disciplines including polymer materials, chemical engineering and electrical technology. In addition, the Group currently collaborates with Tianjin Polytechnic University's (天津工業大學) professor and doctoral tutor, Professor Gu Zhenya (顧振亞) and Fujian Center for Development of Functional Materials Technology of Fuzhou University on product research and development. Please refer to the paragraph headed "Collaboration with established scholars and research institute" below for more details.

The Directors believe that the Group's future success depends in part on its ability to deliver high-quality, advanced and unique products to its target customers. The Group demonstrates its strong technological capacities, in which according to Frost & Sullivan, the Group is the only manufacturer who manufactures both Reinforced Materials for and End Products of biogas tanks for biomass and sewage related projects in the PRC. The Group's research and development team works closely with its personnel in sales, engineering, quality control and technical support as well as its customers to develop products to meet their changing needs. The Group currently plans to develop new Reinforced Materials such as TPU envelop materials, PVDF membrane structure materials and PTFE water-proof, permeable and breathable material, as well as new End Products such as pools and air beds.

The Group's continued focus on research and development has resulted in a series of awards and recognitions. For example in June 2007, its Reinforced Materials was awarded the Gold Award in Cross-Strait Trade Union Innovation Exhibition (海峽兩岸職工創新成果展) and in November 2008, its air tightness material for inflatable boats was recognized as a new product and technology with leading national standard by Fujian Provincial Economics and Trade Commission ("福建省經濟貿易委員會"). In November 2008, the Group was recognized as one of the High Technology Enterprises in Fujian Province and such selection was primarily based on certain criteria, including intellectual property, research and development management and sales growth. Please refer to section headed "Awards and Recognitions" for the full range of achievements that the Group has been recognized for.

Collaboration with established scholars and research institute

In May 2008, the Group entered into an exclusive agreement with Professor Zheng Yuying (鄭玉嬰), the dean of Polymer Science and Technology Institute of Fuzhou University (福州大學), to act as an exclusive technical consultant to the Group. Professor Zheng is an expert in polymer material science and technology. Her achievements include three inventions that have successfully received national patents. Professor Zheng also published a number of academic discussion papers including Development in Research of Polymer/Montmorillonite Composite Materials.

In March 2009, the Group entered into an exclusive agreement with Tianjin Polytechnic University's (天津工業大學) professor and doctoral tutor, Professor Gu Zhenya (顧振亞), to act as an exclusive technical consultant to the Group. Professor Gu is an expert and a doctoral tutor in textile science and coloration engineering. She is also a leading scholar of research in textile science and the author of various major publications in the industry in relation to intelligent textile design and application. Professor Gu Zhenya (顧振亞) collaborates with the Group on development of new products and technologies. She has also provided the Group with insights into industry trends, emerging new technologies and transformation of technological knowledge into applications, especially on the development of the Group's new Reinforced Materials, membrane structure material.

A summary of the major terms of cooperation between the Group and each of Professor Zheng Yuying (鄭玉嬰) and Professor Gu Zhenya (顧振亞) is set out below:

	Cooperation with Professor Zheng Yuying (鄭玉嬰)	**Cooperation with Professor Gu Zhenya (顧振亞)**
Date of agreement:	1 May 2008	20 March 2009
Term of appointment:	Exclusive Technical Consultant to the Group	Exclusive Technical Consultant to the Group
Responsibilities of consultant:	Responsible for the Group's technical research and development, innovation and improvement, management and protection of confidentiality, provision of guidance and consulting services; principally responsible for developing and providing formula and technology for new materials	Responsible for the Group's technical research and development, innovation and improvement, management and protection of confidentiality, provision of guidance and consulting services; principally responsible for developing and providing formula and technology for new materials
Responsibilities of the Group:	N/A	N/A

Fees payable to the consultant:	Fees payable to the consultant is divided into two parts: (1) A specified fixed fee per annum (2) An incentive fee, the amount of which shall be mutually agreed between the parties prior to production of the product for commercial use, implementing a technology or patent developed under the cooperation. Whether such incentive fee would become payable shall depend on whether the relevant technology or patent could bring economic benefits to the Group, determined by reference to market response for a period of three months after launch of the product. Other then the incentive fee, the consultant shall not seek any other compensation or reward from profit generated by the product	Fees payable to the consult is divided into two parts: (1) A specified fixed fee per annum (2) An incentive fee, the amount of which shall be mutually agreed between the parties prior to production of the product for commercial use, implementing a technology or patent developed under the cooperation. Whether such incentive fee would become payable shall depend on whether the relevant technology or patent could bring economic benefits to the Group, determined by reference to market response for a period of three months after launch of the product Other than the incentive fee, the consultant shall not seek any other compensation or reward from profit generated by the product
Ownership of intellectual property developed under the cooperation:	Wholly owned by the Group	Wholly owned by the Group
Expiry date:	1 May 2013	20 March 2014

In July 2008, the Group and the Fujian Center for Development of Functional Materials Technology of Fuzhou University entered into a formal agreement to jointly establish the Center for Research and Development of High Strength Industrial Polyester Composite Fabric Materials (高強工業聚酯纖維複合材料研發中心). As a partner in this effort, the Fujian Center for Development of Functional Materials Technology, headed by Professor Zheng Yuying (鄭玉嬰), dean of Polymer Science and Technology Institute of Fuzhou University (福州大學), collaborates with the Group on research and development of new products, providing the Group with insights into the latest domestic and international research breakthroughs, and technical training and support for the Group's staff. Since its inception, the Center for Research and Development of High Strength Industrial Polyester Composite Fabrics Materials (高強工業聚酯纖維複合材料研發中心) holds regular meetings and has discussed the improvement of existing products as well as new product developments.

A summary of the major terms with cooperation between the Group and the Fujian Center for Development of Functional Materials Technology of Fuzhou University in relation to the establishment of the Center for Research and Development for High Strength Industrial Polyester Composite Fabric Materials (高強工業聚酯纖維複合材料研發中心) (Referred to below as "The Center") is set out below:

Date of agreement:	7 July 2008
Term:	The Center will engage in research and product development on areas mutually agreed upon by both parties; both parties will jointly provide training, through various forms and methods, to professional talent relevant to the Group's business
Responsibilities of the Fujian Center for Development of Functional Materials Technology of Fuzhou University:	(1) Provide research staff to participate in research, development and exploration of practical application based on the needs of The Center's research projects (2) Provide office, laboratory space and equipment use based on the needs of The Center's research projects (3) Organize research teams and lead research activities; manage and supervise technology under The Center's research development (4) Follow domestic and international research breakthroughs and new trends to suggest research and development topics

	(5) Provide conceptual and technical training to relevant technical staff; mentor and train technical talent for both parties through various forms and methods
	(6) Manage the organization and participation of research staff
Responsibilities of the Group:	(1) Provide technical staff to participate in research, development and exploration of practical applications based on the needs of The Center's research projects
	(2) Suggest research and development topics for The Center, or assign responsibility for development of projects
	(3) Provide support and assistance with regard to data on samples and relevant materials needed for research projects
	(4) Provide support and assistance with regard to research and laboratory activities that take place in the Group's facilities
	(5) Provide support and assistance to university students' practical training
Ownership of intellectual property developed under the cooperation:	Technological results and ownership of patents (if any) belong to the Group, while academic results belong to the Fujian Center for Development of Functional Materials Technology of Fuzhou University; specific details to be decided within each project agreement
Expiry:	7 July 2011. If considered necessary, the parties can extend the term of the agreement by entering into a new agreement upon expiry of the current agreement

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, the Group held 49 registered patents (including 1 invention patent, 30 utility model patents and 18 design patents), 2 registered trademarks in China, 16 registered trademarks in Hong Kong and 2 registered trademarks in five other foreign countries. The Group has applied for registration of 20 patents and registration of 90 trademarks. The Group relies on a combination of patents, copyrights and trade secret laws and confidentiality agreements to protect its intellectual property.

Further details of the Group's intellectual property rights are set out in the paragraph headed ''Intellectual property rights of the Group'' in the section headed ''Further Information about the Business of the Group'' in Appendix V to this prospectus.

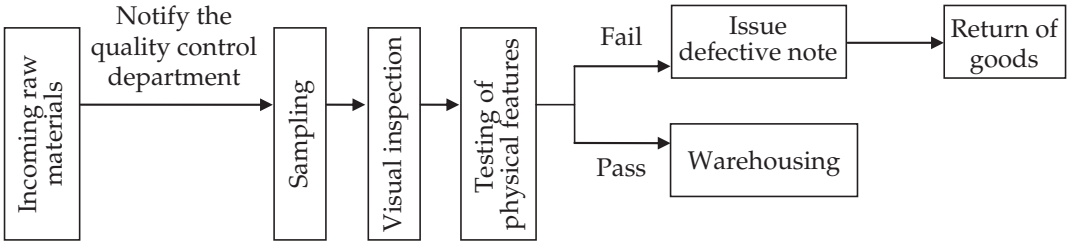
QUALITY CONTROL

The Group recognizes the importance of stringent quality controls in the production of the Group's products and has established quality control department responsible for implementing quality control measures and monitoring quality control procedures. The Group's quality control department consists of 56 staff as at the Latest Practicable Date and are responsible for the quality control at various production phases from the testing of raw materials to be warehoused, products production to finished products inspection. To the best knowledge of the Directors, no product has been recalled for quality reason.

In April 2006, the Group was accredited with the ISO9001:2000 quality system certificate. These recognitions confirm the Group's quality control management systems being consistent with national standards.

Control of raw materials

The quality control department of the Group carries out inspections when raw materials are delivered to the production factory to ensure that the raw materials meet with the required standards. Any raw materials which are identified as defective are returned immediately to the suppliers.

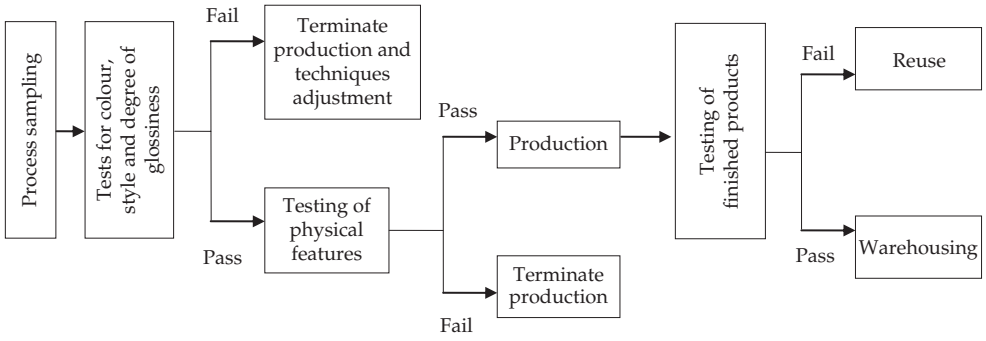


Production control

Quality control measures are in place throughout the production process to ensure that the finished products will meet the quality requirements for the Group set by its customers. Quality control staff monitor and inspect the products during the production process to make sure that each of the products of the Group meets with the required standards. The Group adopts a cross-check quality assurance systems and this includes the testing of raw materials and semi-finished products at the production plants as well as by the quality control department at the testing laboratories. If any semi-finished products is identified as defective, the production process will be suspended immediately and the production techniques will be adjusted as appropriate, in order to resolve the quality problem.

Finished products inspections

In addition, quality control staff will inspect the physical features, appearance and packaging of the finished products and assess whether the products meet with the required standards. Only qualified products are allowed to be delivered to the warehouse. The Group will also send product samples for further testing by independent institutes such as SGS, TUV and Intertek, upon request from its customers.



For the manufacturing of End Products, the Group only utilizes its own range of Reinforced Materials, ensuring the quality of raw materials for End Products. The Group also adopts the same abovementioned quality control system for End Products production and finished products inspection.

GOVERNMENT GRANTS

The Group obtained government grants of RMB124,000, RMB682,000 and RMB1,202,000 for each of the three years ended 31 December 2007, 2008 and 2009, respectively. Governmental grants are one-off, non-recurring and vary according to the then prevailing government policies in the PRC.

INSURANCE

The Group maintains insurance against the losses arising from damages to fixed assets, construction projects, production facilities and current assets (such as inventories), due to accidents or natural disasters. In line with the practice in the PRC, the insurance policies maintained by the Group do not cover any indirect loss such as loss of profits caused by any suspension or termination of business. The Group has provided social insurance for its employees, such as retirement insurance, medical insurance and accident insurance, as stipulated under the statutory requirement of the local government. The Directors believe that the existing insurance policies that the Group maintains are sufficient for protecting its properties.

The Group also maintains group insurance for employees to protect employees in case of any workplace accidents.

Other than these insurance policies effected by the Group, the Group does not have any product liability insurance to cover any liability arising from any defect in its products. No complaint or claim has been made against the Group, against the Group's products or losses or injuries due to defective products provided by the Group during the Track Record Period. Also, according to the Group's legal advisors as to PRC law, Guantao Law Firm, PRC laws do not require the Group to maintain insurance covering any liability arising from or as a result of any defect in the Group's products. The Directors also believe that all the Group's products meet with the quality standards set by the PRC supervision authorities and are therefore of the view that the insurance coverage for product liability is not necessary.

ENVIRONMENTAL PROTECTION

The Group's operations are subject to a number of environmental laws and regulations, including the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), the Administrative Regulations on Environmental Protection for Construction Project (建設項目環境保護管理條例), the Law of the People's Republic of China on the Prevention and Control of the Air Pollution (中華人民共和國大氣污染防治法). The Group has conducted environmental feasibility studies before the commencement of construction of the production plants and ensure the compliance of national environmental requirements regarding the production processes at its production facilities. The Group will conduct necessary environmental feasibility studies and submit to the relevant environmental authorities for approvals in accordance with PRC laws and regulations for any future expansion or establishment of plants or equipment.

The Group's production process will only produce a small amount of industrial wastes. Certain plastic fragment will be leftover during the production process of the final products. The Group will recycle such plastic wastes as raw materials for the sake of cost effectiveness and environmental protection. The Group's production process will not generate any water sewage. The Group checks all raw materials received at its plants to ensure compliance with the Group's safety and quality standards. To the Directors' best knowledge, because all of the Group's raw materials comply with the Group's safety and quality standards, any use of these raw materials, including production processing, storage and disposal, would also comply with applicable PRC environmental regulations such as the Integrated Emission Standard of Air Pollutants (GB16297-1996) (大氣污染物綜合排放標準) ("IESAP"). Since none of the Group's raw materials is toxic, the storage of raw materials will not produce any toxic element or harmful effect on the environment or human health. In addition, since the Group's production process will only produce a small amount of solid industrial waste, which is recyclable and does not have any environmental impact, the disposal process will not produce any toxic element or harmful effect on the environment or human health.

During the processing and heating of PVC, small amounts of harmful gases will be generated at levels in compliance with IESAP. These gases, along with other non-harmful exhaust gases produced during the manufacturing process, are discharged through tall emission pipes at rates in compliance with IESAP. The Group has not received any notice from the environmental bureau in relation to any non-compliance with any environmental laws and regulations during the Track Record Period.

The Group's PRC legal advisor has confirmed that Fujian Sijia has complied with the PRC laws and regulations relating to environmental protection without incurring any penalties for violation of the PRC laws and regulations. Xiamen Grandsoo has obtained pre-approval on the environmental protection of its construction and examination and acceptance of its environmental protection facilities by the government authority. However the time thereof does not conform to the relevant laws and regulations. The confirmation issued by Xiamen Environmental Protection Bureau Tong An Branch (廈門市環境保護局同安分局) on 14 September 2009 confirms that Xiamen Grandsoo has complied with laws and regulations relating to environmental protection and will not incur penalties in respect of the relevant laws and regulations. Based on this, the Group's PRC legal advisor has confirmed that the potential risks in incurring any penalties to Xiamen Grandsoo relating to the environmental protection are remote.

The Group's environmental protection expenditures have been mainly devoted to environment monitoring services, environment cleaning and others to comply with the environmental protection laws and regulations and to upgrade the Group's environmental protection systems. For each of the three years ended 31 December 2007, 2008 and 2009, the Group has spent a total of about RMB11,860, RMB8,100 and RMB11,659 on environmental protection respectively. The Group expects that the cost of compliance with applicable rules and regulations in the year ending 31 December 2010 will be RMB52,000.

As of the Latest Practicable Date, the Group has not been subject to any material proceedings or fines for environmental violations.

SOCIAL, HEALTH AND SAFETY

Fujian Sijia and Xiamen Grandsoo, established in the PRC, are required to comply with PRC Safety Production Rule (中華人民共和國安全生產法). Under such safety law and regulations, the Group should comply with the national or industrial standards for production safety as from time to time prescribed under the applicable PRC law. In particular, the Group is required to establish and from time to time improve the responsibility system for production safety, with definite regulations and operating procedures, and to ensure that the production safety system can be effectively implemented. It should from time to time supervise the implementation of the safety measures, to eliminate any potential safety hazard in a timely manner and to establish emergency plans for work accidents. The Group has adopted various internal policies and is taking protective measures to prevent health and safety hazards. The Group has developed several emergency procedures and contingency plans such as an "industrial accident emergency plan", an "safety emergency plan", a "fire accident plan" and a "special equipment accident emergency plan". In addition, the Group has provided production safety trainings to its employees to ensure that they possess the requisite knowledge of production safety, relevant regulations and operating procedures as well as any particular technique required to carry out the job safely.

The Directors confirm that the Group had not encountered any incidents of violation of safety requirement or non-compliance of relevant laws and regulation in relation to social and health standards.

The Group confirms and the local government authorities supervising labor and social welfare certify that since the establishment, Fujian Sijia and Xiamen Grandsoo have complied with the relevant laws and regulations relating to labor and social welfare without any penalties due to violation of the relevant laws and regulations relating to labor and social welfare.

PROPERTY INTERESTS

The Group owns 2 parcels of land, about 65,107 sq.m. and 5,232 sq.m. in Fuzhou ("Fuzhou Land") and Xiamen ("Xiamen Land") respectively (with an aggregate area of about 70,339 sq.m.) and two industrial complexes with gross floor area of about 11,586 sq.m. and about 8,736 sq.m. in Fuzhou Land and Xiamen Land respectively (with an aggregate gross floor area of about 20,322 sq.m.) as production facilities.

Fuzhou Land

The Group has legally obtained the state-owned land use rights certificates for 65,107 sq.m. of Fuzhou Land.

Among the buildings the Group occupies on Fuzhou Land, it has not obtained building ownership certificates for various ancillary structures with a total gross floor area of about 586 sq.m., comprising transmission room, electric room, water pumping room, boiler room, crusher room and furnace room. As at the Latest Practicable Date, Fujian Sijia has already submitted the relevant application to the Fuzhou Property Management Bureau to apply for the building ownership certificates of these ancillary structures. According to the confirmation letter issued by the Fuzhou Property Management Bureau on 20 October 2009, it confirmed that Fujian Sijia has submitted all the required documents for the application of the building ownership certificates, fulfilling the statutory requirements and the Fuzhou Property Management Bureau was in the process of approving the application, and there would be no actual obstacles and legal risks in granting the building ownership certificates in respect of such ancillary structures to Fujian Sijia. As advised by the Group's PRC legal advisor, there is no actual legal obstacles for the Group to obtain the relevant building ownership certificate of these ancillary structures. In addition, on 20 October 2009, the Fuzhou Property Management Bureau also confirmed that no penalties may be levied against the Group for occupying these buildings. As advised by the Group's PRC legal adviser, the Group could continue to use the relevant buildings without incurring any penalties by local property management bureau for the lack of building ownership certificate.

The Group also has occupied certain temporary buildings situated on Fuzhou Land (with a total gross floor area of about 1,228 sq. m.), which do not have building ownership certificates, comprising warehouse for storing miscellanous building materials to be used for Fuzhou Plant phase two. According to the confirmation issued by Fuzhou Urban and Rural Planning Bureau and Fuzhou Construction Bureau on 20 October 2009, the Group was permitted to use such temporary building on Fuzhou Land, provided that such temporary buildings will be demolished before the commencement of construction of Fuzhou Plant phase two development scheduled in November 2010 and Fujian Sijia would not be penalized for its antecedent construction and use of these temporary buildings

should Fujian Sijia demolishes these temporary buildings before the commencement of construction of Fuzhou Plant phase two. As advised by the Group's PRC legal advisor, the Group had obtained the confirmation from relevant governmental authority and will not incur any penalties imposed to the Group in respect of antecedent construction and use of these temporary buildings by local planning and property construction bureaus. The temporary buildings on Fuzhou Land are only utilized as the storage of building materials for the planned construction of Fuzhou Plant phase two, and is not related to the Group's daily operation. The temporary buildings are by all means to be vacated and the building materials to be put on site when the construction of Fuzhou Plant phase two commences. Therefore, the Directors are of the view that the demolishment of the temporary buildings before the commencement of construction of Fuzhou Plant phase two would not have any material adverse operational and financial impact to the Group's operation and future expansion plan.

Xiamen Land

The Group is in the process of applying for the land use rights certificates for 5,232 sq.m. of Xiamen Land.

As at the Latest Practicable Date, the Group has not yet obtained the building ownership certificate for Xiamen Plant (with an area of 8,736 sq.m.) on Xiamen Land. Commencing its production of End Products in August 2009, Xiamen Plant is expected to generate significant turnover to the Group, and will be material to the Group's operation and financial performance in future. Xiamen Land is located in the Xiamen Tongan Industrial Zone (廈門市同安工業集中區) ("Tongan Industrial Zone") and it is the policy of the management committee of the Tongan Industrial Zone that the building ownership certificate for all buildings in the Tongan Industrial Zone would be applied for collectively after all occupants of the Tongan Industrial Zone have completed construction and upon construction completion inspection being arranged with and accepted by the relevant authorities. According to the confirmation issued by the Tongan Branch of the Xiamen Land and Building Administration Bureau ("Xiamen Bureau Tongan Branch") on 18 September 2009, Xiamen Grandsoo had submitted all the required documents for the application of the relevant land use rights certificate and building ownership certificates, fulfilling the statutory requirements and the Xiamen Bureau Tongan Branch was in the process of approving the application, and there would be no actual obstacles and legal risks in granting the title certificates in respect of Xiamen Land and Xiamen Plant situated thereon to Xiamen Grandsoo. To the best of the Directors' knowledge, it is currently estimated that the land use rights and building ownership certificates of Xiamen Plant will be granted to Xiamen Grandsoo by the end of 2011 and that Xiamen Grandsoo is permitted to use the properties situated on Xiamen Land without incurring any penalties pending grant of formal land and building ownership certificate of Xiamen Land and Xiamen Plant. Guantao Law Firm, the Group's PRC legal advisors, confirmed that Xiamen Bureau Tongan Branch is the competent authority to give such confirmation.

Xiamen Grandsoo submitted the application to obtain the relevant land use right and building ownership certificate on 3 August 2009. According to the written statement issued by Management Committee of Xiamen Tongan Industrial Zone (the "Committee") on 9 December 2009, the Committee plans to deal with applications for land use right

certificates and building ownership certificates collectively for all enterprises situated in the Tongan Industrial Zone upon completion of their construction and of various examination and acceptance by authorities. Currently to the best knowledge of the Directors, 88 enterprises have completed the construction of the plants and have been examined and accepted by authorities, while 25 enterprises have not completed so. The Committee estimated that the construction, examination and acceptance of all plants in the industrial zone will be completed by June 2010 and the land use rights and building ownership certificates of Xiamen Grandsoo will be obtained by the end of 2011. Guantao Law Firm, the Group's PRC legal advisor has confirmed with Xiamen Bureau Tongan Branch through telephone interview that the bureau agrees with the Committee's plan to deal with titles applications collectively when all occupants complete construction and have the construction inspected and accepted by authority and the Group will not be forced to vacate from the properties during the interim period. The Committee is the PRC government authority who is responsible for overall administrative management of the industrial zone. The major responsibilities of the Committee include the formulation and implementation of the development plan of the Tongan Industrial Zone, to introduction of investment into the Tongan Industrial Zone, the management and supervision of project constructions within the Tongan Industrial Zone, construction and management of public utilities in the Tongan Industrial Zone, supervision the operations of enterprises in the Tongan Industrial Zone and then provide other administrative services to enterprises situated in the Tongan Industrial Zone. There is no actual legal obstacle for Xiamen Grandsoo to obtain the same.

In accordance with the legal opinion of the Group's PRC legal advisor, Xiamen Grandsoo had fulfilled all legal requirements for obtaining the land use right certificate of Xiamen Land and building ownership certificate of Xiamen Plant constructed thereon, there would be no actual legal obstacles for Xiamen Grandsoo to obtain the same.

The Controlling Shareholders have agreed to provide an indemnity in favour of the Group for any loss incurred in relation to title defects of the Group's properties in Fuzhou and Xiamen. In the extremely unlikely event that Xiamen Plant is subject to forced removal, the Group can adopt various expedient measures without difficulties, including relocation of all End Product production equipment to Fuzhou Plant, or renting new factory premises in the vicinity of the existing Xiamen Plant. The Group would be able to implement such measures and resume normal production in less than 15 days with no material operational or financial impact to the Group. Based on the above, the Directors are of the view that the pending title and building ownership certificates in respect of Xiamen Land, Fujian Sijia's certain ancillary structures and temporary buildings will not have any material financial or operational impact on the Group.

Property interests rented and occupied by the Group

As at the Latest Practicable Date, the Group leased a total gross floor area of about 295 square meters for office purpose in areas including Hong Kong, Zhengzhou, Guangzhou and Weihai. Such properties are leased from Independent Third Parties and the Group's Hong Kong and PRC legal advisor confirmed that the Group has entered into valid lease agreements with lessors for all leased properties.

DIRECTORS

The Board consists of six Directors, including three executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Lin Shengxiong (林生雄), aged 47, is the chairman and an executive Director of the Company. Mr. Lin is one of the founders of the Group and a substantial shareholder of the Company. Mr. Lin was appointed as a Director on 7 October 2009. He is responsible for all strategic planning, financial and production management of the Group. Mr. Lin has over 24 years of experience in the polymers and plastics industry. He has extensive experience in corporate development and strategic, financial and production management. In September 1992, Mr. Lin was approved as assistant accountant by Sanming City Accounting Career Enhancement Panel* (三明市會計職改領導小組). Prior to serving as the chairman of Fujian Sijia in September 2002, Mr. Lin worked as the costing accountant of Fujian Sanming Plastics Factory* (福建三明塑料廠) from September 1985 to October 1989. During the course of his work, he was required to be familiar with the business and industry including technologies, formulae and production techniques in manufacturing of polymer films. During the material time, Fujian Sanming Plastics Factory was a state-owned entity. He served as head of financial department and assistant to general manager of Fujian Sanming Fuchang Plastics Co., Ltd.* (福建三明福昌塑膠有限公司) from October 1989 to December 1999 responsible for the inventory control and quality control of its polymers and plastics products. Mr. Lin was a director and the general manager of Zhuhai Doumen Plato Plastics Co., Ltd.* (珠海斗門柏拉圖塑膠有限公司) from January 2000 to January 2002 in-charge of production and sales of its polymers and plastics products. Mr. Lin was elected as vice chairman of the 3rd session of the Fujian branch of China Chamber of International Commerce (中國國際商會福建商會) in June 2004. During that year, he also held the post of Committee Member of the 5th session of the Sanming City Sanyuan District Committee* (三明市三元區第五屆委員會) in January. Mr. Lin was elected as a committee member of the 4th session of the Fujian Association of Enterprises with Foreign Investment in November 2007 and a committee member of the 3rd committee of the Fujian Federation of Industry & Commerce in April 2007. He graduated from Sanming Industrial Institute* (三明工業學校) majoring in finance in July 1985. Mr. Lin obtained certificates in finance and accounting and finance from Shanghai Institute of Finance and Commerce Management* (上海市財貿管理幹部學院) and Lixin Accounting Institute* (立信會計高等專科學院) in June 1990 and July 1992 respectively. Mr. Lin further completed certificate course for graduate students in world economics in Graduate Students' College of Xiamen University (廈門大學研究生院) in September 2001.

Mr. Zhang Hongwang (張宏旺), aged 33, is an executive Director of the Company, who is the son-in-law of Mr. Lin's elder brother. Mr. Zhang was appointed as a Director on 7 October 2009. He is responsible for the strategic planning and operations of the Group. Mr. Zhang has over 13 years of experience in the polymers and plastic industry. He has extensive experience in financial management and operation. Since February 2002, Mr. Zhang served as the general manager of Fujian Sijia, responsible for products promotion, formulating and implementing development strategies and operation plans of the Group. Prior to joining the Group, Mr. Zhang served as the accountant and was later promoted as

** For identification purpose only*

accounting manager of Fujian Sanming Yongfeng Plastics Co., Ltd.* (福建三明市永豐塑膠有限公司) from September 1996 to October 2000. Subsequently, Mr. Zhang acted as general manager of Fujian Fang Ya from October 2000 to December 2002 responsible for the production, sales and operation in manufacturing PVC rain coats. Through the above work experience with these companies, Mr. Zhang gained substantial knowledge and experience in technologies, formulae and production techniques in manufacturing of PVC products. He obtained a certificate in finance and accounting (財務與會計) from Fujian Sanming College of Finance* (福建三明財經學校) in July 1996. He has also completed the certificate course for senior business management chief executive seminars in Qinghua University in December 2007 (高級工商管理總裁研修班).

Mr. Huang Wanneng (黃萬能), aged 42, is an executive Director of the Company. Mr. Huang was appointed as a Director on 7 October 2009. He is principally responsible for the research and development of the Group. Mr. Huang is a mechanical engineer and has about 20 years of experience in the polymer and plastic industry. He has extensive experience in on-site management, development of technology and equipments and improvement in production techniques. Mr. Huang served as deputy general manager and chief engineer of Fujian Sijia, mainly responsible for the new equipments, technology and product development, equipment management and technology reform of equipments since September 2002. Prior to joining the group, Mr. Huang worked for Fujian Hongming Plastics Co., Ltd.* (福建省宏明塑膠股份有限公司) where he served various positions, namely, workshop technician, workshop supervisor, equipment engineer and department chief of equipment department from July 1989 to August 2002. During this period, Mr. Huang specialized in management of production automation system used in the manufacturing of polymer and plastics products. He obtained his bachelor's degree in electric engineering from Southeast University in July 1989.

Independent non-executive Directors

Mr. Chan Tsz Fu, Jacky (陳子虎), aged 35, an independent non-executive Director of the Group. Mr. Chan was appointed on 6 January 2010. Mr. Chan has over 15 years of experience in auditing and has established Jacky Chan CPA Ltd. in April 2007. Mr. Chan was a qualified accountant and company secretary of Dahe Media Co., Ltd. (stock code: 8243), a company listed on the Hong Kong Stock Exchange, from 31 July 2005 to 1 September 2006. Prior to that, he served Fujian Zhenyun Plastics Industry Co., Ltd., a company listed on the Singapore Stock Exchange, as chief financial officer during the period from November 2006 to January 2008. Mr. Chan is also an independent non-executive director of Addchance Holdings Limited (stock code: 3344), a company listed on the Hong Kong Stock Exchange, since June 2005. Mr. Chan is a fellow member of the Association of Chartered Certified Accountants, a member of Hong Kong Institute of Certified Public Accountants, a member of the Taxation Institute of Hong Kong and a practicing certified public accountant.

* *For identification purpose only*

Mr. Cai Weican (蔡維燦), aged 50, is an independent non-executive Director of the Company. Mr. Cai was appointed a Director on 6 January 2010. Mr. Cai joined Sanming Vocational and Technical College (三明職業技術學院) since June 2005, holding various positions ranging from senior lecturer assistant professor, senior accountant of the Financial and Accounting Department, Second Convenor (presiding over works) of the Department of Economics and Management, party sub-committee secretary of the Department of Humanity, Economics and Management. Mr. Cai is currently the deputy supervisor and party sub-committee secretary of the Department of Economics and Management at Sanming Vocational and Technical College (三明職業技術學院). Prior to that, Mr. Cai served as an assistant professor, lecturer and research supervisor of Financial and Accounting Department at the Sanming Municipal Supply and Marketing Institute* (三明供銷學校) for the period from August 1981 to April 1994. Subsequently, Mr. Cai served as a lecturer, senior lecturer and research supervisor of Financial and Accounting Department at Sanming College of Finance* (三明財經學校) and was a member of the Community Party disciplinary sub-committee at the Sanming Finance Institute* (三明財經學校) for the period from May 1994 to May 2005. He obtained a bachelor's degree in Hunan University specializing in accounting in 2004.

Mr. Choi Tze Kit, Sammy (蔡子傑), aged 47, an independent non-executive Director of the Group. Mr. Choi was appointed a Director on 6 January 2010. Mr. Choi graduated from the Hong Kong Shue Yan College (presently known as Hong Kong Shue Yan University). He is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Chartered Association Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Choi is also a council member of the Society of Chinese Accountants & Auditors. He was an independent non-executive director of Yun Sky Chemical (International) Holdings Limited (formerly known as Swank International Manufacturing Company Limited), from July 2005 to September 2008, the issued shares of which are listed in Hong Kong Stock Exchange (Stock Code: 663). He has over 20 years of experience in finance and auditing. Mr. Choi is also currently an independent non-executive director of Fufeng Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 546).

Save as disclosed herein, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2) of the Listing Rules as at the Latest Practicable Date.

Save as disclosed in this prospectus, none of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

** For identification purpose only*

SENIOR MANAGEMENT

Mr. Chan Wing Hang (陳永恒), *FCCA, CPA,* aged 32, is the chief financial officer and company secretary of the Company and is responsible for the overall financial control, company secretarial and compliance functions of the Company. He is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Mr. Chan was the financial controller, qualified accountant and company secretary of China National Materials Company Limited (中國中材股份有限公司) (stock code: 1893), the shares of which are listed on the main board of Hong Kong Stock Exchange. He has also served as the assistant financial controller, qualified accountant and company secretary of Western Mining Company Limited (西部礦業股份有限公司) (stock code: 601168), the shares of which are listed on the Shanghai Stock Exchange. Prior to that, Mr. Chan was also the qualified accountant and company secretary of Shinhint Acoustic Link Holdings Limited (成謙聲匯控股有限公司) (stock code: 2728), the shares of which are listed on the main board of Hong Kong Stock Exchange. Mr. Chan has more than 10 years of experience in accounting, finance, compliance, company secretarial and initial public offerings. He graduated from City University of Hong Kong (香港城市大學) in November 1999 with a degree of Bachelor of Business Administration (Honours) in Accountancy.

Mr. Lai Derong (賴德榮), aged 37, is the deputy general manager and the production plant manager of the Group and is primarily responsible for overseeing the production management of the Group. Mr. Lai joined us in June 2008. Prior to joining the Group, he worked for Intex Group from July 1994 to July 2005 and served various positions as technician, team leader and division head of production and management department. From August 2005 to May 2008, he served as manager of Polytree Group, mainly responsible for the technology, production and management of the factory. Mr. Lai obtained a diploma in marketing from Fujian Institute of Economics and Management* (福建經濟管理干部學院) in July 1994.

Mr. Huang Daohuo (黃道火), aged 37, is the division head of sales support of the Group, primarily responsible for overseeing the after-sale technical support service of the Group. Before joining the Group in July 2003, Mr. Huang served as chief operator (主操) and supervisor (領班) of Fujian Sanming Fuchang Plastics Co., Ltd.* (福建三明福昌塑膠有限公司) from March 1992 to July 2000, and as supervisor (領班) of Fuzhou Fuhua Plastics Co., Ltd.* (福建福華塑膠有限公司) from August 2000 to March 2003. Mr. Huang graduated from high school in July 1991.

Mr. Jiang Shisheng (蔣石生), aged 40, is the division head of technology of the Group, primarily responsible for technological development of the Group. Mr. Jiang was approved as an engineer by Fujian Provincial Bureau of Personnel in December 1998. Prior to joining the Group in August 2006, Mr. Jiang served various positions as crafts technician, supervisor of technological development department and supervisor of technical center of Fujian Hongming Plastics Co., Ltd* (福建宏明塑膠股份有限公司) from July 1992 to August 2003, crafts engineer of Sanming Mingxin Plastics Co., Ltd* (三明明鑫塑膠有限公司) from August 1993 to July 1999, and supervisor of technical department of

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Zhejiang Longyue Technology Co., Ltd. (浙江龍躍科技有限公司) from August 2003 to April 2006. Mr. Jiang obtained a bachelors degree in rubber and plastics engineering from Tianjin University of Light Industry* (天津輕工業學院).

Mr. Wu Yonggui (伍永貴), aged 30, is the division head of finance of the Group, mainly responsible for accounting and audit of the Group. Mr. Wu is also an accountant and assistant economist. Before joining the Group in January 2006, Mr. Wu held various posts with Xiamen Huier-Kang Food Co., Ltd.* (廈門惠爾康食品有限公司), namely, costs analyst, production planning officer and costs accountant for the period from July 2003 to December 2004. From January 2005 to December 2005, he worked as sales accountant for Fujian Huier-Kang Dairy Co., Ltd.* (福建惠爾康乳業有限公司) Mr. Wu graduated from Jimei University majoring financial management (with human resource management).

Ms. Luo Xiaoyan (羅小炎), aged 24, is the division head of the procurement department of the Group and is primarily responsible for the procurement and quality control of the procured materials. Ms. Luo joined Fujian Sijia in August 2005 and worked as inspector in the production department. Since February 2006, she served various positions in the procurement department from merchandiser to assistant to the division head. Ms. Luo graduated from Liming Vocational University (黎明職業大學) majoring in marketing in July 2005.

Ms. Zou Xiaoyan (鄒小艷), aged 26, is the division head of the international trade department of the Group and is primarily responsible for the international sales and marketing, market expansion and establishment of sales network of the Group's products. Ms. Zou joined Fujian Sijia in June 2006 as international trade salesperson and was promoted as the division head of the international trade department in March 2009. She graduated from Zhangzhou Normal University majoring in English language in 2006.

Mr. Liu Jun (劉俊), aged 29, is the assistant to general manager and the division head of the marketing department of the Group, mainly responsible for marketing and formulating future product structure of the Group. Mr. Liu joined Fujian Sijia in May 2003. He served as merchandiser from 2003 to 2005 and as assistant to the division head of the marketing department in July 2005 and was later promoted to the division head of the marketing department in October 2006. Prior to joining us, Mr. Liu worked in the quality control department and production and management department of Quanzhou Rada Light Industry Co., Ltd. (泉州立大輕工有限公司). He obtained a certificate in Chinese language from Yunyang Teachers' College (鄖陽師範高等專科學校) in July 2001.

COMPANY SECRETARY

Mr. Chan Wing Hang (陳永恒), for further details, please see the sub-section headed "Senior Management" above.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong and in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Given that the Group's principal business operations are located, managed and conducted in the PRC, most of the Group's senior management reside in the PRC and currently, none of its executive Directors ordinarily resides in Hong Kong. The Group does not and, for the foreseeable future, will not have sufficient management presence in Hong Kong. Accordingly, the Group has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted the Group, a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules. For details, please see the paragraph headed "Management presence in Hong Kong" under the section headed "Waiver from Strict Compliance with Listing Rules and Exemption from the Companies Ordinance" in this prospectus.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Group reimburses its Directors for expenses which are necessarily and reasonably incurred for providing services to the Group's executing their functions in relation to the Group's operations. The Group's executive Directors are also the Group's employees and receive, in their capacity as the Group's employees, compensation in the form of salaries and other allowances and benefits in kind. During each of the three financial years ended 31 December 2007, 2008 and 2009, the aggregate amount of salaries and other allowances and benefits in kind paid to the Directors was about RMB184,000, RMB260,000 and RMB364,000, respectively.

During the Track Record Period, the remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions. Any discretionary bonus (if any) is linked to the performance of the Group and of individual Director. The Company intends to continue its remuneration policy after Listing, subject to the review by and the recommendation of, the remuneration of the Company.

Under the arrangements currently in force, the aggregate remuneration, excluding discretionary bonuses, payable to the Directors for the year ending 31 December 2010 is estimated to be about HK$1,848,000.

None of the Group's five highest paid individuals has been paid any sum of money for each of the three years ended 31 December 2009 as (i) an inducement to join or upon joining the Company; or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

Further information on the remuneration of each Director during the Track Record Period as well as information on the highest paid individuals is set out in note 9 to the consolidated financial statement included in the accountants' report as set out in Appendix I to this prospectus.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme, the purpose of which is to provide incentives to the relevant participants to contribute to the Company and to enable the Company to recruit high-calibre employees and attract human resources that are valuable to the Group. The principal terms of such scheme are summarized in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

BOARD COMMITTEES

Audit committee

The Company has established an audit committee on 15 January 2010 which has adopted written terms of reference in compliance with the Code on Corporate Governance Practice set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group.

The audit committee has three members comprising three independent non-executive Directors, namely, Mr. Chan Tsz Fu, Jacky, Mr. Cai Weican and Mr. Choi Tze Kit, Sammy. Mr. Chan Tsz Fu, Jacky is the chairman of the Group's audit committee.

Remuneration committee

The Company has established a remuneration committee on 15 January 2010 in compliance with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management of the Group.

The remuneration committee comprises three independent non-executive Directors, namely, Mr. Chan Tsz Fu, Jacky, Mr. Cai Weican, and Mr. Choi Tze Kit, Sammy. Mr. Choi Tze Kit, Sammy is the chairman of the remuneration committee.

Nomination committee

The Company established a nomination committee on 15 January 2010 in compliance with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules. The nomination committee will make recommendations to the Board on the appointment of executive Directors and senior management and review the structure, size and composition of the Board on a regular basis.

The nomination committee comprises three independent non-executive Directors, namely, Mr. Chan Tsz Fu, Jacky, Mr. Cai Weican, and Mr. Choi Tze Kit, Sammy. Mr. Cai Weican is the chairman of the Group's nomination committee.

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, the Company intends to comply with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules after the Listing.

EMPLOYEES

As at the Latest Practicable Date, the Group had a total of 555 full-time employees, details of which are set out below:

	No. of employees
Management	3
Finance	26
Human Resources	36
Production	381
Sales	69
Procurement	9
Research and Development	31
Total	555

THE GROUP'S RELATIONSHIP WITH EMPLOYEES

The Group recognizes the importance of good relationships with employees. The Group believes that it has good working relationships with its employees and has not experienced any material disruption of its normal business operations due to strikes or labour disputes, nor has it experienced any difficulties in recruitment and retention of experienced staff.

WELFARE CONTRIBUTIONS

The Group contributes to various social insurance plans namely, pension contribution plans, unemployment insurance plans, medical insurance plans, work-related injury insurance plans and maternity insurance plans and housing funds for its employees in the PRC.

The total amount of contributions the Group made for the various social insurance and housing funds under such social insurance plans for each of the three financial years ended 31 December 2007, 2008 and 2009, amounted to about RMB2.3 million, RMB993,000 and RMB1.2 million, respectively. The total amount of contribution the Group made for pension program for each of the financial years ended 31 December 2007, 2008 and 2009 amount to about RMB1.4 million, RMB557,000 and RMB559,000 respectively. The Group confirms, and has obtained written confirmations from the relevant authorities, that it has complied in all material respects the social insurance and housing funds obligations of the Group.

COMPLIANCE ADVISOR

The Company has appointed Piper Jaffray Asia as its compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise the Company on the following matters:

(i) the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Hong Kong Stock Exchange makes an enquiry of the Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end on the date on which the Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

Immediately following completion of the Global Offering and the Capitalization Issue (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), Hopeland International, which is wholly-owned by Mr. Lin, will be interested in 63.75% of the issued share capital of the Company. Hence, Mr. Lin and Hopeland International will be the Controlling Shareholders within the meaning of the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

The Directors consider that the Group is capable of carrying on its business independent of the Controlling Shareholders and their associates on the following reasons:

1. Management independence and operational independence

Although the Controlling Shareholders will retain a controlling interest in the Company after the Listing, the Company has full rights to make all decisions on, and to carry out, its own business operations independently. The Company (through its subsidiaries) holds all relevant licences necessary to carry on the business, and has sufficient capital, equipment and employees to operate the businesses independently from the Controlling Shareholders.

The Company's management and operational decisions are made by the executive Directors and senior management, who have served the Company and/or its subsidiaries for a long time and have substantial experience in the industry in which the Company is engaged. Further, the Company's three independent non-executive Directors will bring independent judgment to the decision-making process of the Board.

Save for the continuing connected transaction disclosed in the section headed "Connected Transaction" in this prospectus, the Directors do not expect that there will be any other transactions between the Group and the Controlling Shareholders upon or shortly after the Listing.

2. Administrative independence

The Group has its own capabilities and personnel to perform all essential administrative functions including financial and accounting management, inventory management and research and development. The company secretary and senior management staff are independent of the Controlling Shareholders.

3. Financial independence

The Group has its own financial management system and the ability to operate independently from the Controlling Shareholders from a financial perspective. The Directors believe that the Group is capable of obtaining financing from external sources without reliance on the Controlling Shareholders. During the Track Record Period, the Group has certain outstanding balances due from/to related parties. The amount due to

Mr. Lin of about RMB35.9 million has been assigned to China Grandsoo during 2009 as part of the Corporate Reorganization, resulting in nil balance due to Mr. Lin as at 31 December 2009. After such assignment, the amount due to Mr. Lin from Hong Kong Sijia became amount due to China Grandsoo and intra-group balances within the Group which will be eliminated in the consolidated balance sheet of the Group. The Directors confirmed that all other non-trade payable balances with the Controlling Shareholder and other balances with related parties of the Group will be fully settled before the Listing.

Non-competition Undertaking

The Controlling Shareholders have confirmed that they are neither engaged, nor interested, in any business which, directly or indirectly, competes or may compete with the Group's business.

On 15 January 2010, the Company (for itself and as trustee for and on behalf of its subsidiaries and associated companies) entered into the Non-competition Deed with each of the Controlling Shareholders. Pursuant to the Non-competition Deed, each of the Controlling Shareholders irrevocably and unconditionally, jointly and severally, covenants and undertakes with the Company (for itself and as trustee for and on behalf of its subsidiaries and associated companies) that, during the period from the Listing Date and up to the date on which such Controlling Shareholders and/or its/his associates cease to beneficially own (i) more than 30% of the issued share capital of the Company or (ii) any interests in the direct or indirect corporate shareholders of the Company which in turn beneficially own more than 30% of the issued share capital of the Company, each of the Controlling Shareholders shall not, and shall procure that none of its/his associates shall, directly or indirectly, establish, invest, involve in, manage, operate or otherwise hold any right or interest, directly or indirectly, in the business of design, development, manufacture and sale of (i) the Reinforced Materials, (ii) Conventional Materials and (iii) End Products, and such other business conducted or carried on by the Group from time to time (the "Restricted Business") within the PRC (inclusive of Hong Kong) and such other places as the Group may conduct or carry on business from time to time.

Notwithstanding aforesaid, the non-competition undertaking as set out above shall not prevent the Controlling Shareholders and their respective associates from acquiring a direct or indirect shareholding interest of not more than 10% in a company listed on any stock exchange anywhere in the world and engaged in any Restricted Business.

CONTINUING CONNECTED TRANSACTION

Upon the Listing, the transaction set forth below will constitute a continuing connected transaction for the Company.

Lease Agreement

On 1 March 2009, Xiamen Grandsoo as landlord and Xiamen Daxiang Protective Sheet Co., Ltd.* ("Xiamen Daxiang") (廈門達翔環保片材有限公司) as tenant entered into a lease agreement ("Lease Agreement") pursuant to which the property located at No. 63 Huliyuan, Tong'an Industrial Concentrated Area, Xiamen, Fujian Province with an aggregate area of about 1,511 square meters was leased to Xiamen Daxiang for use as production and operation premises.

The Lease Agreement has a term of 15 years commencing from 16 March 2009 and ending on 15 March 2024 subject to termination by either party by serving not less than 60 days prior notice to the other party. Pursuant to the Lease Agreement, the monthly rent is RMB10 per square meter (tax inclusive), which amounts to an annual cap of about RMB181,320, and shall be subject to review every three years taking into account the then market conditions. The rent is payable by Xiamen Daxiang to Xiamen Grandsoo quarterly in advance within 10 days before the end of the relevant quarter. DTZ Debenham Tie Leung Limited has reviewed the Lease Agreement and considers that the rental receivable by Xiamen Grandsoo thereunder is in line with market rates.

Xiamen Daxiang was incorporated in the PRC in 2005 with a registered and paid up capital of RMB10 million and is engaged in the business of production and sale of plastic planks, pipes and materials. Xiamen Daxiang is owned as to 48% by Mrs. Lin who is the spouse of Mr. Lin, an executive Director and one of the Controlling Shareholders. Xiamen Daxiang, therefore, is a connected person of the Company. Thus, the Lease Agreement constitutes a continuing connected transaction of the Company in accordance with the Listing Rules.

As each of the percentage ratios (other than the profits ratio) for the Lease Agreement is less than 0.1%, the transaction under the Lease Agreement is exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In the event that the cap under the Lease Agreement exceeds the threshold of de minimis transaction in the future, the Company will comply with the relevant requirements pursuant to the Listing Rules in due course.

Save as disclosed herein and page I-45 in the Appendix I headed "Accountants' Report", the Group has no other business relationship, past or present, with Xiamen Daxiang.

* *For identification purpose only*

So far as the Directors are aware, immediately after the allotment of the Offer Shares and the Capitalization Issue (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Substantial Shareholder	**Nature of interest and capacity**	**Number of Shares directly or indirectly held immediately following the allotment of the Offer Shares and the Capitalization Issue**	**Approximate percentage of voting power**
Hopeland International *(Note 1)*	Beneficial owner	510,000,000	63.75%
Mr. Lin *(Note 1)*	Interests in controlled corporation	510,000,000	63.75%
Mrs. Lin *(Note 2)*	Interests of spouse	510,000,000	63.75%
Glory Bright *(Note 3)*	Beneficial owner	90,000,000	11.25%
Mr. Lin Wanpeng *(Note 3)*	Interests in controlled Corporation	90,000,000	11.25%
Ms. Wang Huiqing *(Note 4)*	Interests of spouse	90,000,000	11.25%

Notes:

1. The entire issued share capital of Hopeland International is beneficially owned by Mr. Lin who is deemed to be interested in the Shares held by Hopeland International pursuant to the SFO.

2. Mrs. Lin is the spouse of Mr. Lin. Therefore, Mrs. Lin is deemed to be interested in the Shares in which Mr. Lin is interested for the purposes of the SFO.

3. The entire issued share capital of Glory Bright is beneficially owned by Mr. Lin Wanpeng who is deemed to be interested in the Shares held by Glory Bright pursuant in the SFO.

4. Ms. Wang Huiqing is the spouse of Mr. Lin Wanpeng. Therefore, Ms. Wang Huiqing is deemed to be interested in the Shares in which Mr. Lin Wanpeng is interested for the purposes of the SFO.

Save as disclosed herein, the Directors are not aware of any person (who are not Directors or chief executive of the Company) who will, immediately following the completion of the Global Offering, have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or who are, directly or indirectly, interest in 10% or more of the Company's registered capital. The Directors are not aware of any arrangement which may at a subsequent date result in a change of control of the Company.

The table below sets out the share capital issued and to be issued fully paid or credited as fully paid, as of the date of his prospectus and immediately after the completion of the Global Offering:

Authorized capital:		*HK$*
2,000,000,000	Shares	2,000,000
Shares issued and to be issued, fully-paid or credited as fully-paid:		
100,000,000	Shares in issue as at the Latest Practicable Date	100,000
500,000,000	Shares to be issued pursuant to the Capitalization Issue	500,000
200,000,000	New Shares to be issued pursuant to the Global Offering	200,000
Total:		
800,000,000	Shares	800,000

ASSUMPTION

The above table assumes that the Global Offering becomes unconditional.

It does not take into account any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate given to the Directors to allot and issue or repurchase Shares as referred below.

RANKING

The Offer Shares and the Shares that may be issued pursuant to the Over-allotment Option rank pari passu with all existing Shares in issue on the date of the allotment and issue of such shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus save for any entitlement to the Capitalization Issue.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on 8 April 2010. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisers and consultants to the Company or its subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue immediately upon commencement of dealings of Shares on the Listing Date. Options which have lapsed in accordance with the Share Option Scheme shall not be counted in calculating the 10% limit. This limit may be renewed from time to time as described in Appendix V to this prospectus. The Share Option Scheme also contains limits as to the number of Shares which (i) may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other scheme; (ii) may be subject to options granted to individual participants; and (iii) may be subject to options granted to the Directors, chief executive or substantial shareholders of the Company or any of their respective associates. Further details of the terms of the Share Option Scheme, including those matters referred to above are set out in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

ISSUING MANDATE

The Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(a) 20% of the aggregate nominal value of the share capital of the Company in issue, excluding the Shares which may be issued pursuant to the Over-allotment Option, immediately following completion of the Global Offering; and

(b) the aggregate nominal value of share capital of the Company repurchased by the Company, if any, under the general mandate to repurchase Shares referred to below. The allotment and issue of Shares under a rights issue, scrip dividend scheme or similar arrangement, or of options which may be granted under the Share Option Scheme do not generally require the approval of the Shareholders of the Company in general meeting and the aggregate nominal value of the Shares which the Directors are authorized allot and issue under this mandate will not be reduced by the allotment and issue of such Shares.

This mandate will expire at the earliest of:

- the conclusion of the Company's next annual general meeting; or
- the expiration of the period within which the Company is required by law or the Articles of Association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting.

For further details of the Issuing Mandate, please refer to the paragraph headed "Written Resolutions of all the shareholders of the Company passed on 8 April 2010" in Appendix V to this prospectus.

REPURCHASE MANDATE

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of the Company in issue following the completion of the Global Offering (excluding Shares which may to be issued pursuant to the Over-allotment Option).

This mandate only relates to repurchases made on the Hong Kong Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognized by the SFC in Hong Kong and the Hong Kong Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Hong Kong Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the paragraph headed "Repurchase by the Company of its own securities" in Appendix V to this prospectus.

This mandate will expire at the earliest of:

- the conclusion of the Company's next annual general meeting; or
- the expiration of the period within which the Company is required by law or the Articles of Association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting.

For further details of the Repurchase Mandate, please refer to the paragraph headed "Repurchase by the Company of its own securities" in Appendix V to this prospectus.

You should read the following discussion and analysis in conjunction with the Group's consolidated financial information set forth in the Accountants' Report included as Appendix I to this Prospectus, and the Group's selected historical consolidated financial information and operating data and the notes thereto included elsewhere in this Prospectus. The Group's consolidated financial information has been prepared in accordance with HKFRS.

The following discussion and analysis contains certain forward-looking statements that reflect the Group's current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of the Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Directors believe are appropriate under the circumstances. However, whether actual outcome and developments will meet the Group's expectations and predictions depend on a number of risks and uncertainties over which the Group does not have control. See "Risk Factors" and "Forward-looking Statements".

Unless otherwise indicated, all financial data, whether presented on a consolidated basis or by segment, is presented net of inter-segment transactions (i.e., inter-segment and other intercompany transactions have been eliminated).

Unless otherwise specified, translation of RMB into HK$ in the "Financial Information" section are based on the exchange rate set out below (for the purpose of illustration only):

For the year ended 31 December 2007:	*RMB1.00: HK$1.0273*
For the year ended 31 December 2008:	*RMB1.00: HK$1.1225*
For the year ended 31 December 2009:	*RMB1.00: HK$1.1331*

No representation is made that any amounts in RMB and HK$ can be or could have been converted at the relevant dates at the above exchange rate or any other rates at all.

OVERVIEW

The Group is principally engaged in the design, development, manufacture and sale of polymer processed high strength polyester fabric composite materials and other reinforced composite materials ("Reinforced Materials") and conventional materials ("Conventional Materials", and together with Reinforced Materials, collectively known as "Materials"). The Group has also expanded into the design, development, manufacture and sale of downstream related inflatable and waterproof products targeting the outdoor leisure, recreation and sports consumer market ("End Products").

For each of the three years ended 31 December 2007, 2008 and 2009, turnover of Reinforced Materials accounted for about 31.8%, 55.6% and 59.7%, respectively, of the Group's total turnover (excluding discontinued operation). Turnover of Reinforced Materials increased from about RMB47.3 million in 2007 to about RMB340.7 million in 2009, representing a CAGR of about 168.4%.

According to Frost & Sullivan, the Group was the fourth largest and the largest manufacturer of Reinforced Materials in the PRC in terms of turnover in 2008 and for the eight months ended 31 August 2009 respectively. Under the outdoor sub-sector of the PRC Reinforced Materials market, the Group was the largest manufacturer of wader and protective garment materials and with the widest product range and functions, the largest manufacturer of inflatable materials and the largest manufacturer of air tightness materials in terms of turnover for these two periods respectively.

To capitalize on the growing international and, in particular the PRC downstream outdoor leisure and recreational products market and to leverage on its expertise in manufacturing Reinforced Materials which are used to manufacture downstream inflatable and waterproof products, the Group began to develop its End Products business and engaged in small scale production since 2007 and further increased its production capacity by commencing the operation of the Xiamen Plant in 2009. For each the three years ended 31 December 2007, 2008 and 2009, turnover of End Products accounted for about 4.8%, 3.0% and 23.8%, respectively, of the Group's total revenue (excluding discontinued operation). Turnover of End Products for the year ended 31 December 2009 was about RMB135.8 million.

Total revenue of the Group (excluding discontinued operation) grew from about RMB148.7 million in 2007 to about RMB570.5 million in 2009 while profit attributable to equity holders of the Company grew from about RMB36.8 million in 2007 to about RMB171.2 million in 2009. Profit attributable to equity holders of the Company from continuing operations amounted to about RMB24.4 million (HK$25.0 million), RMB60.0 million (HK$67.3 million) and RMB171.2 million (HK$194.0 million) for each of the three years ended 31 December 2007, 2008 and 2009, respectively, while profit attributable to equity holders of the Company from the discontinued operation amounted to about RMB12.4 million (HK$12.8 million), RMB1.3 million (HK$1.5 million) and nil respectively for the same periods.

TRADING RECORD

Summary of results of the continuing operations of the Group

The table below sets forth a summary of the consolidated results of the continuing operations of the Group for the Track Record Period on the assumption that the current structure of the Group had been in existence throughout the period under review. It should be read in conjunction with the Accountants' Report set forth in Appendix I to this prospectus.

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
CONTINUING OPERATIONS			
REVENUE	148,715	299,644	570,492
Cost of sales	(102,718)	(180,480)	(311,624)
Gross profit	45,997	119,164	258,868
Other income and gains	348	3,308	1,979
Selling and distribution costs	(1,660)	(4,317)	(3,612)
Administrative expenses	(13,512)	(20,959)	(49,657)
Other expenses	(718)	(485)	(881)
Finance costs	(758)	(1,951)	(2,139)
PROFIT BEFORE TAX	29,697	94,760	204,558
Income tax expense	(3,568)	(15,313)	(33,346)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	26,129	79,447	171,212

Summary of results of the discontinued operation

Investors should note that the discontinued operation, namely the raincoat and general protective clothing business, will not form part of the Group. The results of the discontinued operation during the Track Record Period set out below are extracted from the Accountants' Report, the text of which is set out in Appendix I to this prospectus:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	100,481	21,585	–
Cost of sales	(83,123)	(19,160)	–
Expenses	(1,916)	(442)	–
Profit before tax from the discontinued operation	15,442	1,983	–
Tax:			
Related to pre-tax profit	(2,187)	(253)	–
Profit for the year from the discontinued operation	13,255	1,730	–

BASIS OF PRESENTATION

The Company was incorporated on 7 October 2009 as an exempted company with limited liability under the Cayman Companies Law in preparation for a listing of the Shares. As a result of the Corporate Reorganization, the Company became the holding company of all its subsidiaries.

As the Company and its subsidiaries (including Hong Kong Sijia and Xiamen Grandsoo) were under continuous common control by Mr. Lin for the Track Record Period, the financial information was prepared on the basis as if the Company had been the holding company of the Group from the beginning of the Track Record Period. The consolidated statements of income, consolidated statements of financial position and consolidated statements of changes in equity of the Group for the Track Record Period include the financial information of the companies comprising the Group as a result of the Corporate Reorganization as if the current group structure had been in existence throughout the Track Record Period. Please refer to note 2 of Section II of the Accountants' Report, "History, Reorganization and Group Structure" section and Appendix V "Statutory and General Information" to this prospectus for further description of the basis on which the Directors have prepared the Group's financial information. The Group's consolidated financial information as of and for each of the three years ended 31 December 2007, 2008 and 2009 were audited by Ernst & Young, Certified Public Accountants, Hong Kong. The Group's consolidated financial information was prepared in accordance with HKFRSs, (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by HKICPA, accounting principles generally accepted in Hong Kong.

DISCONTINUED OPERATION

Discontinued operation represented the raincoat and general protective clothing operation of Fujian Sijia, which the Group has discontinued since May 2008, with a view to focusing on delivering Reinforced Materials. The raincoat and general protective clothing business was a separately identifiable and managed business division of the Group under Fujian Sijia. In this connection, the raincoat and general protective clothing business was operated under separate management, which was recorded under separate books and records from the continuing operations. The financial results, assets and liabilities of the raincoat and general protective clothing business were separated from the continuing operations of the Group. As at 31 December 2007, the net assets of the discontinued operation amounted to about RMB6.7 million, while the net profits from the discontinued operation for each of the two years ended 31 December 2007 and 2008 (before the disposal of the discontinued operation by the Group) amounted to about RMB13.3 million and RMB1.7 million, respectively. For details of the financial information regarding the discontinued operation, please refer to note 13 of the Accountants' Report set out in Appendix I in this Prospectus.

SIGNIFICANT FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The Group's financial condition and results of operations have been and will continue to be affected by a number of factors, including those set out below.

Product mix and product margins

The mix of products that the Group sells affects its results of operations such as its gross profit margins since different products have different profitability. Profitability would also be affected by the number and type of new products launched, including additional cost (if any) incurred to develop specific techniques and formulae, its pricing strategy for specific types of target customers and customer demand. As a result of focusing on the sale of Reinforced Materials and End Products in recent years, revenue contribution from Reinforced Materials increased from about 19.0% in 2007 to about 59.7% in 2009 and revenue contribution from End Products increased from about 2.8% in 2007 to about 23.8% in 2009. Due to higher margins for Reinforced Materials and End Products, the Group's gross profit margins has also increased from about 30.9% in 2007 to about 45.4% in 2009. The Group's gross profit margin will be adversely affected if the percentage contribution from Reinforced Materials and End Products decrease, or if their profit margins decrease. The ability of the Group to maintain, and increase, its margins depends on the intensity of the competition, market supply and demand, product quality, the costs of raw materials and the product price of its competitors. The Group's results also depends on its ability to market its products, develop new products with improves charactertistic and to meet the requirements of end users.

Growth in Reinforced Materials market in China

According to Frost & Sullivan, due to the large number of downstream applications and growing domestic demand, the total manufacturing revenue of Reinforced Materials in China has been steadily growing, having reached about RMB5.6 billion in 2008 from about RMB3.7 billion in 2006, representing a CAGR of about 22.1%. Reinforced Materials industry in China remained in the early growth stage in 2008, is anticipated to keep increasing and targeted to reach about RMB21.5 billion in 2014 from about RMB5.6 billion in 2008, representing a CAGR of about 25.3%. The Directors believe that such growing demand for Reinforced Materials has directly contributed to the growth in revenue of the Group's Reinforced Materials and expect that such growth potential for the industry will generate significant business opportunities for the Group in the next few years. There is however no assurance that such growth will materialize in the future. For further details on the Reinforced Materials market in China, please refer to the "Industry Overview" section in this prospectus.

Growth in downstream end-user product market in China

Reinforced Materials are widely adopted in a large number of applications, seen in various industries, including outdoor, logistics, construction, renewable energy, flexible sporting floor, and so on. With the economic development in China, downstream product markets are experiencing a fast growth. According to Frost & Sullivan, total downstream end-user products manufacturing revenue in China reached about RMB22.5 billion in 2008 and is forecasted to be about RMB94.2 billion in 2014, with an estimated CAGR of about 27.0%. The substantial growth of in the size of downstream end-user product market in China in the eight months ended 31 August 2009 has also contributed significantly to the growth in the Group's revenue during that period. The Directors expect that such industry growth potential will generate significant business opportunities for the Group in the next few years. There is however no assurance that such growth will materialize in the future. For further details on the downstream product market in China, please refer to the "Industry Overview" section in this prospectus.

Production capacity

The Group's results will be affected by the ability of its production volume and capacity to meet customer demand. The production volume of the Reinforced Materials is constrained by the Group's calendering, coating and laminating capability.

The Fuzhou Plant commenced production in August 2003 and is principally engaged in the production of Reinforced Materials. Its production capacity as of and production volume for each of the three years ended 31 December 2007, 2008 and 2009 are set out below:

	For the year ended 31 December								
	2007			2008			2009		
	Actual production	Production capacity	Utilization rate (%)	Actual production	Production capacity	Utilization rate (%)	Actual production	Production capacity	Utilization rate (%)
Materials *(note 11)*									
Calender process *(note 3)*									
Production line A:									
Polymer film (tonne)	4,800	8,800	54.5	10,538	11,000	95.8	16,200	14,220	113.9
Production line B: *(note 4)*									
Polymer film (tonne)	435	5,500	7.9	500	6,800	7.4	5,000	7,100	70.4
Polymer coated polyester (million m)	20.03	46.00	43.5	23.30	49.00	47.6	17.60	52.00	33.9
Other Conventional Materials (million m)	15.19	36.80	41.3	18.23	38.00	48.0	2.39	40.00	6.0
Total utilization rate of production line B			92.7			103.0			110.3
Coating process									
Fabrics (million m)	25.18	28.00	89.9	27.73	30.00	92.4	16.00	30.00	53.3
Lamination process									
Materials (million m) *(note 6)*	3.91	5.00	78.2	12.32	15.00	82.1	23.45	24.50	95.7
End Products									
Inflatable products:									
Large scale inflatable toy (unit)	146	*note 8*	*note 8*	216	*note 8*	*note 8*	161	*note 8*	*note 8*
Other inflatable products, such as inflatable tents, billboards and others (unit)	–	–	–	–	–	–	4,411	*note 8*	*note 8*

Notes:

1. The designed capacity of all the production lines are calculated, assuming there are 26 working days for each month during the Track Record Period and assuming calender production lines, coating production lines and lamination production lines operate 24 hours, 12 hours and 24 hours per working day respectively, unless otherwise indicated.

2. For the production lines with utilization rate greater than 100%, it is due to overtime work arranged to meet with specific sales order.

3. There are 2 production lines for calender process, with production line A exclusively for the production of polymer films and production line B for the production of polymer films, polymer coated polyester and other Conventional Materials. The production capacity for the calender process of polymer film will vary depending on the thickness of different models of polymer film. For illustrative purpose, the production capacity for polymer film is expressed assuming the Group produced only one standard thickness of polymer film, for better comparison of production capacity throughout the Track Record Period.

4. For illustrative purposes, the designed capacity of production line B of the calender process is calculated, assuming it is entirely utilized to produce either one specific type of products (among polymer films, polymer coated polyester and other Conventional Materials) throughout the Track Record Period.

   Polymer films, polymer coated polyesters and other Conventional Materials are sharing the capacities of production line B. The exact allocation of capacities of production line B to produce each type of polymer films, polymer coated polyesters and other Conventional Materials will depend on the respective demand and sales order from customers and the planned production schedule of the Group. The utilization rate for certain Conventional Materials is relatively low, for example, about 6.0% for other Conventional Materials for the year ended 31 December 2009. It is due to the fact that production line B focused more on the manufacture of polymer films and polymer coated polyesters during the year ended 31 December 2009. The Directors consider that as polymer films, polymer coated polyesters and other Conventional Materials are sharing the capacities of production line B, in assessing the utilization of production line B, investors should consider the aggregate utilization rate for these products in order to arrive at the full picture. The low utilization rate in 2009 for other Conventional Materials only represented the relative smaller portion of capacity being allocated to other Conventional Materials. However, as a matter of fact, production line B was fully utilized for production for the year ended 31 December 2009 with aggregate utilization rate of about 110.3%.

5. The utilization rate of the Group's production lines are generally on the increase throughout the Track Record Period. This is due to the increase in the number of the Group's customers, sales volume and varieties of products offered, which increased the production volume of the Group over the Track Record Period.

6. The significant increase in production capacity of lamination process in 2008 and 2009 is due to (i) the addition of one new production line each in July 2007 and December 2007, respectively; and (ii) in 2008 and 2009, the Group also increased the operating hours from 12 hours to 24 hours per working day for certain production lines.

7. Fuzhou Plant is principally engaged in the manufacture of Conventional Materials and Reinforced Materials, while there is also one production line in Fuzhou Plant designed to produce End Product of large scale inflatable toys and other inflatable products.

8. Inflatable products of the Group include wide ranges of different products, such as slides, castles, bouncers, climbing walls, inflatable cartoon character, inflatable tents and billboards. Also, the inflatable products are normally tailor-made according to the customers' requests with customized size, shape and outlook, in which each of such specifications will affect the time required to manufacture the inflatable products. Therefore, the Directors are of the view that it is not practical to disclose the production capacities of the Group's inflatable products, given the large varieties of products offered and the significant variation of specifications among them.

9. The Directors consider that although Fuzhou Plant is operating at near or even exceeded full capacity, the Group has not been experiencing any bottleneck on production during the Track Record Period. The Group has adopted the ERP system to properly assess the available production capacities and to manage the receipt of sale orders and the production schedule, in order to meet the expected delivery time for the customers. Normally, there are 26 working days in each month for the Group. In case of urgent order from customers, the Group can also arrange overtime work so as to adjust the production capacities of the production facilities occasionally.

10. As disclosed in the paragraph headed "Expand production capacity" in the "Business" section, Fuzhou Plant phase two will be constructed to expand the Group's production capacity and is expected to commence operation by the first half of 2011. Upon the commencement of operation of Fuzhou Plant phase two, the production capacity of lamination process will be increased by 10 million meters per year, while that of calendar process on polymer film will be increased by about 15,000 tons per year.

11. The Conventional Materials produced from calendaring process will either be sold as final products to the external customers of Conventional Materials or be utilized internally as raw materials in the manufacture of Reinforced Materials which will further go through coating and lamination processes. Therefore, the information set out on the table above included the production capacities of the Fuzhou Plant for Materials collectively (including both Reinforced Materials and Conventional Materials) by production processes.

The Group continued to expand its production facilities during the Track Record Period. In July 2007 and December 2007, the Group added one lamination production line respectively, which production capacity increased from about 5 million meters in 2007 to about 15 million meters in 2008, contributing to the increase in the Group's revenue from Reinforced Materials from about RMB47.3 million in 2007 to about RMB166.7 million in 2008. In 2009, the Group further increased the operating hours to 24 hours per day for certain lamination production lines, which contributed to the increase in the Group's revenue from Reinforced Materials from about RMB166.7 million in 2008 to about RMB340.7 million in 2009.

In August 2009, the Group has completed construction of and commenced production at the Xiamen Plant (except large scale inflatable toys). This new production facility occupied a parcel of land with an area of 5,232 square meters, with a construction area of 8,736 square meters and is principally engaged in the production of End Products. The Directors expect Xiamen Plant to contribute significantly to the future revenue growth of End Products.

Therefore, the Group's future growth also depends on its ability to continue to expand the production capacity and to enhance production efficiency. The Group plans to apply a significant portion of the proceeds from the Global Offering towards the development of Fuzhou Plant phase two to further expand the manufacturing facilities.

Raw material prices

Raw materials is the largest component of the Group's cost of sales during the Track Record Period. The principal raw materials used in the Group's products are polymer, additives such as DOP, and fabrics. Accordingly, changes in the availability and price of such raw materials could have a significant impact on the Group's cost of sales and financial results. The Group primarily purchased polymer, fabrics and DOP in the PRC, where the prices of such raw materials have historically fluctuated according to the market conditions.

Taxation

The Group's future profits will be affected by changes in tax rates, particularly the applicable tax rates in the PRC as the Group carries out the majority of its businesses and derives most of the Group's revenue and profits from the PRC.

Fujian Sijia was granted the preferential corporate income tax rate of 15% by the State Administration of Taxation in Fuzhou, Fujian Province for the three years ending 31 December 2010 due to its status as an "advanced technology enterprise".

Xiamen Grandsoo was exempted from corporate income tax 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 deemed profitable year of Xiamen Grandson was 2008 due to the implementation of new PRC tax regime. Therefore, Xiamen Grandsoo have been exempted from corporate income tax for the years ended 31 December 2008 and 2009, respectively, and will enjoy a 50% tax reduction for the three years ending 31 December 2010, 2011 and 2012.

There can be no assurance that the current favorable tax policies available to us will not be withdrawn or revoked by the PRC government or become less favorable.

CRITICAL ACCOUNTING POLICIES

The preparation of financial information in conformity with HKFRS requires us to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by us in the application of HKFRS that have a significant effect on the financial information and estimates with a significant risk of material adjustment in the next year are discussed in the Group's consolidated financial statements in the Accountants' Report set out in Appendix I to this prospectus.

The accounting policies set out below have been applied consistently to all periods presented in the financial information.

Revenue recognition

The Group recognizes its revenue 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.

Impairment of non-financial assets other than goodwill

The Group reviews its intangible assets and where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets), 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 income statement in the period in which it arises.

The Group assesses 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/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

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. 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 income statement 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 capitalized 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 income statement 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 capitalized 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.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalized 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.

Income tax

The Group is subject to income taxes in various regions. As a result of the fact that certain matters relating to 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.

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENTS OF INCOME LINE ITEMS OF THE CONTINUING OPERATIONS

Revenue

During the Track Record Period, the Group's revenue was primarily generated from the production and sales of (i) Reinforced Materials; (ii) Conventional Materials; (iii) End Products; and (iv) raincoats and general protective clothing. The Group disposed its raincoat and general protective clothing business on 31 May 2008.

The following table sets out the Group's revenue broken down by business segment for the Track Record Period:

	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Continuing Operations						
– Reinforced Materials	47,287	19.0	166,660	51.9	340,650	59.7
– Conventional Materials	94,332	37.9	123,976	38.6	93,989	16.5
– End Products	7,096	2.8	9,008	2.8	135,853	23.8
Revenue from continuing operations	148,715	59.7	299,644	93.3	570,492	100.0
Discontinued operation						
– Raincoats and general protective clothing	100,481	40.3	21,585	6.7	–	–
Total revenue	**249,196**	**100.0**	**321,229**	**100.0**	**570,492**	**100.0**

Revenue from the continuing operations have experienced substantial growth during the Track Record Period, from about RMB148.7 million in 2007 to about RMB570.5 million in 2009, representing a CAGR of about 95.9%. The growth in sale of Reinforced Materials has been the main contributor of such growth despite an increase in contribution from Conventional Materials. Revenue from Reinforced Materials increased from about RMB47.3 million in 2007 to about RMB340.7 million in 2009, representing a CAGR of about 168.4% and accounted for about 31.8%, 55.6% and 59.7% of the total revenue from continuing operations for each of the three years ended 31 December 2007,

2008 and 2009 respectively. The substantial growth of sales of End Products in 2009 has also contributed significantly to the growth in the Group's revenue during the year. Set out below is a revenue breakdown analysis of the Group's Reinforced Materials business segment:

	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Wader and protective garment materials	3,978	8.4	37,496	22.5	91,309	26.8
Air tightness materials	12,854	27.2	24,204	14.5	67,841	19.9
Inflatable materials	8,561	18.1	70,252	42.2	89,814	26.4
Tarpaulin	5,202	11.0	8,254	4.9	17,385	5.1
Bag materials	16,692	35.3	26,454	15.9	37,411	11.0
Medical materials	–	–	–	–	9,195	2.7
Biogas tank materials	–	–	–	–	14,437	4.2
Curtain materials	–	–	–	–	10,393	3.1
Professional hiking snowshoes materials	–	–	–	–	2,094	0.6
Sports hall flooring materials	–	–	–	–	771	0.2
Total	47,287	100.0	166,660	100.0	340,650	100.0

Set out below is a sales volume breakdown and average selling price analysis of the Group's Reinforced Materials business segment:

	For the year ended 31 December					
	2007		2008		2009	
	Sales Volume (m)	*Average selling price (RMB/m)*	*Sales Volume (m)*	*Average selling price (RMB/m)*	*Sales Volume (m)*	*Average selling price (RMB/m)*
Wader and protective garment materials	273,140	14.6	4,079,711	9.2	6,963,345	13.1
Air tightness materials	877,896	14.6	1,497,113	16.2	3,158,604	21.5
Inflatable materials	637,183	13.4	3,228,724	21.8	4,521,251	19.9
Tarpaulin	353,705	14.7	528,341	15.6	1,240,533	14.0
Bag materials	1,256,707	13.3	2,124,153	12.5	2,686,713	13.9
Medical materials	–	–	–	–	1,363,309	6.7
Biogas tank materials	–	–	–	–	766,017	18.8
Curtain materials	–	–	–	–	1,056,047	9.8
Professional hiking snowshoes materials	–	–	–	–	44,990	46.5
Sports hall flooring materials	–	–	–	–	29,720	25.9
Total	3,398,631		11,458,042		21,830,529	

Percentage contribution from Conventional Materials to total revenue from the continuing operations has decreased during the Track Record Period, as the Group focused more on the sale of Reinforced Materials during the same period owing to higher margin contribution. Sales of Conventional Materials accounted for about 63.4%, 41.4% and 16.5% of the total revenue from continuing operations for each of the three years ended 31 December 2007, 2008 and 2009 respectively.

Set out below is a revenue breakdown analysis of the Group's Conventional Materials business segment:

	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Polymer film	16,101	17.1	14,363	11.6	26,622	28.3
Polymer coated polyester	44,938	47.6	73,163	59.0	50,869	54.1
Lining	4,094	4.3	3,836	3.1	1,858	2.0
Polymer coated nylon	967	1.0	480	0.4	4,872	5.2
PVC-poly	14,048	15.0	26,561	21.4	8,693	9.3
Coated fabrics	14,184	15.0	5,573	4.5	1,075	1.1
Total	94,332	100.0	123,976	100.0	93,989	100.0

Set out below is a sales volume breakdown and average price analysis of the Group's Conventional Materials business segment:

	For the year ended 31 December					
	2007		2008		2009	
	*Sales Volume (m)/ (kilogram)**	*Average selling price (RMB/m)/ (RMB/ kilogram)**	*Sales Volume (m)/ (kilogram)**	*Average selling price (RMB/m)/ (RMB/ kilogram)**	*Sales Volume (m)/ (kilogram)**	*Average selling price (RMB/m)/ (RMB/ kilogram)**
Polymer film	1,664,737	9.7	1,469,608	9.8	3,443,623	7.7
Polymer coated polyester	14,058,253	3.2	23,347,107	3.1	17,659,931	2.9
Lining	1,898,941	2.2	2,021,416	1.9	1,080,381	1.7
Polymer coated nylon	119,591	8.1	66,092	7.3	592,181	8.2
PVC-poly	2,602,204	5.4	5,374,731	4.9	1,813,381	4.8
Coated fabrics	1,352,591	10.5	917,686	6.1	201,353	5.3

* *Except polymer film with measurement unit expressed in "kilogram", the units of other Conventional Materials are expressed in "m".*

Revenue generated from the sales of End Products accounted for about 4.8%, 3.0% and 23.8% of the Groups' total revenue from continuing operations during the Track Record Period respectively. The Group began sale of inflatable toys End Products in 2007. In 2009, the Group further expanded its range of End Products to include inflatable boats, biogas tanks, inflatable aquatic leisure products and waders and protective clothing. The

average selling price of inflatable products decreased from about RMB48,603 in 2007 to about RMB41,704 in 2008 and further to RMB682 in 2009 primarily as a result of changes in product mix in 2009. In 2007 and 2008, for inflatable products, the Group mainly produced and sold large scale inflatable toys, which generally command a higher selling price per unit due to their large size, amount of materials required and more complex design, as compared to the year ended 31 December 2009, when the Group also manufactured inflatable toys such as inflatable tents and billboards which are smaller in size and have a lower unit selling price as compared to the large scale inflatable toys in 2007 and 2008, resulting in the significantly low unit selling price in 2009. For the year ended 31 December 2009, inflatable products, inflatable boats, biogas tanks, inflatable aquatic leisure products and waders and protective clothing accounted for about 3.5%, 54.8%, 3.9%, 0.7% and 37.1% of the End Products total revenue respectively.

Set out below is a revenue breakdown analysis of the Group's End Products business segment:

	For the year ended 31 December					
	2007		**2008**		**2009**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Inflatable products	7,096	100.0	9,008	100.0	4,696	3.5
Biogas tanks	–	–	–	–	5,285	3.9
Inflatable aquatic leisure products	–	–	–	–	950	0.7
Inflatable boats	–	–	–	–	74,471	54.8
Waders and protective clothing	–	–	–	–	50,451	37.1
	7,096	100.0	9,008	100.0	135,853	100.0

Set out below is a sales volume breakdown and average price analysis of the Group's End Products business segment:

	For the year ended 31 December					
	2007		**2008**		**2009**	
	Sales Volume (unit)	*Average selling price (RMB/unit)*	*Sales Volume (unit)*	*Average selling price (RMB/unit)*	*Sales Volume (unit)*	*Average selling price (RMB/unit)*
Inflatable products	146	48,603	216	41,704	6,889	682
Biogas tanks	–	–	–	–	5,936	890
Inflatable aquatic leisure products	–	–	–	–	860	1,105
Inflatable boats	–	–	–	–	13,581	5,483
Waders and protective clothing	–	–	–	–	990,860	51

Cost of sales

Cost of sales comprised primarily of purchase costs of raw materials and direct overheads including staff costs, depreciation, utilities and others.

The following table sets out a breakdown of the cost of sales from continuing operations of the Group during the Track Record Period:

	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials	95,926	93.4	171,700	95.1	300,291	96.4
Labour costs	2,644	2.6	2,544	1.4	3,668	1.2
Depreciation	1,925	1.9	3,193	1.8	4,330	1.4
Utilities	1,277	1.2	1,595	0.9	1,735	0.5
Others	946	0.9	1,448	0.8	1,600	0.5
Total	102,718	100.0	180,480	100.0	311,624	100.0

The following table sets out a breakdown of the raw materials during the Track Record Period:

	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Polymer	20,120	21.0	41,841	24.4	65,675	21.9
Additives and others	34,760	36.2	95,912	55.8	161,984	53.9
Fabrics	41,046	42.8	33,947	19.8	72,632	24.2
Total	95,926	100.0	171,700	100.0	300,291	100.0

During the Track Record Period, cost of raw materials was the largest component and accounted for about 93.4%, 95.1% and 96.4% respectively of the total cost of sales from continuing operations. As a percentage of total revenue for continuing operations, cost of sales represented about 69.1%, 60.2% and 54.6% respectively during the Track Record Period. The substantial decrease in fabrics cost as a percentage of raw materials in 2008 was because a higher proportion of fabrics was used for raincoats and therefore a smaller proportion of fabrics was required after the discontinuation of this business.

Gross profit and gross profit margin

Since 2007, the Group has implemented its strategy to focus on Reinforced Materials and End Products and as demonstrated in the table below, during the Track Record Period, the gross profit and gross profit margin ("GPM") of the Group was on an increasing trend primarily as a result of: (i) increasing revenue contribution from Reinforced Materials which have higher overall gross profit margin as compared to Conventional Materials. Reinforced Materials generally have better pricing ability as compared to Conventional Materials due to its more sophisticated production process and formulae with higher features and performance requirements, which can be applied in a wide range of applications and industries and also through continuing introduction of new ranges and types of Reinforced Materials with improved performance features which were able to command higher unit selling price and gross profit margin. On the other hand, Conventional Materials are principally sold to mass-market raincoat and labour protective clothing manufacturers and trading companies where competition is more intense and pricing strategy is more towards competition-based pricing. Besides increase in overall sales volume for Reinforced Materials during the Track Record Period (sales volume increasing from about 3.4 million m in 2007 to about 11.5 million m in 2008 and to about 21.8 million m in 2009, representing the percentage increase of about 237.1% and 90.5% in 2008 and 2009, respectively), average selling prices for most sub-categories of Reinforced Materials have increased during the Track Record Period as the Group continued to launch and sell new ranges and types of products with improved features and performance requirements and also due to continued customer demand for its Reinforced Materials products. The average unit selling price per m of the Group's Reinforced Materials amounted to about RMB13.9, RMB14.5 and RMB15.6 for each of the three years ended 31 December 2007, 2008 and 2009, respectively, representing the percentage increase of about 4.3% in 2008 and 7.6% in 2009; and (ii) increasing revenue contribution from End Products, which have higher average gross profit margin as compared to both Reinforced Materials and Conventional Materials. In terms of product mix for End Products, in addition to inflatable toys, the Group has also, in 2009, launched new types of End Products such as inflatable boats, biogas tanks, inflatable aquatic leisure products and waders and protective clothing which increased revenue contribution from End Products business segment in terms of percentage of total revenue of the Group. For more detailed analysis on the yearly fluctuation in gross profit margin, please refer to the below section headed "Financial Information – Results of Operations" in this prospectus.

	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*GPM%*	*RMB'000*	*GPM%*	*RMB'000*	*GPM%*
Reinforced Materials	19,521	41.3%	72,999	43.8%	153,073	44.9%
Conventional Materials	21,765	23.1%	38,158	30.8%	14,672	15.6%
End Products	4,711	66.4%	8,007	88.9%	91,123	67.1%
Total	45,997	30.9%	119,164	39.8%	258,868	45.4%

A breakdown of the gross profit and margin analysis for Reinforced Materials are as follows:

	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*GPM%*	*RMB'000*	*GPM%*	*RMB'000*	*GPM%*
Wader and protective garment materials	1,393	35.0%	9,715	25.9%	40,721	44.6%
Air tightness materials	5,857	45.5%	13,703	56.6%	34,636	51.1%
Inflatable materials	4,120	48.1%	35,496	50.5%	43,341	48.3%
Tarpaulin	1,796	34.5%	3,559	43.1%	6,256	36.0%
Bag materials	6,355	38.0%	10,526	39.8%	12,365	33.1%
Medical materials	–	–	–	–	2,523	27.4%
Biogas tank materials	–	–	–	–	7,794	54.0%
Curtain materials	–	–	–	–	4,041	38.9%
Professional hiking snowshoes materials	–	–	–	–	988	47.2%
Sports hall flooring materials	–	–	–	–	408	52.9%
Total	19,521	41.3%	72,999	43.8%	153,073	44.9%

A breakdown of the gross profit and margin analysis for Conventional Materials are as follows:

	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*GPM%*	*RMB'000*	*GPM%*	*RMB'000*	*GPM%*
Polymer film	3,370	20.9%	4,359	30.3%	3,569	13.4%
Polymer coated polyester	8,508	18.9%	23,321	31.9%	7,338	14.4%
Lining	110	2.7%	208	5.4%	404	21.7%
Polymer coated nylon	160	16.5%	88	18.2%	784	16.1%
PVC-poly	4,079	29.0%	7,931	29.8%	2,362	27.2%
Coated fabrics	5,538	39.0%	2,251	40.4%	215	20.0%
	21,765	23.1%	38,158	30.8%	14,672	15.6%

In general, the changes in profit margins of various categories of Materials are primarily affected by the number and type of new products launched under each category, including additional cost (if any) incurred to develop specific technique and formulae, pricing strategy for specific types of target customers and customer demand.

A breakdown of the gross profit and margin analysis for End Products are as follows:

	For the year ended 31 December					
	2007		2008		2009	
	RMB'000	*GPM%*	*RMB'000*	*GPM%*	*RMB'000*	*GPM%*
Inflatable products	4,711	66.4%	8,007	88.9%	1,782	37.9%
Biogas tanks	–	–	–	–	3,316	62.7%
Inflatable aquatic leisure products	–	–	–	–	511	53.8%
Inflatable boats	–	–	–	–	55,000	73.9%
Waders and protective clothing	–	–	–	–	30,514	60.5%
	4,711	66.4%	8,007	88.9%	91,123	67.1%

In general, the changes in profit margins of various categories of End Products are primarily affected by the different types of End Products launched, the type and size of products sold under each category including the sophistication level of each product design and pricing strategy for specific types of target customers and customer demand.

Other income and gains

Other income and gains consisted primarily of bank interest income, subsidy income from the PRC government, gains on disposals of subsidiaries. The Group received government subsidies for various research and development projects undertaken. In 2008, the group recorded gains on disposal of Fujian Si Tai Di and Smile in Rain amounting to about RMB1.6 million and RMB0.6 million respectively.

Selling and distribution costs

Selling and distribution costs consisted primarily of the costs of exhibitions, advertising, transportation, salaries and traveling expenses.

The following table sets out a breakdown of the selling and distribution costs of the Group during the Track Record Period:

	For the year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Advertising	10	947	175
Staff costs	202	538	905
Depreciation	84	126	24
Exhibition expenses	285	1,032	954
Transportation and related expenses	864	907	615
Travelling expenses	70	303	399
Others	145	464	540
Total	1,660	4,317	3,612

In general, exhibition cost is incurred for participation in industry exhibition and trade fairs. Advertising fees are for the promotion of the Group's products primarily through advertising in industry magazine and e-commerce websites.

Administrative expenses

Administrative expenses primarily consisted of research and development, salaries and other staff benefits, entertainment, depreciation of equipment and automobiles.

The following table sets out a breakdown of the administrative expenses of the Group during the Track Record Period:

	For the year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Staff costs	1,929	3,434	2,625
Legal and professional fee	74	322	147
Legal and professional fees for the Global Offering	–	–	5,711
Depreciation	341	467	1,386
Telecommunication expenses	150	230	100
Rental expenses	78	64	108
Vehicle expenses	338	380	272
Travelling expenses	187	114	290
Taxation	582	622	646
Office supplies	110	319	753
Research and development costs	7,256	13,125	34,030
Amortisation of intangible assets	–	53	–
Refurbishment expenses	1,409	–	–
Bank charges	358	427	821
Entertainment expenses	341	595	1,198
Others	359	807	1,570
Total	13,512	20,959	49,657

As the Group placed significant focus on research and development to refine and diversify its products range and quality, the Group incurred research and development costs throughout the Track Record Period and research and development costs accounted for about 53.7%, 62.6% and 68.5% respectively of the total administrative expenses.

Finance costs

Finance costs mainly represent interest expenses on bank loans.

Tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and is exempted from payment of the Cayman Islands income tax. There were no material tax and estate duty liabilities on us arising under the Corporate Reorganization as described in the paragraph headed "Corporate Reorganization" under the section headed "Further Information about the Company" in Appendix V of this prospectus.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax is subject to corporate income tax at the rate of 17.5% for the year ended 31 December 2007 and 16.5% for the years ended 31 December 2008 and 2009 on the estimated assessable profits arising in Hong Kong during the Track Record Period. No provision of income tax has been made as Hong Kong Sijia had no taxable income during the relevant periods.

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% for the year ended 31 December 2007. Fujian Sijia was subject to CIT at a rate of 25% for the years ended 31 December 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 year ended 31 December 2007 and of 12.5% for the year ended 31 December 2008. Pursuant to the approval of the tax bureau, Fujian Sijia being recognized as a "high-tech enterprise", was levied at the reduced tax rate of 15% for the year ended 31 December 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 year ended 31 December 2007, 18% for the year ended 31 December 2008 and 20% for the year ended 31 December 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 2008 and 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 year ended 31 December 2007 and 25% for the years ended 31 December 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 year ended 31 December 2007 and 25% for the years ended 31 December 2008 and 2009.

RESULTS OF OPERATIONS

The Continuing Operations

2009 compared with 2008

Revenue

Total revenue increased by about 90.4% to about RMB570.5 million for the year ended 31 December 2009 from about RMB299.6 million for the year ended 31 December 2008. The increase was primarily a result of:

- increase in sale volume across all Reinforced Materials products such as wader and protective garment materials, air tightness materials, inflatable materials, tarpaulin and bag materials with particularly strong revenue growth for wader and protective garment material and air tightness materials at about 143.5% and about 180.3% respectively due to greater demand for such Reinforced Materials and also due to increase in marketing efforts;

- launch of new types of Reinforced Materials in 2009 such as medical material, biogas tank material, curtain material and professional hiking snowshoes material which contributed about RMB9.2 million, RMB14.4 million, RMB10.4 million and RMB2.1 million in revenue respectively for the year ended 31 December 2009; and

- launch of new End Products such as inflatable boats and waders and protective clothing which aggregately contributed about RMB124.9 million in revenue (representing about 21.9% of the revenue from continuing operations) for the year ended 31 December 2009 as compared to nil for the year ended 31 December 2008.

The increase in revenue attributed to both Reinforced Materials and End Products was partially offset by decrease in the sales of Conventional Materials from about RMB124.0 million for the year ended 31 December 2008 to about RMB94.0 million for the year ended 31 December 2009 primarily due to the Group's strategic focus to utilize more of its existing production capacity on the manufacturing of Reinforced Materials to meet increased demand.

Cost of Sales

Cost of sales increased by about 72.7% to about RMB311.6 million in 2009 from about RMB180.5 million in 2008 primarily due to the increase in the volume of raw materials being purchased which was primarily attributable to the increased sale of Reinforced Materials. Raw materials constituted about 95.1% and 96.4% of the total cost of sales in 2008 and 2009 respectively.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by about 117.2% to about RMB258.9 million in 2009 from about RMB119.2 million in 2008 as a result of the increase in sale of Reinforced Materials and End Products being higher than the corresponding increase in cost of sale in 2009. The Group's gross profit margin in 2009 increased to about 45.4% as compared to about 39.8% in 2008 primarily due to the combined effects of the following: (i) the increase in sales proportion and gross profit margin of Reinforced Materials mainly contributed by wader and protective garment materials in 2009. This is partially offset by the decrease in gross profit margin for certain Reinforced Materials as the Group incurred additional cost of sales for raw materials such as different types of additives being added in the production of polymers as it developed new range of products for its tarpaulin and bag materials; (ii) decrease in the overall gross margin for Conventional Materials from about 30.8% in 2008 to about 15.6% in 2009 as the Group decreased the unit selling price of key Conventional Materials such as polymer film, polymer coated polyester and coated fabrics as a result of increased market competition. The Group incurred additional cost for raw materials such as different types of additives which costed higher, as the Group refined its polymer coated polyester and coated fabrics. These resulted in the gross profit margin of polymer film, polymer coated polyester and coated fabrics to decrease from about 30.3%, 31.9% and 40.4% in 2008 to about 13.4%, 14.4% and 20.0% respectively in 2009; and (iii) increase in the percentage of the Group's revenue contributed from End Products during 2009, which had a higher gross profit margin than Reinforced Materials and Conventional Materials. Sales of End Products accounted for 3.0% and 23.8% of the Group's total revenue from continuing operations in 2008 and 2009, respectively. Inflatable boats was the largest revenue contributor for the End Products with a share of about 54.8% for the year ended 31 December 2009.

Other Income and Gains

Other income and gains decreased to about RMB2.0 million in 2009 from about RMB3.3 million in 2008, primarily due to an one-off gain on disposal of Fujian Si Tai Di and Smile in Rain, which were subsidiaries engaged in the raincoat and general protective clothing business, in 2008 amounting to about RMB2.2 million.

Selling and Distribution Costs

Selling and distribution costs decreased by about 16.3% to about RMB3.6 million in 2009 from about RMB4.3 million in 2008 mainly as a result of the decrease in (i) transportation and related expenses as the proportion of the Group's customers who bear their own transportation costs related to delivery of goods increased; and (ii) advertising expenses as the Group incurred additional advertising costs of about RMB667,000 in 2008 in relation to a children TV program in which the Group collaborated with Fujian kid channel in supplying the Group's End Products. The above decreases in selling and distribution costs were partially offset by the increase in expenses such as (i) staff salaries due to the additional staff performance bonus incurred and the increase in the number of sales staff in 2009; and (ii) travelling expenses as its marketing staff increased its on the road marketing efforts to promote its products during the year ended 31 December 2009. As a percentage of revenue, selling and distribution costs decreased from about 1.4% in 2008 to about 0.6% in 2009.

Administrative Expenses

Administrative expenses increased by about 136.9% to about RMB49.7 million in 2009 from about RMB21.0 million in 2008. The increase in administrative expenses was primarily attributable to increased research and development expenses incurred to improve quality of existing products and purchase of raw materials for development of new Reinforced Materials such as TPU (Thermoplastic polyurethanes), PVDF-processed membrane structure material and PTFE (Polytetrafluoroetylene) and new range of End Products such as air bed and water pool. As a percentage of administrative expenses, research and development expenses increased from about 62.6% in 2008 to about 68.5% in 2009. The Group also incurred legal and professional fees of about RMB5.7 million in 2009 in relation to the Global Offering, which also contributed to the increase in administrative expenses in 2009. Staff costs decreased by about 23.6% from about RMB3.4 million in 2008 to about RMB2.6 million in 2009. According to the Group's policy, new staff joiners will have an orientation and training period of 3 to 6 months in order to attend training and familiarize themselves with the operation of the related departments. The salaries incurred during such period will be included in administrative expenses. Since the number of new joiners in 2008 was more than in 2009, the salaries in administrative expenses is higher during 2008. As a percentage of revenue, administrative expenses increased from about 7.0% in 2008 to about 8.7% in 2009.

Finance Costs

Finance costs increased by about 9.6% to about RMB2.1 million in 2009 from about RMB2.0 million in 2008 as a result of an increase in interest expense which was in line with the increase in bank borrowings balance.

Tax

The Group's tax expense increased by about 117.8% to about RMB33.3 million in 2009 from about RMB15.3 million in 2008 primarily due to an increase in the Group's taxable income as a result of increase in the Group's profit before tax from about RMB94.8 million in 2008 to about RMB204.6 million in 2009. The Group's effective tax rates calculated from the tax charged to the consolidated income statement over the profit before tax remained stable, which was about 16.2% in 2008 and about 16.3% in 2009.

Profit for the year

As a result of the foregoing, the Group's profit for the year increased by about 115.5% to about RMB171.2 million in 2009 from about RMB79.4 million in 2008 and its net profit margin increased to about 30.0% in 2009 from about 26.5% in 2008.

2008 compared with 2007

Revenue

The Group's total revenue increased by about 101.5% to about RMB299.7 million in 2008 from RMB148.7 million in 2007 primarily a result of:

- increase in production capacity such as the one of the production line in calender process of polymer film and laminating process used in the manufacturing of Reinforced Materials, from 8,800 tonnes and 5 million meters in 2007 to 11,000 tonnes and 15 million meters in 2008, respectively;

- increase in revenue across all Reinforced Materials products such as wader and protective garment materials, air tightness materials, inflatable materials, tarpaulin and bag materials with particularly strong revenue growth for wader and protective garment materials and inflatables materials at about 842.6% and about 720.6% respectively due to increased demand from both new and existing customers and the increase in unit price for key products such as air tightness materials and inflatable materials; and

- increase in sale of some Conventional Materials such as polymer coated polyester and PVC-poly, which were mainly used for the manufacturing of raincoats primarily to the acquirer of the Group's raincoat and general protective clothing business, who continued to purchase the Group's Conventional Materials to manufacture its raincoats.

Cost of Sales

Cost of sales increased by about 75.7% to about RMB180.5 million in 2008 from about RMB102.7 million in 2007 primarily due to the increase in the volume of raw materials being purchased which was attributable to the increased sale of Reinforced Materials and Conventional Materials. Raw materials constituted about 93.4% and 95.1% of the total cost of sale for the years ended 31 December 2007 and 2008 respectively.

Gross Profit and Gross Profit Margin

Gross profit increased by about 159.1% to about RMB119.2 million for the year ended 31 December 2008 from about RMB46.0 million for the year ended 31 December 2007 primarily as a result of the increase in sale of Reinforced Materials and End Products higher than the corresponding increase in cost of sale for the year ended 31 December 2008. The Group's gross profit margin in 2008 increased to about 39.8% from about 30.9% in 2007 primarily due to: (i) increase in overall gross profit margin for Reinforced Materials from about 41.3% in 2007 to about 43.8% in 2008 as the Group was able to increase its unit selling price for most of its Reinforced Materials due to increased demand and also because of a drop in cost of key raw materials such as DOP additive. The Group also launched new models of air tightness materials and tarpaulin with improved performance characteristics in 2008, which were able to be priced higher as part of the Group's marketing strategy; and (ii) increase in the overall gross margin for Conventional

Materials from about 23.1% in 2007 to about 30.8% in 2008 primarily due to a decrease in cost of raw material such as DOP additive while the unit selling price of key Conventional Materials such as polymer film and polymer coated polyester remained fairly stable. These resulted in the gross profit margin of polymer film and polymer coated polyester to increase from about 20.9% and 18.9% in 2007 to about 30.3% and 31.9% respectively in 2008. For PVC-poly, its unit selling price decreased from about RMB5.4/m in 2007 to about RMB4.9/m in 2008, but the gross profit margin remained fairly stable in 2007 and 2008, as a result of the drop in material costs of DOP in 2008.

Other Income and Gains

Other income and gains increased to about RMB3.3 million in 2008 from about RMB0.3 million in 2007, primarily due to an one-off gain on disposal of subsidiaries (Fujian Si Tai Di and Smile in Rain) in 2008 amounting to about RMB2.2 million.

Selling and Distribution Costs

Selling and distribution costs increased by about 160.1% to about RMB4.3 million in 2008 from about RMB1.7 million in 2007, primarily due to increase in (i) exhibition expenses as the Group participated in more industry exhibitions and trade fairs to promote its Reinforced Materials; (ii) staff salaries due to the increase in marketing staff personnel from 16 as at 31 December 2007 to 37 as at 31 December 2008; and (iii) advertising fees as the Group increased posting of advertisements through the internet to market its products and through collaboration with Fujian kid channel for a televised children program to promote its brand name. As a percentage of revenue, selling and distribution costs increased from about 1.1% for the year ended 31 December 2007 to about 1.4% for the year ended 31 December 2008.

Administrative Expenses

Administrative expenses increased by about 55.1% to about RMB21.0 million in 2008 from about RMB13.5 million in 2007. The increase in administrative expenses was primarily attributable to (i) increased research and development costs incurred to improve quality of existing products, development of new Reinforced Materials such as wader and protective garment materials, air tightness materials and inflatable materials and new range of End Products such as air bed and water pool; and (ii) increased in staff costs as number of staff increased from 55 as at 31 December 2007 to 94 as at 31 December 2008. As a percentage of administrative expenses, research and development expenses increased from about 53.7% for the year ended 31 December 2007 to about 62.6% for the year ended 31 December 2008 and staff costs increased from about 14.3% for the year ended 31 December 2007 to about 16.4% for the year ended 31 December 2008. The Group also incurred non-recurring refurbishment expense of about RMB1.4 million in 2007 for its Fuzhou Plant as compared to nil in 2008. As a percentage of revenue, administrative expenses decreased from about 9.1% for the year ended 31 December 2007 to about 7.0% for the year ended 31 December 2008.

Finance Costs

Finance costs increased by about 157.4% to about RMB2.0 million in 2008 from about RMB0.8 million in 2007 as a result of an increase in interest expense which was in line with the increase in bank borrowings balance.

Tax

The Group's tax expense increased by about 329.2% to about RMB15.3 million in 2008 from about RMB3.6 million in 2007 primarily as a result of an increase in the Group's taxable income due to the increase in the Group's profit before tax from about RMB29.7 million for the year ended 31 December 2007 to about RMB94.8 million for the year ended 31 December 2008. The Group's effective tax rates calculated from the tax charged to the consolidated income statement over the profit before tax were about 12.0% and about 16.2% for 2007 and 2008 respectively. The increase in effective tax rate from 2007 to 2008 was primarily due to the introduction of the New Corporate Income Tax Law regarding the effect of with holding tax at 5% on the distributable profits of the Group's PRC subsidiary.

Profit for the year

As a result of the foregoing, the Group's profit for the year increased by about 204.1% to about RMB79.4 million for the year ended 31 December 2008 from about RMB26.1 million for the year ended 31 December 2007 and its net profit margin increased to about 26.5% in 2008 from about 17.6% in 2007.

INDEBTEDNESS

Borrowings

The Group uses both short and long term borrowings in the course of operating its business. As at 31 December 2007, 2008 and 2009, the Group had total outstanding bank borrowings of about RMB15.7 million, about RMB23.4 million and about RMB38.9 million, respectively. The table below sets out the Group's bank borrowings as of the dates indicated.

	Effective interest rate (%)	Maturity	As at 31 December 2007 *RMB'000*	2008 *RMB'000*	2009 *RMB'000*
Current					
Bank loans – secured	6.696-8.964	Within 1 year	11,317	19,000	–
Bank loans – secured	5.045-6.372	Within 1 year	–	–	35,000
Current portion of long term bank loans – secured	7.83		–	500	500
			11,317	19,500	35,500
Non-current					
Bank loans – secured	7.83	2007.9.30-2017.9.29	4,375	3,875	3,375
			15,692	23,375	38,875
Repayable:					
Within one year or on demand			11,317	19,500	35,500
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	1,375
			15,692	23,375	38,875

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 RMB25,286,000, RMB16,594,000 and RMB25,275,000 as at 31 December 2007, 2008 and 2009, respectively;

(ii) mortgages over the Group's leasehold lands situated in the PRC with an aggregate carrying value of RMB4,475,000 as at 31 December 2009; and

(iii) guarantees by Fujian Shunfan Guarantee Co., Ltd. ("Fujian Shunfan") of RMB45,000,000 and RMB45,000,000 as at 31 December 2007 and 2008 respectively. At the time of grant of loan by bank in or about 2004, the Group has mortgaged its plant and machinery to provide for security of the bank loan and has agreed to further mortgage its land use right certificate and building ownership certificate as soon as they are issued. The bank loan is renewable annually. In 2005, the land use right certificate and the building ownership certificate of the Group have not been issued and Fujian Shunfan has provided guarantee as additional security for the bank. Upon issue of the land use right certificate of the Group in 2007 and the building ownership certificate of the Group in 2008, both certificates were mortgaged in favour of the bank. On 22 October 2009, the guarantee by Fujian Shunfan was released. The present securities to secure the Group's bank loan were provided by the Group itself (namely mortgage in respect of the Group's land use right certificate, building ownership certificate and plant and machinery of the Group) and provide sufficient level of security for obtaining and maintaining such bank loan. Save as aforesaid, the Group has not encountered any difficulty in obtaining loans from banks. With the existing level of security, the Group does not expect that it will have difficulty in renewing the existing loan facilitates or obtaining new bank loan facilities. The Directors confirmed that no similar guarantee arrangement with Fujian Shunfan will be made in future.

Fujian Shunfan is a company incorporated in the PRC and is engaged in the business of provision of guarantee and security to enterprises in the PRC to facilitate them to obtain loans from banks, which is beneficially owned by an Independent Third Party who is a also 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.

It has been the PRC government policy that the provision of guarantee to secure loan facilities for small to medium size PRC enterprises (as well as for new high technology enterprise since 2007) will entitle guarantee companies to apply for subsidies provided by the PRC government.

As a close friend of Mr. Lin and for the reason as mentioned above, Fujian Shunfan has agreed that no fee/consideration would be payable by the Group for the provision of guarantee by Fujian Shunfan.

As at 28 February 2010, being the latest practicable date for determining the Group's indebtedness, the Group had outstanding bank borrowings of about RMB43.8 million. As at 28 February 2010, the Group had banking facilities in the total amount of RMB82.8 million (secured by the pledge of the Group's property, plant and equipment, land use rights and cash deposits) of which about RMB74.4 million has been utilized.

Save as aforesaid or as otherwise disclosed therein, at the close of business on 28 February 2010, the Group did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that, except as disclosed above, there has been no material change in the indebtedness and contingent liabilities of the Company and its subsidiaries since 28 February 2010.

Contingent liabilities

As at 31 December 2007, 2008 and 2009, the Group had no significant contingent liabilities.

CAPITAL EXPENDITURES

Capital expenditures during the Track Record Period

The following table sets forth the Group's capital expenditures over the Track Record Period.

	For the year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	16,655	4,084	26,099

Capital commitments

The following table presents the Group's capital commitments as at the balance sheet dates indicated.

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Plant and machinery	474	–	50,000

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial resources

The primary uses of cash generated internally and bank loans of the Group are to pay for property, plant and equipment and as working capital of the operation of the Group. Following the Global Offering, the Group expects to fund its foreseeable expenditure with the net proceeds from the Global Offering, the Group's net operating cash inflow and/or bank borrowings.

The following table sets forth the selected cash flow data from the Group's consolidated statements of cash flows for the periods indicated.

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Net cash inflow from operating activities	28,429	88,560	141,586
Net cash outflow from investing activities	(19,678)	(30,839)	(59,777)
Net cash inflow/(outflow) from financing activities	6,380	(6,397)	15,577
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,131	51,324	97,386
Cash and cash equivalents at beginning of year	22,132	36,664	87,612
Effect of foreign exchange rate changes, net	(599)	(376)	(11)
CASH AND CASH EQUIVALENTS AT END OF YEAR	36,664	87,612	184,987

Operating activities

Net cash inflow from operating activities for the year ended 31 December 2009 was about RMB141.6 million. This amount was primarily attributable to profit before tax of about RMB204.6 million from continuing operations. This was partially offset by income tax paid of RMB25.3 million, an increase in trade and notes receivables of about RMB40.9 million (which resulted from a growth in sales) and an increase in prepayments, deposits and other receivables of about RMB19.9 million (which resulted from the prepayment of the Group's bulk purchase of raw materials and the prepayment of legal and professional fees regarding the Global Offering in 2009).

Net cash inflow from operating activities for the year ended 31 December 2008 was about RMB88.6 million. This amount was primarily attributable to profit before tax of about RMB94.8 million from continuing operations and an increase in amounts due to directors of about RMB27.8 million due to loan to the company from Mr. Lin for the construction of Xiamen Plant. This was partially offset by income tax paid of RMB12.0 million, an increase in inventories of about RMB10.6 million, an increase in trade and notes receivables of about RMB13.6 million and a repayment of amount due to Xiamen Daxiang Protective Sheet Co., Ltd. of RMB2.3 million.

Net cash inflow from operating activities for the year ended 31 December 2007 was about RMB28.4 million. This amount was primarily attributable to profit before tax of about RMB29.7 million and about RMB15.4 million from the continuing operations and discontinued operations respectively, a decrease in inventories of about RMB13.1 million which resulted from the lower buffer stock for raw materials as at 31 December 2007 than at 31 December 2006 and an increase in an amount due to a related party arising from the fund transfer from Xiamen Daxiang Protective Sheet Co., Ltd. of about RMB2.3 million. This was partially offset by an increase in trade and notes receivables of about RMB16.3 million due to the growth of the Group's business and decrease in other payables and accruals of about RMB19.0 million due to the settlement of construction and equipment payable for the then new production line in Fuzhou Plant.

Investing activities

Net cash used in investing activities for the year ended 31 December 2009 was about RMB59.8 million. This amount was primarily attributable to payment for purchases of fixed assets of about RMB64.9 million, primarily for (i) certain equipment upgrade for production of Reinforced Materials, purchase of testing equipment, expansion of production capacity for End Products, increase of storage capacity for raw materials, foundation work for Fuzhou Plant phase two and (ii) renovation work for Xiamen Plant. This was partially offset by the proceeds from the disposal of property, plant and equipment of about RMB4.5 million.

Net cash used in investing activities for the year ended 31 December 2008 was about RMB30.8 million. This amount was primarily attributable to payment for purchase of fixed assets of about RMB15.3 million, primarily for certain equipment upgrade for the production of Reinforced Materials and expansion of production capacity for End Products and acquisition of non-controlling interest of Fujian Sijia of about RMB17.7 million. This was partially offset by the proceeds from the disposal of computer equipment of about RMB2.1 million.

Net cash used in investing activities for the year ended 31 December 2007 was about RMB19.7 million. This amount was attributable to the payment for purchase of fixed assets of about RMB16.4 million, primarily for purchase of new production line for the production of Reinforced Materials and settlement for the construction of Xiamen Plant and acquisition of non-controlling interest of Fujian Sijia of about RMB2.9 million.

Financing activities

Net cash generated from financing activities for the year ended 31 December 2009 was about RMB15.6 million. This resulted from new bank loans of RMB43.0 million, being offset by the repayment of RMB27.5 million of bank loans in 2009.

Net cash used in financing activities for the year ended 31 December 2008 was about RMB6.4 million. This amount was attributable to new bank loans of RMB28.7 million and cash contribution from minority shareholders of RMB15 million, which was partially offset by dividends paid of RMB29.1 million and repayment of RMB21.1 million of bank loans in 2008.

Net cash generated from financing activities for the year ended 31 December 2007 was about RMB6.4 million. This amount was attributable to new bank loans of RMB16.4 million, being offset by the repayment of RMB10.0 million of bank loans in 2007.

Gearing ratio

The Group's gearing ratio (calculated by dividing total interest-bearing liabilities by total assets) was about 8.0%, 8.7% and 8.3%, respectively, as at 31 December 2007, 2008 and 2009. The gearing ratio of the Group remained stable during the Track Record Period and was in line with the level of interest-bearing bank borrowings of the Group.

Net current assets

The following table sets out the current assets and current liabilities of the Group (excluding discontinued operation) as at the balance sheet dates indicated:

	As at 31 December			As at 28 February
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
CURRENT ASSETS				
Inventories	19,896	36,825	29,448	48,901
Trade and notes receivables	31,666	45,462	86,364	105,547
Prepayments, deposits and other receivables	15,170	13,997	33,945	15,477
Due from directors	1,281	500	–	–
Due from related parties	2,820	–	–	–
Cash and cash equivalents	30,340	87,612	184,987	234,314
	101,173	184,396	334,744	404,239
CURRENT LIABILITIES				
Trade and bills payables	44,326	50,102	45,366	76,692
Other payables and accruals	12,647	11,011	16,763	18,231
Interest-bearing bank borrowings	11,317	19,500	35,500	40,000
Due to directors	18,850	35,887	624	1,664
Due to a related party	2,300	–	4,451	493
Tax payable	896	3,317	9,600	7,340
	90,336	119,817	112,304	144,420
NET CURRENT ASSETS	10,837	64,579	222,440	259,819

The Group had net current assets (excluding discontinued operation) of about RMB10.9 million, RMB64.6 million and RMB222.4 million as at 31 December 2007, 2008 and 2009, respectively. The Group had current assets (excluding discontinued operation) of about RMB101.2 million, RMB184.4 million and RMB334.7 million as at 31 December 2007, 2008 and 2009, respectively. The Group had current liabilities (excluding discontinued operation) of about RMB90.3 million, RMB119.8 million and RMB112.3 million as at 31 December 2007, 2008 and 2009, respectively. The Group's current assets mainly consisted of inventories, trade and notes receivables, prepayments, deposits and other receivables and cash and cash equivalents. The Group's current liabilities mainly consisted of trade and bills payables, other payables and accruals and interest-bearing bank borrowings.

As at 28 February 2010, the Group had net current assets of RMB259.8 million. The increase in net current assets of the Group as at 28 February 2010 when compared to that of 31 December 2009 was mainly due to the net profits of the Group during the two months ended 28 February 2010. The Group's current assets as at 28 February 2010 comprised inventories of RMB48.9 million, trade and notes receivables of RMB105.5 million, prepayments, deposits and other receivables of RMB15.5 million and cash and cash equivalents of RMB234.3 million. The Group's current liabilities as at 28 February 2010 comprised trade and bills payables of RMB76.7 million, other payables and accruals of RMB18.2 million and bank borrowings of RMB40.0 million.

Working capital

Taking into account the financial resources available to the Group including internally generated funds, available banking facilities and the estimated net proceeds of the Global Offering, the Directors are of the opinion that the Group has sufficient working capital to meet the Group's present requirements, and for the period ending 12 months from the date of this prospectus.

CERTAIN STATEMENTS OF FINANCIAL POSITION ITEMS

The table below sets forth a summary of the consolidated balance sheet of the continuing operations of the Group as at 31 December 2007, 2008 and 2009. It should be read in conjunction with the Accountants' Report set forth in Appendix I to this prospectus.

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	71,815	67,381	79,204
Prepaid land lease payments	5,597	5,499	5,401
Intangible assets	–	382	298
Advance payments for property, plant and equipment	144	11,385	50,213
	77,556	84,647	135,116
CURRENT ASSETS			
Inventories	19,896	36,825	29,448
Trade and notes receivables	31,666	45,462	86,364
Prepayments, deposits and other receivables	15,170	13,997	33,945
Due from directors	1,281	500	–
Due from a related party	2,820	–	–
Cash and cash equivalents	30,340	87,612	184,987
	101,173	184,396	334,744
CURRENT LIABILITIES			
Trade and bills payables	44,326	50,102	45,366
Other payables and accruals	12,647	11,011	16,763
Interest-bearing bank borrowings	11,317	19,500	35,500
Due to directors	18,850	35,887	624
Due to a related party	2,300	–	4,451
Tax payable	896	3,317	9,600
	90,336	119,817	112,304
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	4,375	3,875	3,375
Deferred tax	–	1,455	3,181
	4,375	5,330	6,556

Net assets of Fujian Si Tai Di, which amounted to about RMB7.9 million, and net assets of Smile in Rain, which amounted to RMB3.5 million as at 31 December 2007, respectively (which mainly compressed property, plant and equipment, inventories, prepayments, deposits and other receivables and other payable and accruals), have been included in the consolidated balance sheet of the Group's continuing operations as at 31 December 2007.

Advance payments for property, plant and equipment

Advance payments for property, plant and equipment of the Group amounted to about RMB144,000, RMB11.4 million and RMB50.2 million as at 31 December 2007, 2008 and 2009, respectively.

The balance as at 31 December 2009 mainly represented the prepayment for construction cost of Fuzhou Plant phase two and the prepayment for equipment purchase cost in respect of the production lines of TPU envelope material and PVDF membrane structure materials to be developed by the Group in 2010. The balance as at 31 December 2008 mainly represented the prepayment of the equipment cost for the Xiamen Plant of the Group.

Inventory

The following table sets out a summary of the Group's inventory balances as at the balance sheet dates indicated, as well as inventory turnover days of the Group for the periods indicated.

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	8,952	19,540	13,244
Work in progress	2,360	12,957	3,665
Finished goods	8,584	4,328	12,539
	19,896	36,825	29,448
Inventory turnover days	71 days	74 days	34 days

Inventory turnover days are derived by dividing the closing balances of inventory as at 31 December 2007, 2008 and 2009 by the cost of sales for the corresponding year and multiplying by 365 days.

The inventory turnover days increased slightly from 71 days in 2007 to 74 days in 2008 as a result of the global economic downturn in the second half of 2008, which resulted in increased number of customers who requested delay in delivery of goods around the end of 2008. The inventory turnover days decreased significantly to 34 days for the year ended 31 December 2009. It is because the Group increased production and sale of End

Products in 2009. The production of End Products is normally only scheduled upon receipt of the sales order from the customers. Therefore, the buffer stock of raw materials required for the production of End Products is minimal, while the Group will keep certain level of buffer stock of raw materials for Materials. Generally, the inventory turnover days of End Products are lower than that of the Materials, resulting in the overall lower inventory turnover days in 2009 as the percentage contribution of End Products increased.

Trade and notes receivables

The Group's trading arrangements with its customers are mainly on credit. The credit period is generally one month, although a longer credit term of up to three months may be extended to customers with whom the Group has long-term business relationships and with a good credit history.

An aging 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		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
1 to 30 days	16,816	25,127	44,124
31 to 60 days	8,144	11,263	36,709
61 to 90 days	4,185	1,583	5,445
91 to 360 days	1,906	7,455	86
Over 360 days	615	34	–
	31,666	45,462	86,364
Debtors' turnover days	78 days	55 days	55 days

Debtors' turnover days are derived by dividing the closing balances of trade and notes receivables as at 31 December 2007, 2008 and 2009 by revenue for the corresponding year and multiplying by 365 days.

The debtors' turnover days throughout the Track Record Period were in line with the credit terms offered to the customers which is generally 30 days, extending to 90 days for certain major customers. The debtors' turnover days remained stable in 2008 and 2009 as a result of the combined effects that, for most of the sale of End Products, the Group will need payment in advance from the customers rather than sales on credit, which should have decreased the debtors' turnover days in 2009, with significant increase in revenue contribution from sales of End Products; and the Company's strategy to further extend the credit terms to certain major customers to 90 days from the fourth quarter of 2009.

Trade and bills payables

Trade and bills payables were mainly incurred for the purchase of raw materials, such as polymers, additives and fabrics. The Group generally received credit terms between 20 days and 30 days from its customers. The Group also settled part of the purchase cost by issuing bills with expiry period normally from 2 to 6 months. An aging analysis of the trade and bills payables of the Group as at the respective balance sheet dates indicated, based on the invoice date, is as follows:

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	16,225	14,515	19,061
1 to 2 months	11,292	13,579	8,949
2 to 3 months	1,655	7,213	5,821
3 to 6 months	14,842	14,761	11,535
6 to 12 months	290	19	–
12 to 24 months	22	15	–
	44,326	50,102	45,366
Creditors' turnover days	158 days	101 days	53 days

Creditors' turnover days are derived by dividing the closing balances of trade and bills payables as at 31 December 2007, 2008 and 2009 by cost of sales for the corresponding year and multiplying by 365 days.

The creditors turnover days throughout the Track Record Period were in line with the expiry period of the Group's bills payables of up to 6 months. The significantly large creditors' turnover days of 158 days as at 31 December 2007 was due to higher proportion of payment made by bills payables and the time lag (usually one to two months) between receipt of goods and the issuing of invoices by suppliers. The decrease in creditors' turnover days over the Track Record Period was due to the Group's strategy to settle more purchase cost by bank payment rather than issuing bills with longer credit period, in order to satisfy the suppliers' expectation on shortening the settlement period.

Prepayments, deposits and other receivables

The following table sets forth a breakdown of prepayments, deposits and other receivables as at the balance sheet dates indicated:

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables	8,019	10,308	4,671
Prepayments	6,868	3,544	29,013
Prepaid expenses	283	145	261
	15,170	13,997	33,945

Other receivables mainly represented funds transfer from the Group to certain corporations such as Xiamen Ming Lian Da, Fujian Si Tai Di, and Fujian Shunfan (which provided guarantee of up to about RMB45,000,000, RMB45,000,000 and nil as at 31 December 2007, 2008 and 2009, respectively, to the Group for the security of the Group's bank borrowings). The amounts receivables from Fujian Shunfan were interest-free advances granted by the Group on a short term basis when Fujian Shunfan in need of cash flow. The Directors confirmed that such other receivables have been fully settled as at 31 December 2009. Other receivables as at 31 December 2009 mainly represented the legal and professional fees of about RMB2.9 million regarding the Global Offering, which will be netted off against the Company's equity, upon completion of the Global Offering.

Prepayment mainly represented the prepaid material cost paid to certain suppliers, which required payment in advance. The relatively large balance as at 31 December 2009 was due to a bulk purchase order placed to certain suppliers which required payment in advance from the Group near the year end of 2009, out of which subsequently as at 28 February 2010 RMB23.0 million has been utilized upon receipt of the relevant raw materials.

Other payables and accruals

The following table sets forth a breakdown of other payables and accruals as at the balance sheet dates indicated:

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Other payables	6,732	610	5,851
Advances from customers	4,546	7,581	2,593
Taxes other than CIT	694	1,833	6,750
Payroll payable	482	982	1,444
Accrued liabilities	193	5	125
	12,647	11,011	16,763

Other payable as at 31 December 2007 mainly represented payable of about RMB3.8 million to Fujian Shunfan (which were interest free advances granted by Fujian Shunfan to the Group on a short term basis when the Group in need of cash flow and has been fully settled during 2008) and about RMB1.9 million of investment amount received from YueHui Investment for its investment in Fujian Sijia before such capital was formally verified. The increase in other payables from about RMB610,000 as at 31 December 2008 to about RMB5.9 million as at 31 December 2009 was mainly due to legal and professional fees payable in relation to the Global Offering of which about RMB5.6 million was paid by a substantial shareholder on the Group's behalf which will be settled before Listing.

Taxes other than CIT mainly represented valued added tax payable, in which the increase in balance over the Track Record Period was in line with the overall increase in sales of the Group.

Amounts due from/(to) related parties/directors

The tables below set out the breakdown of balances with related parties and directors of the Group:

(a) Outstanding balances with related parties:

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Due from a related party:			
Spouse of Mr. Zhang Hongwang	2,820	–	–
	2,820	–	–
Due to a related party:			
Xiamen Daxiang Protective Sheet Co., Ltd.	(2,300)	–	(4,451)
	(2,300)	–	(4,451)

(b) Outstanding balances with directors:

	As at 31 December		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Due from directors:			
Mr. Lin	–	500	–
Mrs. Lin	1,281	–	–
	1,281	500	–
Due to directors:			
Mr. Lin	(18,850)	(35,887)	–
Mrs. Lin	–	–	(624)
	(18,850)	(35,887)	(624)

The above balances were non-trade in nature, unsecured, interest-free and had no fixed terms of repayment. Amount due to Mr. Lin of about RMB35.9 million as at 31 December 2008 has been assigned to China Grandsoo as part of the Corporate Reorganization during 2009. After that, such amount due to Mr. Lin from Hong Kong Sijia of about RMB35.9 million was assigned to become the amount due to China Grandsoo, in which such intra-group balances will be eliminated in the consolidated balance sheet of the Group. The Directors confirmed that all other amounts due to/from the related parties/directors will be fully settled before Listing.

Foreign exchange and foreign currency

Throughout the Track Record Period, the Group mainly operated in the PRC with most of the Group's transactions settled in RMB. The Group's assets and liabilities, and transactions arising from the Group's operations, are mainly denominated in RMB. The Directors believe the Group's foreign currency risk is minimal and the Group have not used any forward contract or currency borrowing to hedge the Group's exposure.

Distributable reserves

The Company was incorporated in the Cayman Islands on 7 October 2009. The Company had no reserves distributable to Shareholders as at 31 December 2009 (the date of the Group's latest audited financial statements).

PROPERTY INTERESTS AND PROPERTY VALUATION

The Group's property interests that are attributable to equity holders of the Company as valued by DTZ Debenham Tie Leung Limited, an independent property valuer, as at 28 February 2010 was RMB59,000,000. There is a net revaluation surplus, representing the excess market value of the properties over their book value of RMB30,627,000 (after adjusting for depreciation and amortization during the period from 31 December 2009 to 28 February 2010). See Appendix III to this prospectus for further details of the property interests and the text of the letter and valuation report of these property interests prepared by the property valuer.

Disclosure of the reconciliation between the valuation of the interests in properties attributable to equity holders of the Company as at 28 February 2010 and such property interests in the Group's consolidated balance sheet as at 31 December 2009 as required under Rule 5.07 of Listing Rules is set forth below:

	RMB'000
Net book value of property interests of the Group as at 31 December 2009	
Buildings	23,037
Prepaid land lease payments	5,497
	28,534
Movements for the period from 31 December 2009 to 28 February 2010	
Less: depreciation during the period (unaudited)	(145)
Less: amorization during the period (unaudited)	(16)
Net book value as at 28 February 2010 (unaudited)	28,373
Valuation surplus (unaudited)	30,627
Valuation of properties as at 28 February 2010	59,000

DIVIDENDS

Declaration of dividends will be subject to the discretion of the Directors, depending on the Group's results, working capital, cash positions and capital requirements. Under the applicable PRC law, each of the Company's subsidiaries in the PRC may only distribute its after-tax profits after it has made allocations or allowances for (i) recovery of accumulated losses; (ii) allocations to the statutory reserves; (iii) allocation to the discretionary welfare fund; and (iv) allocation to a discretionary common reserve fund as may be approved by the board of directors of the Company's subsidiaries in the PRC.

Subject to the availability of the Company's cash and distributable reserves, the Group's investment requirements, and the cashflow and working capital requirements of the Group, it is the Directors' current intention to recommend annually the distribution to Shareholders of not less than 30% of the Group's annual net profits as dividends in the foreseeable future. It is also the Directors' current intention to declare not less than 30% of the Group's net profit for the year ending 31 December 2010 as dividends following the Listing of the Shares.

Dividends in the amounts of RMB29.1 million was declared by the Group for the year ended 31 December 2008. The dividends were paid out of the Group's operating cash flow.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared based on the audited consolidated net assets of the Group as at 31 December 2009 as extracted from "Appendix I – Accountants' Report", and is adjusted as described below.

	Audited consolidated net tangible assets attributable to equity holders of the Company as at 31 December 2009 [(1)]	Estimated net proceeds from the Global Offering [(2)]	Unaudited pro forma adjusted consolidated net tangible assets [(3)]	Unaudited pro forma adjusted consolidated net tangible assets per Share [(4)]	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$3.28 per Share	350,702	529,183	879,885	1.10	1.25

(1) The audited consolidated net tangible assets attributable to equity holders of the Company as at 31 December 2009 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the equity holders as at 31 December 2009 of RMB351,000,000 with an adjustment for intangible assets as at 31 December 2009 of RMB298,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$3.28 per Share after the deduction of the estimated underwriting fees and other related fees and expenses, and do not take into account of any Shares that may be issued pursuant to the Over-allotment Option. If the Over-allotment Option is exercised, the unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders and unaudited pro forma adjusted consolidated net tangible assets per Share will increase. The estimated net proceeds from the Global Offering are translated at the exchange rate of RMB0.882 to HK$1.

(3) Details of valuation of the Group's properties as at 28 February 2010 are set out in Appendix III to this prospectus. With reference to such valuation, there is a revaluation surplus of about RMB30,627,000 compared to the carrying values of the Group's properties as at 28 February 2010. The Group will not incorporate the revaluation surplus in the consolidated financial statements for the year ended 31 December 2009 or the above unaudited pro forma adjusted consolidated net tangible assets because it is the Group's accounting policy to state the property interests, classified under the captions "Property, plant and equipment" and "Prepaid land lease payments" in the Accountants' Report set out in Appendix I to this prospectus, at cost less accumulated depreciation/amortization and impairment rather than at revalued amounts. Had these property interests been stated at such valuation, an additional depreciation/amortization of about RMB1,531,000 per annum would have been incurred.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 800,000,000 Shares are issued and outstanding as set out in the "Share Capital" section of this prospectus, and that the Over-allotment Option has not been exercised. The unaudited pro forma adjusted net tangible assets per Share are translated at the exchange rate of RMB0.882 to HK$1.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Except as disclosed in this prospectus, the Directors confirm that, as of the Latest Practicable Date, the Directors were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the Group's business development, financial or trading positions or prospects since 31 December 2009, being the date to which the Group's latest audited financial statements were prepared.

FUTURE PLANS

Please refer to the paragraph headed "Future Plans and Strategies" of the "Business" section for the detailed discussion of the Group's future plans.

USE OF PROCEEDS

The net proceeds of the Global Offering after deducting the underwriting commissions and estimated expenses payable by us in relation to the Global Offering, are estimated to amount to about HK$600.0 million. The Group intends to apply the net proceeds in the following manner:

- As to about HK$210.9 million, representing about 35.1% of the net proceeds from the Global Offering for the development of Fuzhou Plant phase two (12.3%), expansion of production capacity at existing plants (10.5%) and increase in product offerings (12.3%) respectively;

- As to about HK$172.6 million, representing about 28.8% of the net proceeds from the Global Offering for the expansion of sales network and distribution channels, brand building and product promotion;

- As to about HK$133.8 million, representing about 22.3% of the net proceeds from the Global Offering for the enhancement of the Group's research and development capabilities;

- As to about HK$22.7 million, representing about 3.8% of the net proceeds from the Global Offering for the upgrade of the hardwares and softwares of the ERP system; and

- As to about HK$60.0 million, representing about 10.0% of the net proceeds from the Global Offering to be used as additional general working capital of the Group.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, the Directors currently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong.

UNDERWRITERS

International Underwriters:

Piper Jaffray Asia Securities Limited
China Merchants Securities (HK) Co., Limited
Oriental Patron Securities Limited
CIMB Securities (HK) Limited
Daiwa Capital Markets Hong Kong Limited

Hong Kong Underwriters:

Piper Jaffray Asia Securities Limited
China Merchants Securities (HK) Co., Limited
Oriental Patron Securities Limited
Taifook Securities Company Limited

UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

(a) Hong Kong Underwriting Agreement

Under the Hong Kong Underwriting Agreement, the Company has agreed to offer the Hong Kong Public Offer Shares (subject to adjustment) for subscription on and subject to the terms and conditions of this prospectus and the Application Forms.

Pursuant to the Hong Kong Underwriting Agreement, and conditional upon, inter alia, the Listing Committee of the Hong Kong Stock Exchange granting or agreeing to grant (subject to allotment) listings of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued under the Over-allotment Option and any Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme) subject to such customary conditions that may be imposed by the Hong Kong Stock Exchange and certain other conditions, the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers to subscribe for the Hong Kong Public Offer Shares which are not taken up under the Hong Kong Public Offer.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The Sole Global Coordinator (on behalf of the Hong Kong Underwriters) shall have the absolute right to terminate the Hong Kong Underwriting Agreement by giving notice in writing to the Company (for itself and the Covenantors) at any time on or prior to 8:00 a.m. (Hong Kong time) on the Listing Date ("Termination Time") if, at any time before the Termination Time:

(A) (1) there is any change or prospective change (whether or not permanent) in the business or in the financial or trading position or prospects of the Company or any other member of the Group;

(2) any event or series of events resulting or representing or likely to result in any change or development (whether or not permanent) in local, national, regional or international financial, political, industrial, economic, currency, military, conflict-related, legal, fiscal, exchange control, regulatory, equity or other financial market or other conditions, circumstances or matters shall have occurred, happened or come into effect;

(3) any relevant new law or rule, guideline, regulation, opinion, notice, circular, order, judgment, decree or ruling of any court ("Law") or any public, regulatory or governmental agency or authority (including, without limitation, the Hong Kong Stock Exchange and the SFC) ("Governmental Authority") or change (whether or not forming part of a series of changes) in existing Laws or any change in the interpretation or application thereof by any court or Governmental Authority in Hong Kong, the Cayman Islands, the PRC of any jurisdiction which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the Group shall have been introduced or effected;

(4) a change or development occurs involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in Hong Kong, Japan, the PRC, the U.S., the European Union (or any member thereof), or elsewhere;

(5) any event, act or omission which gives rise to or is likely to give rise to any liability of any of the Company, Mr. Lin, Hopeland International, Mr. Lin Wanpeng, Glory Bright, or the executive Directors (collectively the "Warrantors" and each a "Warrantor") pursuant to the terms of the Hong Kong Underwriting Agreement;

(6) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by Japan, the US, the European Union (or any member thereof) or any other country or organization in Hong Kong, the PRC, or any other jurisdiction relevant to the Group;

(7) any event, or series of events, beyond the control of the Hong Kong Underwriters (including without limitation, any acts of God, acts of government, war, threat of war, riot, public disorder, civil commotion, fire, flooding, explosion, outbreak of diseases or epidemic (including but not limited to severe acute respiratory syndrome and H5N1 and such related or mutated forms), terrorism, strike or lockout) shall have occurred, happened or come into effect;

(8) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting Hong Kong, Japan, the PRC, the US or the European Union (or any member thereof), or any other jurisdiction relevant to the Group;

(9) the imposition or declaration of (i) any suspension or material limitation on dealings in shares or securities generally on the Hong Kong Stock Exchange, the Shanghai Stock Exchange, New York Stock Exchange, Inc., London Stock Exchange plc or any other major international stock exchange or (ii) any moratorium on banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting Hong Kong, PRC, New York, London or any other jurisdiction;

(10) a demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity;

(11) any litigation of claim of any third party being instigated against any member of the Group;

(12) any loss or damage sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(13) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group,

which in the sole and absolute opinion of the Sole Global Coordinator:

(a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of the Company taken alone or the Group taken as a whole and/or to any present or prospective shareholder in its capacity as such;

(b) has or will or may have a material adverse effect on the success of the Hong Kong Public Offer, the International Placing or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or

(c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement, the Hong Kong Public Offer, the International Placing and/or the Global Offering to be performed or implemented as envisaged or (ii) to proceed with the Hong Kong Public Offer, the International Placing and/or the Global Offering on the terms and in the manner contemplated in this prospectus in respect of the International Placing; or

(B) any of the Hong Kong Underwriters shall become aware of the fact that, or have cause to believe that:

(1) any of the warranties given by the Warrantors pursuant to the Hong Kong Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Sole Global Coordinator in its sole and absolute discretion;

(2) any statement contained in this prospectus, the Application Forms, the formal notice to be published by the Company in connection with the Hong Kong Public Offer and any announcements issued by the Company in respect of the Hong Kong Public Offer, the International Placing and/or the Global Offering was or is untrue, incorrect or misleading in any respect, or any matter arises or is discovered which would, if the Prospectus in respect of the Hong Kong Public Offer, the International Placing and/or the Global Offering were to be issued at that time, constitute a material omission therefrom as determined by the Sole Global Coordinator in its sole and absolute discretion; or

(3) there has been a breach in any material respect on the part of any of the Warrantors of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement as determined by the Sole Global Coordinator in its sole and absolute discretion.

For the above purpose, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or any change of the value of Hong Kong currency under such system shall be taken as an event resulting in a change in currency conditions; and any market fluctuations, whether or not within the normal range therefor, may be considered as a change of market conditions.

Similar events are expected to be contained in the International Underwriting Agreement that may allow the International Underwriters to terminate their respective obligations thereunder.

(b) International Placing

International Underwriting Agreement

In connection with the International Placing, it is expected that the Company will, on or about 22 April 2010, enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, agree to subscribe for the International Placing Shares being offered pursuant to the International Placing or procure subscribers to subscribe for such International Placing Shares.

Under the International Underwriting Agreement, the Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement up to (and including) 21 May 2010, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer, to require the Company to allot and issue up to an aggregate of 30,000,000 additional Shares, representing in aggregate not more than 15% of the maximum number of Offer Shares initially available under the Global Offering.

UNDERTAKINGS IN FAVOUR OF THE HONG KONG STOCK EXCHANGE PURSUANT TO THE LISTING RULES

By the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Hong Kong Stock Exchange that no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) will be issued by us or form the subject of any agreement to such an issue by the Company within six months from the Listing Date (whether or not such issue of Shares or securities of the Company will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Hong Kong Stock Exchange, the Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) that:

(a) he or it shall not and shall procure that its or his associates or companies controlled by him or it or nominees or trustees (as the case may be) shall not, in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date ("First Six Month Period")

dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he or it is shown by this prospectus to be the beneficial owner (whether direct or indirect); and

(b) in the period of six months immediately after the expiry of the First Six Month Period ("Second Six Month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be the controlling shareholder (as defined in the Listing Rules) of the Company.

Each of the Controlling Shareholders has also undertaken to the Stock Exchange, the Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) that, within the Second Six Month Period, he or it will:

(a) when he or it pledges or charges any Shares beneficially owned by him or it, immediately inform the Company, the Sole Sponsor and the Sole Global Coordinator in writing of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when he or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform the Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

The Company undertakes to inform the Hong Kong Stock Exchange, Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) as soon as it has received information relating to the above pledge or charge and disclose such matters by way of a press announcement which is to be posted on the website of the Hong Kong Stock Exchange and of the Company as required under the Listing Rules.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

By the Company

Pursuant to the Hong Kong Underwriting Agreement, the Company has irrevocably and unconditionally undertaken to the Sole Sponsor, the Sole Global Coordinator and the other Hong Kong Underwriters that it will, among other things, that:

(a) except pursuant to the Global Offering, the Capitalization Issue, the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme, not without the prior written consent of the Sole Global Coordinator (on behalf of the Underwriters), and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might

reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any of its affiliates), either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the First Six Month Period;

(b) not at any time during the First Six Month Period, repurchase any Shares or securities of the Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of the Company or agree to do any of the foregoing, except pursuant to the Global Offering, the Capitalization Issue or the exercise of the Over-allotment Option or to the options which may be granted under the Share Option Scheme;

(c) not at any time within the Second Six Month Period do any of the acts set out in clauses (a) and (b) above such that any of the Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of the Company (within the meaning defined in the Listing Rules);

(d) in the event that the Company does any of the acts set out in clause (a) or (b) after the expiry of the Lock-up Period or the Second Six Month Period, as the case may be, take all steps to ensure that any such act, if done, will not create a disorderly or false market for any Shares or other securities of the Company or any interest therein;

Similar undertakings are expected to be given by the Company to the International Underwriters under the International Underwriting Agreement.

By the Covenantors

Each of the Covenantors hereby represents, warrants and undertakes to the Sole Sponsor and Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), the other Hong Kong Underwriters and the Company that:

(A) he or it will comply with all the applicable restrictions and requirements under the Listing Rules on the disposal by him or it or by any registered holder on his or its behalf, of any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or other securities of the Company in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly);

(B) he or it will not, without the prior written consent of the Sole Sponsor (on behalf of the Hong Kong Underwriters), directly or indirectly, and will procure that none of his or its associates (as defined in the Listing Rules) or companies controlled by him or it or any nominee or trustee holding in trust for him or it shall, offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest in any Shares or any voting or other right attaching to any Shares) in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares or such securities at any time during the First Six Month Period, save in respect of Hopeland International, in connection with the Stock Borrowing Agreement, and subject always to compliance with the provisions of the Listing Rules, in the event of a disposal of any Shares or such securities or any interest therein at any time during the Second Six Month Period, (1) (a) in respect of the Controlling Shareholders, such disposal shall not result in any of the Controlling Shareholders ceasing to be the controlling shareholders (as defined in the Listing Rules) of the Company at any time during the Second Six Month Period; and (b) in respect of Mr. Lin Wanpeng and Glory Bright, such disposal shall not result in any of Mr. Lin Wanpeng and Glory Bright ceasing to be interested in, at any time during the Second Six Month Period, less than 50% of the Shares he or it is interested in as of the Listing Date; (2) he or it shall take all steps to ensure that any such act, if done, will not create a disorderly or false market for any Shares or other securities of the Company or any interest therein.

Without prejudice to the above, each of the Covenantors has undertaken to the Sole Sponsor, the Sole Global Coordinator and the other Hong Kong Underwriters and the Company that within the First Six Month Period and the Second Six Month Period he or it shall:

(A) if and when he or it pledges or charges, directly or indirectly, any Shares or other securities of the Company beneficially owned by him or it, immediately inform the Company, the Sole Sponsor and the Sole Global Coordinator in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

(B) if and when him or it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in the Company pledged or charged by him or it will be disposed of, immediately inform the Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

The Company shall notify the Hong Kong Stock Exchange as soon as the Company has been informed of such event and shall make a public disclosure by way of press announcement in accordance with the Listing Rules.

Commission and expenses

The Underwriters will receive a commission of 3.5% the aggregate Offer Price payable for the Offer Shares initially offered under the Global Offering and the shares which may be issued pursuant to the exercise of the Over-allotment Option, out of which they will pay any sub-underwriting commission. In addition, the Sole Sponsor will receive a sponsorship and documentation fee in relation to the Global Offering. For unsubscribed Hong Kong Public Offer Shares reallocated to the International Placing, the Company will pay an underwriting commission at the rate applicable to the International Placing to the Sole Global Coordinator and the relevant International Underwriters but not the Hong Kong Underwriters. Assuming the Over-allotment Option is not exercised at all and based on the Offer Price of HK$3.28, the underwriting commission, sponsorship and documentation fee, Hong Kong Stock Exchange listing fees, legal and other professional fees together with printing and other expenses relating to the Global Offering are estimated to amount to about HK$56.0 million in total and are payable by the Company.

Each of the Company and the Covenantors has agreed jointly and severally to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement. Similar indemnities are expected to be given by the Company to the International Underwriters under the International Underwriting Agreement.

Underwriters' interest in the Company

Save for the obligations and the interests under the Underwriting Agreements as disclosed above, none of the Underwriters is interested legally or beneficially in any shares in any member of the Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

Sole Sponsor's Independence

The Sole Sponsor satisfy the independence criteria applicable to sponsor as required under Rule 3A.07 of the Listing Rules.

OFFER PRICE AND PRICE PAYABLE ON APPLICATION

Based on the Offer Price of HK$3.28 per Offer Share, plus 1% brokerage fee, 0.004% SFC transaction levy, and 0.005% Hong Kong Stock Exchange trading fee, one board lot of 1,000 Shares will amount to a total of HK$3,313.09.

The indication of level of interest in the International Placing, level of the applications and basis of allocation of the Hong Kong Public Offer Shares under the Hong Kong Public Offer are expected to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on 28 April 2010.

CONDITIONS

Acceptance of all applications for the Global Offering will be conditional upon:

(i) the Listing Committee granting the approval of the listing of, and permission to deal in the Shares (including any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may fall to be issued upon the exercise of the option that may be granted under the Share Option Scheme), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange;

(ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Sole Global Coordinator on behalf of the Underwriters) and not being terminated in accordance with the terms of either agreement or otherwise, in each case on or before the dates and times specified in the Underwriting Agreements.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If these conditions are not fulfilled (or, where applicable, waived by the Sole Global Coordinator (on behalf of the Underwriters)) at or before 8:00 a.m. on 29 April 2010, the Global Offering will lapse and notice of the lapse will be published by the Company in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section "How to Apply for the Hong Kong Public Offer Shares" in this prospectus. In the meantime, such monies will be held in separate bank accounts with the receiving bank or other licensed bank(s) in Hong Kong.

OFFER MECHANISM – BASIS OF ALLOCATION OF SHARES

The Global Offering

The Global Offering consists of the International Placing and the Hong Kong Public Offer. The 200,000,000 Shares initially offered will comprise 180,000,000 Shares being offered under the International Placing and 20,000,000 Shares being offered under the Hong Kong Public Offer. The 200,000,000 Shares being offered under the Global Offering will represent about 25% of the Company's share capital immediately after completion of the Global Offering but without taking into account any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may fall to be issued upon the exercise of the option that may be granted under the Share Option Scheme.

Subject to possible reallocation on the basis set forth below, 20,000,000 Shares, representing 10% of the total number of the Offer Shares initially being offered under the Global Offering, will be offered to the public in Hong Kong under the Hong Kong Public Offer. The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors.

Out of the total 200,000,000 Shares offered pursuant to the Global Offering, 180,000,000 Shares, representing 90% of the total number of Shares initially being offered under the Global Offering, will be placed with professional, institutional investors and/or other investors in Hong Kong and elsewhere under the International Placing. The International Placing will be offered in Hong Kong and other jurisdictions outside the United States in offshore transactions.

In connection with the Global Offering, the Company has granted to the Sole Global Coordinator the Over-allotment Option which is exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) no later than 30 days after the last day for the lodging of applications under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, the Company may be required to allot and issue to an aggregate of 30,000,000 additional Shares (representing 15% of the number of Shares initially being offered under the Global Offering) to cover over-allocations in the International Placing. The Sole Global Coordinator may also cover over-allocations in the International Placing by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and the exercise, in part or in full, of the Over-allotment Option. The number of Shares that may be over-allocated will not exceed the maximum number of Shares that may be issued under the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, on completion of the Global Offering but without taking into account any Shares which may fall to be issued upon the exercise of the option that may be granted under the Share Option Scheme, the Offer Shares will represent about 27.7% of the Company's enlarged issued share capital.

If the Sole Global Coordinator decide to exercise the Over-allotment Option, it will be exercised solely to cover over-allocations in the International Placing. The International Placing Shares (including any over-allocations) will be allocated prior to the commencement of trading of the Shares on the Hong Kong Stock Exchange.

The Hong Kong Public Offer

The Company is initially offering 20,000,000 Hong Kong Public Offer Shares, representing 10% of the total number of Shares initially being offered in the Global Offering, for subscription by way of a Hong Kong Public Offer in Hong Kong. The Hong Kong Public Offer Shares are being offered at the Offer Price. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters, subject to the terms and conditions of the Underwriting Agreement.

The total number of Shares available for subscription under the Hong Kong Public Offer (after taking into account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Shares in pool A will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription amount of HK$5 million (excluding the brokerage fee, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Shares in pool B will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription amount of more than HK$5 million (excluding the brokerage fee, the SFC transaction levy, and the Hong Kong Stock Exchange trading fee payable) and up to the value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Shares in one (but not both) of the pools are undersubscribed, the surplus Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly.

Applicants can only receive an allocation of Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than the total number of Shares originally allocated to each pool are liable to be rejected. Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the International Placing and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

Allocation of Shares to applicants under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for, but, subject to that (and in accordance with the allocation of Hong Kong Public Offer Shares in pool A and pool B described below), will be made on an equitable basis, although the allocation of Hong Kong Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The allocation of the Shares between the International Placing and the Hong Kong Public Offer is subject to adjustment.

If the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offer will increase to 60,000,000 Shares, representing 30% of the Shares initially available for subscription under the Global Offering.

If the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then the number of Shares to be reallocated to the Hong Kong Public Offer from the International Placing will be increased so that the total number of Shares available for subscription under the Hong Kong Public Offer will be 80,000,000 Shares, representing 40% of the Shares initially available for subscription under the Global Offering.

If the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offer, then the number of Shares to be reallocated to the Hong Kong Public Offer from the International Placing will be increased, so that the total number of Shares available for subscription under the Hong Kong Public Offer will increase to 100,000,000 Shares, representing about 50% of the Shares initially available for subscription under the Global Offering. In each such case, the additional Shares reallocated to the Hong Kong Public Offer will be allocated equally between pool A and pool B and the number of Shares allocated to the International Placing will be correspondingly reduced.

If the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator, in its sole discretion, may reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offer to the International Placing. If the Hong Kong Public Offer is over subscribed, the Sole Global Coordinator may, but shall not be obliged to, reallocate Shares originally included in the International Placing to satisfy excess demand under the Hong Kong Public Offer.

The Hong Kong Public Offer is fully underwritten at the Offer Price by the Hong Kong Underwriters, on and subject to the terms and conditions of the Hong Kong Underwriting Agreement.

The International Placing

The Company is initially offering 180,000,000 new Shares as the International Placing Shares, representing 90% of the total number of Shares initially being offered in the Global Offering (subject to the Over-allotment Option), for subscription by way of the International Placing subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer. The International Placing is fully underwritten by the International Underwriters, subject to the terms and conditions of the Underwriting Agreement.

The International Underwriters are soliciting from prospective professional, institutional investors and/or other investors indications of interest in acquiring International Placing Shares in the International Placing. Prospective professional, institutional investors and/or other investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as "book building". In Hong Kong, individual retail investors should apply for Shares in the Hong Kong Public Offer, as individual retail investors applying for International Placing Shares, including individual retail investors applying through banks and other institutions, will not be allocated any International Placing Shares.

Allocation of the International Placing Shares pursuant to the International Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of the Company and its shareholders as a whole.

The International Underwriters or selling agents nominated by the International Underwriters shall, on behalf of the Company, conditionally place the International Placing Shares with professional, institutional and/or other investors in Hong Kong and other regions. The International Placing shall be subject to the Global Offering restrictions set out under the section "Information about this prospectus and the Global Offering".

The International Placing is conditional on the same conditions as set out in the section "Conditions" above. The total number of International Placing Shares to be sold and transferred or allotted and issued pursuant to the International Placing may change as a result of the clawback arrangement referred to in the section "The Hong Kong Public Offer" above, the exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Hong Kong Public Offer.

Professional and institutional investors may apply for Offer Shares under the Hong Kong Public Offer or receive Offer Shares under the International Placing. However, such investors will only receive Offer Shares under either the Hong Kong Public Offer or the International Placing, but not both.

OVER-ALLOCATION AND STABILIZATION

The Over-allotment Option

In connection with the Global Offering, the Company intends to grant to the Sole Global Coordinator the Over-allotment Option, which will be exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) no later than 30 days after the last date for the lodging of applications under the Global Offering. Pursuant to the Over-allotment Option, the Company may be required to allot and issue/sell at the Offer Price up to an aggregate of 30,000,000 additional Shares, representing 15% of the total number of Shares initially available under the Global Offering, in connection with over-allocation in the International Placing, if any, to be issued and all issued on the same terms and conditions as the Shares subject to be offering. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent about 3.6% of the Company's enlarged issued share capital following the completion of the Global Offering and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of any options that may be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, a press announcement will be made.

In the event that the Over-allotment Option is exercised, an announcement will be made in The Standard (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable in accordance to the requirements of the Listing Rules.

Stabilization action

In connection with the Global Offering, the Sole Global Coordinator, or any person acting for it may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period. Such transactions, if commenced, may be discontinued at any time. The Sole Global Coordinator has been appointed as stabilizing manager for purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO and, should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Sole Global Coordinator and will be effected in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. An announcement will be made to the public within seven days after the end of the stabilizing period as required under the Securities and Futures (Price Stabilizing) Rules made under the SFO.

Following any over-allocations of Shares in connection with the Global Offering, the Sole Global Coordinator or any person acting for it may cover such over-allocations by (among other methods) making purchases in the secondary market or exercising the Over-allotment Option in full or in part, or by any combination of purchases and exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the Securities and Futures (Price Stabilizing) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 30,000,000 Shares, representing 15.0% of the Shares initially available under the Global Offering.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager or its authorized agents may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilizing Manager or its authorized agents will maintain the long position is at the discretion of the Stabilizing Manager or its authorized agents and is uncertain. In the event that the Stabilizing Manager or its authorized agents liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing activity by the Stabilizing Manager or its authorized agents is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Hong Kong Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer. The stabilizing period is expected to end on 21 May 2010. As a result, demand for the Shares, and its market price, may fall after the end of the stabilizing period.

Any stabilizing activity taken by the Stabilizing Manager or its authorized agents may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilizing Manager or its authorized agents may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by investors.

In order to facilitate the settlement of over-allocations, the Stabilizing Manager or its authorized agents may, amongst other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage in a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

The Stabilizing Manager or its authorized agents may borrow up to 30,000,000 Shares from Hopeland International, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The stock borrowing arrangement under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules such that it will not be subject to the restrictions of Rule 10.07(1) of the Listing Rules. Rule 10.07(3) of the Listing Rules requires that:

- the Stock Borrowing Agreement will only be effected by the Stabilizing Manager or its authorized agents for settlement of over-allocations in the International Placing and solely covering any short position prior to the exercise of the Over-allotment Option;

- the maximum number of Shares to be borrowed from Hopeland International will be limited to the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option;

- the same number of Shares so borrowed must be returned to Hopeland International within the third business day, a day that is not a Saturday, Sunday or public holiday in Hong Kong, following the earlier of (i) the last day on the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full;

- borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and

- no payments will be made to Hopeland International by the Stabilizing Manager in relation to the Stock Borrowing Agreement.

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Sole Global Coordinator (or its affiliate(s)) may choose to borrow Shares from Hopeland International under stock borrowing arrangements, or acquire Shares from other sources, including the exercise of the Over-allotment Option. Such stock borrowing arrangements include the Stock Borrowing Agreement. The Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules, which restricts the disposal of Shares by the Controlling Shareholders subsequent to the date of this prospectus, subject to compliance with the requirements in accordance with the requirements of Rule 10.07(3) of the Listing Rules.

The possible stabilizing action which may be taken by the Sole Global Coordinator in connection with the Global Offering may involve (among other things): (i) over-allocations of Shares, (ii) purchases of, or agreement to purchase, Shares, (iii) establishing, hedging and liquidating positions in Shares, (iv) exercising the Over-allotment Option in whole or in part and/or (v) offering or attempting to do any of the foregoing.

Specifically, prospective applicants for and investors in Offer Shares should note that:

- the Sole Global Coordinator may, in connection with any stabilizing action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator will maintain such a position;

- liquidation of any such long position by the Sole Global Coordinator may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which is expected to expire on 21 May 2010, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of any security (including the Shares) cannot be assured to stay at or above its offer price by the taking of any stabilizing action; and

- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

LISTING ON OTHER STOCK EXCHANGE

The Directors are not considering any listing of the Company on any other overseas stock exchange. The Company has not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.

1. METHODS OF APPLYING FOR THE HONG KONG PUBLIC OFFER SHARES

You may apply for the Hong Kong Public Offer Shares by using one of the following methods:

- using a **WHITE** or **YELLOW** Application Form;
- applying through the **White Form eIPO** service by submitting an electronic application to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk**; or
- electronically instructing HKSCC to cause HKSCC Nominees to apply for Hong Kong Public Offer Shares on your behalf.

You or your joint applicant(s) may only make one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider (individual applicant only).

2. WHICH APPLICATION METHOD YOU SHOULD USE

(a) WHITE Application Forms

Use a **WHITE** Application Form if you want the Hong Kong Public Offer Shares to be registered in your own name.

(b) White Form eIPO

Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Public Offer Shares by means of the **White Form eIPO** service by submitting an application online through the designated website at **www.eipo.com.hk**. In addition to any other requirements, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of the **White Form eIPO**. Use the **White Form eIPO** service if you want the Shares to be registered in your own name.

(c) YELLOW Application Forms

Use a **YELLOW** Application form if you want the Hong Kong Public Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

(d) Instruct HKSCC to make an electronic application on your behalf

Instead of using a **YELLOW** Application Form, you may **electronically instruct** HKSCC to cause HKSCC Nominees to apply for the Hong Kong Public Offer Shares on your behalf via CCASS. Any Hong Kong Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

3. WHERE TO COLLECT THE APPLICATION FORMS

(a) You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 16 April 2010 until 12:00 noon on Wednesday, 21 April 2010 from:

any of the following Hong Kong Underwriters:

Piper Jaffray Asia Securities Limited
3901B, 39/F, Tower 1
Lippo Centre
89 Queensway
Hong Kong

or

China Merchants Securities (HK) Co., Limited
42/F, One Exchange Square
Central
Hong Kong

or

Oriental Patron Securities Limited
Suite 2701-3 & 2705-8, 27/F
Two Exchange Square
8 Connaught Place
Central, Hong Kong

or

Taifook Securities Company Limited
25/F, New World Tower
16-18 Queen's Road Central
Central, Hong Kong

or any of the following branches of Hang Seng Bank Limited:

Branch Name	Branch Address
Hong Kong Island	
Head Office	83 Des Voeux Road Central
Wanchai Branch	200 Hennessy Road
North Point Branch	335 King's Road
Causeway Bay Branch	28 Yee Wo Street
Kowloon	
Tsimshatsui Branch	18 Carnarvon Road
Kowloon Main Branch	618 Nathan Road
Kwun Tong Branch	70 Yue Man Square
Yaumati Branch	363 Nathan Road
New Territories	
Shatin Branch	Shop 18 Lucky Plaza, Wang Pok Street, Shatin
Tai Ho Road	30 Tai Ho Road

(b) You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 16 April 2010 until 12:00 noon on Wednesday, 21 April 2010 from:

- the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- Your broker may have **YELLOW** Application Forms and this prospectus available.

4. WHEN TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

(a) WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with a cheque or banker's cashier order attached, must be lodged by 12:00 noon on Wednesday, 21 April 2010, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the banks listed under the paragraph headed "Where to collect the Application Forms" in this section at the following times:

Friday, 16 April 2010	**–**	**9:00 a.m. to 5:00 p.m.**
Saturday, 17 April 2010	**–**	**9:00 a.m. to 1:00 p.m.**
Monday, 19 April 2010	**–**	**9:00 a.m. to 5:00 p.m.**
Tuesday, 20 April 2010	**–**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 21 April 2010	**–**	**9:00 a.m. to 12:00 noon**

(b) White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on 16 April 2010 until 11:30 a.m. on 21 April 2010 or such later time as described under the paragraph below headed "How to Apply through the **White Form eIPO** service – Effect of bad weather conditions on the last application day" (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on 21 April 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "How to Apply for Hong Kong Public Offer Shares – How to Apply through the **White Form eIPO** service – Effect of bad weather conditions on the last application day".

You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(c) Electronic applications instructions to HKSCC

CCASS Clearing Participants and CCASS Custodian Participants should input **electronic application instructions** via CCASS at the following times:

Friday, 16 April 2010	**–**	**9:00 a.m. to 8:30 p.m.[1]**
Saturday, 17 April 2010	**–**	**8:00 a.m. to 1:00 p.m.[1]**
Monday, 19 April 2010	**–**	**8:00 a.m. to 8:30 p.m.[1]**
Tuesday, 20 April 2010	**–**	**8:00 a.m. to 8:30 p.m.[1]**
Wednesday, 21 April 2010	**–**	**8:00 a.m.[1] to 12:00 noon**

[1] These times are subject to such changes as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 16 April 2010 until 12:00 noon on Wednesday, 21 April 2010 (24 hours daily, except the last application date).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Wednesday, 21 April 2010 or if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

(d) Application lists

The application lists will be opened from 11:45 a.m. to 12:00 noon on Wednesday, 21 April 2010, except as provided in the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

No proceedings will be taken on applications for the Hong Kong Public Offer Shares and no allocation of any such Shares will be made until after the closing of the application lists.

(e) Effect of bad weather conditions on the opening of the application lists

The application lists will be opened between 11:45 a.m. and 12:00 noon on Wednesday, 21 April 2010, subject to weather conditions. The application lists will not be open in relation to the Hong Kong Public Offer if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 21 April 2010, or if there are similar extraneous factors as are acceptable to the Hong Kong Stock Exchange. Instead, they will be open between 11:45 a.m. and 12:00 noon on the next Business Day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

5. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

(a) Obtain a **WHITE** or **YELLOW** Application Form.

(b) You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.

(c) Decide how many Hong Kong Public Offer Shares you want to purchase. Calculate the amount you must pay on the basis of the Offer Price of HK$3.28 per Share, plus brokerage fee of 1%, the SFC transaction levy of 0.004% and the Hong Kong Stock Exchange trading fee of 0.005%. The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for numbers of shares applied for up to 10,000,000 Shares.

(d) Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it. If your application is made through a duly authorized attorney, the Company and the Sole Sponsor (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

(e) Each Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left-hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name, which must either be pre-printed on the cheque, or be endorsed on the back by a person authorized by the bank. This account name must be the same as the name on the Application Form. If it is a joint application, the account name must be the same as the name of the first-named applicant;

- be made payable to "Hang Seng (Nominee) Limited – Sijia Public Offer"; and

- be crossed "Account Payee Only".

Your application may be rejected if your cheque does not meet all these requirements or is dishonoured on its first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorized by the bank. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named joint applicant;

- be in Hong Kong dollars;

- not be post-dated;

- be made payable to "Hang Seng (Nominee) Limited – Sijia Public Offer"; and

- be crossed "Account Payee Only".

Your application is liable to be rejected if your banker's cashier order does not meet all these requirements.

(f) If you are applying for Shares using a **WHITE** or **YELLOW** Application Form, you should lodge your Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to in sub-paragraphs 3(a) and 4(a) above.

(g) The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Wednesday, 28 April 2010. The Company will not give you a receipt for your payment. The Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund checks). The right is also reserved to retain any share certificate(s) and/or any surplus application monies or refunds pending clearance of your check or banker's cashier order.

(h) Multiple or suspected multiple applications are liable to be rejected. Please see the paragraph headed "How many applications you can make" in this section of the prospectus.

(i) In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form and sign on the first page of the Application Form. Only written signature will be accepted.

- If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):
  - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box on the **Yellow** Application Form.
- If you are applying as an individual CCASS Investor Participant:
  - you must fill in your full name and your Hong Kong Identity Card number; and
  - you must insert your CCASS Participant I.D. in the appropriate box.
- If you are applying as a joint individual CCASS Investor Participant:
  - you must insert all joint CCASS Investor Participants' names and the Hong Kong Identity Card numbers of all joint CCASS Investor Participants; and
  - you must insert your CCASS Participant I.D. in the appropriate box.
- If you are applying as a corporate CCASS Investor Participant:
  - you must insert your company name and your company's Hong Kong business registration number; and
  - you must fill in your CCASS Participant I.D. and stamp your company chop (bearing your company's name) in the appropriate box.

Incorrect or incomplete details of the CCASS Participant or CCASS Participant I.D. or other similar matters may render the application invalid.

(j) Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" an identification number for each beneficial owner.

6. HOW TO COMPLETE THE APPLICATION FORM

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not strictly follow the instructions your application may be rejected.

Appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful or partially successful applications, without interest. Details of the procedure for refunds are set out below in the paragraph headed "Despatch/Collection of Share Certificates and Refund Monies" below.

7. HOW TO APPLY THROUGH THE WHITE FORM eIPO SERVICE

(a) If you are an individual and meet the criteria set out in relation to applying for Hong Kong Public Offer Shares through the **White Form eIPO** service in the white Application Form, you may apply through the **White Form eIPO** service by submitting an application through the designated website at **www.eipo.com.hk**. If you apply through the **White Form eIPO** service, the Shares will be issued in your own name.

(b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, you application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to the Company.

(c) In addition to the terms and conditions set out in this prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(d) By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service (**www.eipo.com.hk**), you are deemed to have authorized the designated **White Form eIPO** Service Provider to transfer the details of your application to the Company and the Group's Hong Kong Share Registrar.

(e) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

(f) You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on 16 April 2010 until 11:30 a.m. on 21 April 2010 or such later time as described under the paragraph below headed "Effect of bad weather conditions on the last application day" (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on 21 April 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph below headed "Effect of bad weather conditions on the last application day".

(g) You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. You should make payment for your application made through the **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at **www.eipo.com.hk**. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on 21 April 2010, or such later time as described under the paragraph below headed "Effects of bad weather conditions on the last application day" in this prospectus, the designated **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.eipo.com.hk**.

Effect of bad weather conditions on the last application day

The latest time for submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service will be 11:30 a.m., and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on 21 April 2010, the last application day. If there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 21 April 2010, the last application day will be postponed to the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

Conditions of the White Form eIPO service

In using the **White Form eIPO** service to apply for the Hong Kong Public Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- **Applies** for the desired number of Hong Kong Public Offer Shares on the terms and conditions of this prospectus and **White Form eIPO** application subject to the Articles;

- **Undertakes** and agrees to accept the Hong Kong Public Offer Shares applied for, or any lesser number allotted to the applicant on such application;

- **Declares** that such application is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider under the **White Form eIPO** service, to benefit the applicant or the person for whose benefit the applicant is applying;

- **Undertakes** and **confirms** that the applicant or the person for whose benefit the applicant is applying has not applied for or taken up, or indicated an interest for, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up, or indicate an interest for, any International Placing Shares, nor otherwise participate in the International Placing;

- **Understands** that this declaration and representation will be relied upon by the Company in deciding whether or not to make any allotment of Hong Kong Public Offer Shares in response to such application;

- **Authorizes** the Company to place the applicant's name on the register of members of the Company as the holder of any Hong Kong Public Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set out in this prospectus) to send any Share certificates by ordinary post at the applicant's own risk to the address given on the **White Form eIPO** application except where the applicant has applied for 1,000,000 or more Hong Kong Public Offer Shares and that applicant collects any Share certificate(s) in person in accordance with the procedures prescribed in the **White Form eIPO** application and this prospectus;

- **Has read** the terms and conditions and application procedures set out on in the **White Form eIPO** application, this prospectus and the **White Form eIPO** website (**www.eipo.com.hk**) and agrees to be bound by them.

- **Represents, warrants** and **undertakes** that (i) the applicant or any persons for whose benefit the applicant is applying is outside the United States when completing and submitting the **White Form eIPO** application and is not a US person (as defined in Regulation S under the US Securities Act, as amended), or is a person described in paragraph (h)(3) of Rule 902 of Regulation S under

the United States Securities Act of 1933, as amended, and (ii) the allotment of or application for the Hong Kong Public Offer Shares to or by the applicant or the persons for whose benefit this application is made would not require the Company, the Sole Global Coordinator or the Underwriters to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong; and

- **Agrees** that such application, any acceptance of it and the resulting contract, will be governed by and construed in accordance with the laws of Hong Kong.

Supplemental information

If any supplement to this prospectus is issued, applicant(s) who have already submitted an **electronic application instruction** through the **White Form eIPO** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **White Form eIPO** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **White Form eIPO** service is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

Effect of completing and submitting an application through the White Form eIPO service

By completing and submitting an application through the **White Form eIPO** service, you for yourself or as agent or nominee for and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- instruct and authorize the Company, the Sole Global Coordinator (or its agents or nominees) as agent for the Company to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allotted to you in your name as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the **White Form eIPO** Application;

- confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;

- agree that the Company and the Directors are liable only for the information and representations contained in this prospectus and any supplement thereto;

- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

- (if the application is made for your own benefit) warrant that such application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service;

- (if you are an agent or nominee for another person) warrant reasonable enquiries have been made of that other person that such application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service, and that you are duly authorized to submit such application as that other person's agent or nominee;

- undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any International Placing Shares;

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- agree to disclose to the Company, and/or its Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;

- agree with the Company and each Shareholder of the Company, and the Company agrees with each of its Shareholders, to observe and comply with the Cayman Companies Law, the Memorandum and the Articles;

- agree with the Company and each Shareholder of the Company that the Shares in the Company are freely transferable by the holders thereof;

- authorize the Company to enter into a contract on your behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his or her obligations to Shareholders as stipulated in the Memorandum and the Articles;

- represent, warrant and undertake that you are not, and none of the other person(s) (if any) for whose benefit you are applying, are a US person (as defined in Regulation S);

- represent and warrant that you understand that the Shares have not been and will not be registered under the US Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus, the **White Form eIPO** Application and the **White Form eIPO** website (**www.eipo.com.hk**) and agree to be bound by them;

- undertake and agree to accept the Shares applied for, or any lesser number allocated to you under your application; and

- if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus, the **White Form eIPO** application and the **White Form eIPO** website (**www.eipo.com.hk**).

The Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and their respective directors, officers, employees, partners, agents, advisers, and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in such application.

Additional information

For the purposes of allocating Hong Kong Public Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Public Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at **www.eipo.com.hk**.

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service (**www.eipo.com.hk**), you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **White Form eIPO** service (**www.eipo.com.hk**), you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. See the paragraph headed "How many applications you can make" in this section of the prospectus.

Warning

The application for Hong Kong Public Offer Shares through the **White Form eIPO** service (**www.eipo.com.hk**) is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. The Company, the Directors, the Sole Global Coordinator, the Underwriters and the **White Form eIPO** Service Provider take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service (**www.eipo.com.hk**) will be submitted to the Company or that you will be allotted any Hong Kong Public Offer Shares.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "**Sijia Group Company Limited" White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang – Hong Kong Forest" project initiated by Friends of the Earth (HK).

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the White Form eIPO service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO**, you should submit a **WHITE** application form. However, once you have submitted electronic application instructions and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** application form. Please see the paragraph headed "How many applications you can make" in this section of the prospectus.

8. HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

(b) If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at *https://ip.ccass.com* (according to the procedures contained in "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you come to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F Vicwood Plaza,
199 Des Voeux Road Central,
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

(c) If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Public Offer Shares.

(d) You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your CCASS Clearing Participant or CCASS Custodian Participant to the Company and the Hong Kong Share Registrar.

(e) You may give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms.

(f) Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares:

(i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and

(ii) HKSCC Nominees does all the things on behalf of each of such persons:

- **agrees** that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has input **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;

- **undertakes** and **agrees** to accept the Hong Kong Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

- **undertakes** and **confirms** that that person has not indicated an interest for, applied for or taken up or indicated an interest for, any Offer Shares under the International Placing nor otherwise participated in the International Placing;

- (if the **electronic application instructions** are given for that person's own benefit) **declares** that only one set of **electronic application instructions** has been given for that person's benefit;

- (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that person is duly authorized to give those instructions as that other person's agent;

- **understands** that the above declaration will be relied upon by the Company, the Directors and the Sole Global Coordinator in deciding whether or not to make any allotment of Hong Kong Public Offer Shares in respect of the **electronic application instructions** given by that person and that person may be prosecuted if he makes a false declaration;

- **authorizes** the Company to place the name of HKSCC Nominees on the Group's register of members as the holder of the Hong Kong Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;

- **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

- **confirms** that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf save as set out in any supplement to this prospectus;

- **agrees** that the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;

- **agrees** to disclose that person's personal data to the Company, the Sole Global Coordinator, the Hong Kong Share Registrar, receiving bank and/or their respective agents and any information which they may require about that person;

- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before the expiration of the fifth day after the opening of the application lists or such later date as the application lists may close as described under "Effect of bad weather on the opening of the application lists" above such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the expiration of the fifth day after the closing of the application lists except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under which section which excludes or limits the responsibility of that person for this prospectus;

- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by the Company;

- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Public Offer Shares;

- **agrees** with the Company, for ourselves and for the benefit of each of the Group's Shareholders (and so that the Group will be deemed by the Group's acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Cayman Companies Law, the Companies Ordinance and the Memorandum and the Articles;

- **agrees** with the Company (for itself and for the benefit of each of its Shareholders) that the shares are freely transferable by the holders thereof; and

- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

(g) If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic instructions to make an application for Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

(h) For the purpose of allocating Hong Kong Public Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.

(i) The section of the Application Form entitled "Personal data" applies to any personal data held by the Sole Sponsor, the Company and the Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

Application for Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. The Company, the Sole Global Coordinator and any parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:

(a) submit the WHITE or YELLOW Application Form (as appropriate); or

(b) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on 21 April 2010 or such later time as described under the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" above.

9. RESULTS OF ALLOCATIONS

The Company expects to publish the announcement on the level of applications in the Hong Kong Public Offer, the level of indications of interest in the International Placing and the basis of allotment of the Hong Kong Public Offer Shares in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on 28 April 2010. Results of allocation in the Hong Kong Public Offer, including the Hong Kong Identity Card numbers, passport numbers or Hong Kong business registration numbers of successful applicants (where supplied) and the number of Hong Kong Public Offer Shares successfully applied for under **WHITE** Application Forms, or **YELLOW** Application Forms or the designated **White Form eIPO** Service Provider through the designated **White Form eIPO** website or by giving **electronic application instructions** to HKSCC via CCASS will be made available at the times and dates and in the manner specified below:

- on the Group's website at *www.sijia.hk* and the Hong Kong Stock Exchange's website at *www.hkexnews.hk* from 28 April 2010 onward;

- on the Group's Hong Kong Public Offer results of allocations website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on 28 April 2010 to 12:00 midnight on 4 May 2010. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration certificate number provided in his/her/its application to search for his/her/its own allocation result;

- from the Group's Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of the Hong Kong Public Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from 28 April 2010 to 1 May 2010;

- from special allocation results booklets which set out the results of allocations will be available for inspection during opening hours of the designated branches of the receiving bank of the Hong Kong Public Offer from 28 April 2010 to 30 April 2010 at the addresses set forth under the paragraph headed "Where to collect the Application Forms" in this section above.

10. HOW MANY APPLICATIONS YOU CAN MAKE

(a) You may make more than one application for the Hong Kong Public Offer Shares only if:

- You are a nominee, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); or (ii) using a **WHITE** or **YELLOW** Application Form and lodging more than one application in

your own name on behalf of different beneficial owners. In the box on the **WHITE** or **YELLOW** Application Form marked "For nominees" you must include:

– an account number; or

– some other identification code for each beneficial owner (or, in the case of joint beneficial owners, for each such joint beneficial owner). If you do not include this information, the application will be treated as being made for your own benefit.

Otherwise, multiple or suspected multiple applications are liable to be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form or giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider, you:

- (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider;

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider, and that you are duly authorized to sign the Application Form (where applicable) as that other person's agent.

(b) Save as referred to (a) above, all of your applications for the Hong Kong Public Offer Shares (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:

- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **White Form eIPO** Service Provider; or

- apply both (whether individually or jointly with others) on one (or more) **WHITE** Application Form and one (or more) **YELLOW** Application Form or on one (or more) **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider; or

- apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **White Form eIPO** Service Provider for more than 100% of the Hong Kong Public Offer Shares being initially available in either pool A or pool B to the public as referred to under the section headed "Structure of the Global Offering" in this prospectus; or

- have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any International Placing Shares under the International Placing.

(c) All of your applications for the Hong Kong Public Offer Shares are liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**). If an application is made by an unlisted company and:

(i) the principal business of that company is dealing in securities; and

(ii) you exercise statutory control over that company,

then the application will be deemed to be made for your benefit.

Unlisted company means a company with no equity securities listed on the Hong Kong Stock Exchange.

Statutory control in relation to a company means you:

(i) control the composition of the board of directors of that company; or

(ii) control more than half of the voting power of that company; or

(iii) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profit or capital).

(d) If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** through the designated website at **www.eipo.com.hk** and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

11. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the paragraph headed "Conditions" under the section headed "Structure of the Global Offering" or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one share certificate for all the Hong Kong Public Offer Shares issued to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the application:

(a) for applications on **WHITE** Application Forms or **White Form eIPO**:

(i) share certificate(s) for all the Hong Kong Public Offer Shares applied for, if the application is wholly successful; or

(ii) share certificate(s) for the number of Hong Kong Public Offer Shares successfully applied for, if the application is partially successful; and/or

(b) for applications on **WHITE** or **YELLOW** Application Forms refund cheque(s) crossed 'Account Payee Only' in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all application monies, if the application is wholly unsuccessful, in each case including brokerage of 1%, SFC transaction levy of 0.004% and the Hong Kong Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications are expected to be posted on 28 April 2010. The right to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) is reserved.

Share certificates will only become valid certificates of title at 8:00 a.m. on 29 April 2010 provided that the Hong Kong Public Offer has become unconditional in all respects and the right of termination described in the paragraph headed "Grounds for termination" under the section headed "Underwriting" has not been exercised.

(a) if you apply using a WHITE Application Form:

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have indicated your intention in your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and share certificate(s) (where applicable) from the Group's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, from 9:00 a.m. to 1:00 p.m. on 28 April 2010 or such other date as notified by us in the newspapers as the date of collection/despatch of e-Refund Payment instructions/refund cheques/share certificates. If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative

bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares or you apply for 1,000,000 Hong Kong Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on 28 April 2010, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form:

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on 28 April 2010, by ordinary post and at your own risk.

If you apply for Hong Kong Public Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on 28 April 2010, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the newspapers on 28 April 2010. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on 28 April 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your stock account.

(c) If you apply through White Form eIPO:

If you apply for 1,000,000 Hong Kong Public Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your Share certificate(s) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on 28 April 2010, or such other date as notified by the Company in the newspapers as the date of despatch/collection of e-Refund payment instructions/refund cheques/Share certificates.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** on 28 April 2010, by ordinary post and at your own risk.

If you paid the application monies from a single bank account, e-Refund payment instructions (if any) will be despatched to your application payment bank account on 28 April 2010. If you used multi-bank accounts to pay the application monies, refund cheque (if any) will be despatched to you on 28 April 2010.

(d) If you apply by giving electronic application instructions to HKSCC:

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Deposit of share certificates into CCASS and Refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on 28 April 2010, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- The Group expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Group will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification number (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the newspapers on 28 April 2010. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on 28 April 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on 28 April 2010. Immediately after the credit of the Hong Kong Public Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications, including brokerage of 1%, SFC transaction levy of 0.004% and the Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on 28 April 2010. No interest will be paid thereon.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Public Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or submitting an **electronic application instruction** you agree that your application or the application made by HKSCC Nominees or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (**www.eipo.com.hk**) on your behalf cannot be revoked on or before the expiration of the fifth day after the closing of the application lists, unless a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. This agreement will take effect as a collateral contract with the Company and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC and an Application Form has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before 29 April 2010 except by means of one of the procedures referred to in this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (**www.eipo.com.hk**) has been accepted, it cannot be revoked or withdrawn. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) Full discretion of the Company, the Sole Global Coordinator or their respective agents or nominees to reject or accept

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider or the Company's or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(c) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list the Hong Kong Public Offer Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies us of that longer period within three weeks of the closing date of the application lists.

(d) You will not receive any allotment if:

- you make multiple applications or you are suspected to have made multiple applications;
- you or the person whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) International Placing Shares. By filling in any of the Application Forms or submitting **electronic application instructions**, you agree not to apply for or indicate an interest for Offer Shares in the International Placing. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Public Offer Shares in the Hong Kong Public Offer;
- your payment is not made correctly or you pay by check or banker's cashier order and the check or banker's cashier order is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);

- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.eipo.com.hk**;

- you apply for more than 10,000,000 Hong Kong Public Offer Shares (being 50% of the Hong Kong Public Offer Shares initially available for subscription under the Hong Kong Public Offer);

- the Company believes that by accepting your application, the Company would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address overleaf is located;

- the Underwriting Agreements do not become unconditional; or

- the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement are/is terminated in accordance with their respective terms.

You should also note that you may apply for Offer Shares under the Hong Kong Public Offer or indicate an interest for Offer Shares under the International Placing, but may not do both.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on 29 April 2010. Shares will be traded on the Hong Kong Stock Exchange in board lots of 1,000 Shares each. The Hong Kong Stock Exchange stock code for the Shares is 1863.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

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

16 April 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 2007, 2008 and 2009 (the "Relevant Periods"), 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 16 April 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 consolidated income statements, comprehensive income, changes in equity and cash flows of the Group for the Relevant Periods, and the consolidated statements of financial position of the Group as at 31 December 2007, 2008 and 2009, together with the notes thereto (collectively referred to as the "Financial Information"), has been prepared based on the consolidated 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 consolidated 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. 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.

Procedures Performed in Respect of the Financial Information

We have audited the consolidated financial statements of the Group for the years ended 31 December 2007, 2008 and 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 consolidated 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.

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 2007, 2008 and 2009, and of the Group's consolidated profits and cash flows for the Relevant Periods in accordance with HKFRSs.

I. FINANCIAL INFORMATION

Consolidated Income Statements

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
CONTINUING OPERATIONS				
REVENUE	6	148,715	299,644	570,492
Cost of sales		(102,718)	(180,480)	(311,624)
Gross profit		45,997	119,164	258,868
Other income and gains	6	348	3,308	1,979
Selling and distribution costs		(1,660)	(4,317)	(3,612)
Administrative expenses		(13,512)	(20,959)	(49,657)
Other expenses		(718)	(485)	(881)
Finance costs	8	(758)	(1,951)	(2,139)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	29,697	94,760	204,558
Income tax expense	11	(3,568)	(15,313)	(33,346)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		26,129	79,447	171,212
DISCONTINUED OPERATION				
Profit for the year from a discontinued operation	7, 13	13,255	1,730	–
PROFIT FOR THE YEAR		39,384	81,177	171,212
Attributable to:				
Owners of the Company*		36,783	61,266	171,212
Minority interests		2,601	19,911	–
		39,384	81,177	171,212
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Basic and diluted (RMB):				
– For profit for the year	12	6.13 cents	10.21 cents	28.54 cents
– For profit from continuing operations	12	4.06 cents	9.99 cents	28.54 cents
– For profit from a discontinued operation	12	2.07 cents	0.22 cents	–
*Profit attributable to owners of the Company:				
– From continuing operations		24,356	59,951	171,212
– From a discontinued operation		12,427	1,315	–
		36,783	61,266	171,212

Details of the dividends paid during the Relevant Periods are disclosed in note 14 to the Financial Information.

Consolidated Statements of Comprehensive Income

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
PROFIT FOR THE YEAR	39,384	81,177	171,212
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations	1,290	705	23
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	1,290	705	23
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	40,674	81,882	171,235
Attributable to:			
Owners of the Company	38,073	61,971	171,235
Minority interests	2,601	19,911	–
	40,674	81,882	171,235

Consolidated Statements of Financial Position

		As at 31 December		
		2007	2008	2009
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*15*	71,815	67,381	79,204
Prepaid land lease payments	*16*	5,597	5,499	5,401
Intangible assets	*17*	–	382	298
Advance payments for property, plant and equipment		144	11,385	50,213
Total non-current assets		77,556	84,647	135,116
CURRENT ASSETS				
Inventories	*18*	19,896	36,825	29,448
Trade and notes receivables	*19*	31,666	45,462	86,364
Prepayments, deposits and other receivables	*20*	15,170	13,997	33,945
Due from directors	*33*	1,281	500	–
Due from a related party	*33*	2,820	–	–
Cash and cash equivalents	*21*	30,340	87,612	184,987
		101,173	184,396	334,744
Assets of a disposal group classified as held for sale	*13*	16,948	–	–
Total current assets		118,121	184,396	334,744
CURRENT LIABILITIES				
Trade and bills payables	*22*	44,326	50,102	45,366
Other payables and accruals	*23*	12,647	11,011	16,763
Interest-bearing bank borrowings	*24*	11,317	19,500	35,500
Due to directors	*33*	18,850	35,887	624
Due to a related party	*33*	2,300	–	4,451
Tax payable		896	3,317	9,600
		90,336	119,817	112,304
Liabilities directly associated with the assets classified as held for sale	*13*	10,272	–	–
Total current liabilities		100,608	119,817	112,304

	Notes	As at 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
NET CURRENT ASSETS		17,513	64,579	222,440
TOTAL ASSETS LESS CURRENT LIABILITIES		95,069	149,226	357,556
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	*24*	4,375	3,875	3,375
Deferred tax liabilities	*25*	–	1,455	3,181
Total non-current liabilities		4,375	5,330	6,556
Net assets		90,694	143,896	351,000
EQUITY				
Equity attributable to owners of the Company				
Issued capital	*26*	88	88	88
Reserves	*27*	90,606	143,808	350,912
Total equity		90,694	143,896	351,000

Consolidated Statements of Changes in Equity

	Attributable to owners of the Company								
	Issued share capital *RMB'000*	Capital surplus/ share premium* *(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*	Minority interests *RMB'000*	Total equity *RMB'000*
At 1 January 2007	88	–	3,552	703	(1)	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 minority 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	88	–	7,511	1,993	12,972	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 minority interests [(ii)]	–	–	–	–	14,873	–	14,873	(32,523)	(17,650)
Disposal of minority interests [(iii)]	–	4,366	–	–	795	–	5,161	12,612	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	88	4,366	13,930	2,698	28,917	93,897	143,896	–	143,896
Exchange realignment	–	–	–	23	–	–	23	–	23
Profit for the year	–	–	–	–	–	171,212	171,212	–	171,212
Total comprehensive income for the year	–	–	–	23	–	171,212	171,235	–	171,235
Arising from the Reorganization	–	35,792	–	–	77	–	35,869	–	35,869
Appropriation to statutory surplus reserve	–	–	17,815	–	–	(17,815)	–	–	–
At 31 December 2009	88	40,158	31,745	2,721	28,994	247,294	351,000	–	351,000

(i) *On 5 March 2007, Xiamen Grandsoo Industry & Trade Material Co., Ltd. ("Xiamen Grandsoo") acquired 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 ("Hong Kong Sijia") 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 24% interest in Fujian Sijia from Xiamen Kailai Trading Co., Ltd ("Kailai Trading"), Fuzhou Jutai Trading Co., Ltd. ("Jutai Trading"), Fuzhou Sanfang Trading Co., Ltd. ("Sanfang Trading") and Sanming YueHui Investment Co., Ltd. ("YueHui Investment") at total consideration of RMB17,650,000.*

(iii) *Xiamen Grandsoo transferred its 5% interest in Fujian Sijia to YueHui Investment without loss of control 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 Kailai Trading, Jutai Trading, Sanfang Trading and YueHui Investment on 23 January 2008, 30 January 2008 and 23 February 2008, respectively.

* *These reserve accounts comprise the consolidated reserves of RMB22,476,000, RMB49,911,000 and RMB103,618,000 in the consolidated statements of financial position as at 31 December 2007, 2008 and 2009, respectively.*

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax:				
From continuing operations		29,697	94,760	204,558
From a discontinued operation	*13*	15,442	1,983	–
Adjustments for:				
Finance costs	*8*	758	1,951	2,139
Bank interest income	*6*	(224)	(463)	(614)
Foreign exchange differences, net	*7*	599	376	34
Gain on disposal of subsidiaries	*6*	–	(2,158)	–
Depreciation	*7*	6,420	7,004	8,901
Loss on disposal of items of property, plant and equipment	*7*	–	–	839
Amortization of prepaid land lease payments	*7*	102	98	98
Amortization of intangible assets	*7*	–	46	84
		52,794	103,597	216,039
Decrease/(increase) in inventories		13,126	(10,613)	7,377
Increase in trade and notes receivables		(16,279)	(13,640)	(40,902)
Increase in prepayments, deposits and other receivables		(3,592)	(1,888)	(19,948)
(Increase)/decrease in amounts due from directors		(1,281)	781	500
Increase in an amount due from a related party		(320)	–	–
Increase/(decrease) in trade and bills payables		5,048	(3,036)	(4,736)
(Decrease)/increase in other payables and accruals		(18,980)	1,729	5,752
Increase in amounts due to directors		1,381	27,844	529
Increase/(decrease) in an amount due to a related party		2,300	(2,300)	4,451
Cash generated from operations		34,197	102,474	169,062
Tax paid		(5,010)	(11,963)	(25,337)
Interest paid	*8*	(758)	(1,951)	(2,139)
Net cash flows from operating activities		28,429	88,560	141,586

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	*15*	(16,438)	(15,325)	(64,927)
Additions to prepaid land lease payments	*16*	(606)	–	–
Additions to intangible assets	*17*	–	(428)	–
Proceeds from disposal of items of property, plant and equipment		–	2,146	4,536
Acquisition of minority interests		(2,858)	(17,650)	–
Disposal of subsidiaries	*28*	–	(45)	–
Interest received	*6*	224	463	614
Net cash flows used in investing activities		(19,678)	(30,839)	(59,777)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans		16,382	28,740	43,000
Repayment of bank loans		(10,002)	(21,057)	(27,500)
Capital contributed by minority shareholders		–	15,000	–
Proceeds from capital contribution		–	–	77
Dividend paid		–	(29,080)	–
Net cash flows from/(used in) financing activities		6,380	(6,397)	15,577
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,131	51,324	97,386
Cash and cash equivalents at beginning of year		22,132	36,664	87,612
Effect of foreign exchange rate changes, net		(599)	(376)	(11)
CASH AND CASH EQUIVALENTS AT END OF YEAR		36,664	87,612	184,987
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	*21*	30,340	87,612	184,987
Cash and cash equivalents attributable to a discontinued operation	*13*	6,324	–	–
		36,664	87,612	184,987

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND THE REORGANISATION

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.

In the opinion of the directors, the holding company of the Company is Hopeland International Holdings Company Limited ("Hopeland International") (浩林國際控股有限公司) and the ultimate controlling shareholder of the Company is Lin Shengxiong ("Mr. Lin").

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

(1) On 10 September 2009, Hopeland International 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 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 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, 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 31 December 2009, 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") *(iii)*	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 Co., Ltd. ("Xiamen Grandsoo") *(iv)*	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.

(iii) The statutory audited financial statements for the years ended 31 December 2007, 2008 and 2009 prepared in accordance with the PRC accounting principles and regulations were audited by Fujian Tian Yuan Certified Public Accountants registered in the PRC.

(iv) The statutory audited financial statements for the years ended 31 December 2007, 2008 and 2009 prepared in accordance with the PRC accounting principles and regulations were audited by Xiamen Yihuaxin 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 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 year ended 31 December 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 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 consolidated financial statements of the companies now comprising the Group includes the consolidated income statements, statements of comprehensive income, statements of changes in equity, statements of cash flows and statements of 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 income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 3.3. 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 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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 Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
HKFRS 1 Amendment	Amendments to HKFRS 1 *Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Amendments Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included *in Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 38 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

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), HKAS 27 (Revised) and Amendments to HKFRS 5 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 statements of the consolidating entities or businesses which underwent the Reorganization under common control as if they had been consolidated from the date when the consolidating entities or businesses first came under the control of the controlling party.

The net assets of the consolidating entities or businesses are consolidated 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 consolidated income statements and statements of comprehensive income include the results of each of the consolidating entities or businesses from the earliest date presented or since the date when the consolidating 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.

Minority 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 minority 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 as an equity transaction.

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 income statements 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 income statement in the period in which it arises.

An assessment is made at the end of each reporting period 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/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the income statement 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 income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation.

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 improvements	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 financial year end.

An item of property, plant and equipment and any significant part initially recognized 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 income statement 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 capitalized 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. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and amortized on the straight-line basis over its estimated useful life of five years.

Patents

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

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalized 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 capitalized 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 capitalized 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 income statement 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 income statement 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 income statement 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

Initial recognition and measurements

Financial assets within 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, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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.

The Group's financial assets include cash and bank balances, trade and notes receivables, deposits and other receivables, and amounts due from directors and a related party.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in the income statement. The loss arising from impairment is recognized in the income statement in finance costs.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in the income statements. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

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 when:

- the rights to receive cash flows from the asset have expired;

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

When the Group has transferred its rights to receive cash flows from an asset, or has entered into a pass-through arrangement, 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. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to directors and a related party, and interest-bearing loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the income statement.

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 income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable 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 realizable 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 consolidated 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, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated 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 relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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 the end of each reporting period 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. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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 income statement 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 income statement 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 capitalized 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. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, 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

These financial statements are presented in RMB, which is the Company's functional and presentation currency. 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 recorded by the entities in the Group are initially recorded using their respective 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 end of the reporting period. All differences are taken to the income statement. 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 entities in the Group is currency other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognized in other comprehensive income and accumulated in the translation of foreign operations.

For the purpose of the consolidated statement of cash flows, the cash flows of certain entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these entities 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 end of the reporting period. 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 end of the reporting period, 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 the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. 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. OPERATING SEGMENT INFORMATION

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

Geographical information

Year ended 31 December 2007

	PRC	Non-PRC	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers:			
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
Non-current assets	77,556	–	77,556

Year ended 31 December 2008

	PRC	Non-PRC	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers:			
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
Non-current assets	84,647	–	84,647

Year ended 31 December 2009

	PRC	Non-PRC	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers:			
Sales to external customers	557,874	12,618	570,492
Attributable to a discontinued operation	–	–	–
Revenue from continuing operations	557,874	12,618	570,492
Non-current assets	135,116	–	135,116

The information of revenue from continuing operations is based on the location of the customers.

All of the non-current assets of the Group were located in the PRC during the Relevant Periods.

Information about a major customer

No revenue from transactions with a single customer amounted to 10% or more 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		
		2007	2008	2009
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue				
Sale of goods from continuing operations		148,715	299,644	570,492
Sale of goods from a discontinued operation	*13*	100,481	21,585	–
		249,196	321,229	570,492
Other income and gains				
Bank interest income		224	463	614
Government subsidies		124	682	1,202
Gain on disposal of subsidiaries	*28*	–	2,158	–
Others		–	5	163
		348	3,308	1,979

7. PROFIT BEFORE TAX

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

		Year ended 31 December		
		2007	2008	2009
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Cost of inventories sold		102,718	180,480	311,624
Depreciation	*15*	6,420	7,004	8,901
Amortization of prepaid land lease payments	*16*	102	98	98
Amortization of intangible assets	*17*	–	46	84
Research and development costs		7,256	13,125	34,030
Operating lease expenses*		1,580	275	331
Loss on disposal of items of property, plant and equipment		–	–	839
Auditors' remuneration		8	8	8
Employee benefit expense (including directors' remuneration): *	*9*			
Wages and salaries		15,056	7,462	10,739
Pension scheme contribution		1,363	557	559
Staff welfare expenses		1,097	665	950
		17,516	8,684	12,248
Foreign exchange differences, net		599	376	34
Bank interest income*		(224)	(463)	(614)
Gain on disposal of subsidiaries	*28*	–	(2,158)	–

* The disclosures presented include those amounts charged/(credited) in respect of the discontinued operation.

8. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans wholly repayable within five years	661	1,596	1,893
Interest on other loans	97	355	246
	758	1,951	2,139

9. DIRECTORS' REMUNERATION

Details of directors' remuneration during the Relevant Periods, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Other emoluments:			
Salaries, allowances and benefits in kind	238	275	382
Pension scheme contributions	3	3	6
	241	278	388

Executive directors

	Salaries, allowances and benefits in kind	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*
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
Year ended 31 December 2009			
Executive directors:			
Lin Shengxiong	148	2	150
Lin Hongting	24	–	24
Zhang Hongwang	120	2	122
Huang Wanneng	90	2	92
	382	6	388

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included three directors as at the end of each reporting period. 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 are as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	98	121	265
Pension scheme contributions	2	2	5
	100	123	270

The remuneration of the highest paid, non-director employee fell within the range of nil to RMB250,000.

11. INCOME 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 are analyzed as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Current – Mainland China			
Charge for the year	3,568	13,858	31,620
Deferred *(note 25)*	–	1,455	1,726
Total tax charge for the year	3,568	15,313	33,346

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 year ended 31 December 2007 and 16.5% for the years ended 31 December 2008 and 2009 on the estimated assessable profits arising in Hong Kong during the Relevant Periods. No provision of income tax has been made as Hong Kong Sijia had no taxable income during the Relevant Periods.

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 rate of 24%. Fujian Sijia was subject to CIT at a rate of 25% for the years ended 31 December 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 year ended 31 December 2007 and of 12.5% for the year ended 31 December 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 year ended 31 December 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 year ended 31 December 2007, 18% for the year ended 31 December 2008 and 20% for the year ended 31 December 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 2007, 2008 and 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 year ended 31 December 2007 and 25% for the years ended 31 December 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 year ended 31 December 2007 and 25% for the years ended 31 December 2008 and 2009.

Under the New Corporate Income Tax Law and implementation regulations issued by the State Council, and in accordance with the Arrangement between the Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, any dividends received by the Company from Fujian Sija and Xiamen Grandsoo, in regards of the profits generated after 2007, is subject to a withholding tax rate of 5%.

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

	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax including profit from the discontinued operation	45,139	96,743	204,558
Tax at statutory tax rates of 33% for 2007 and 25% for 2008 and 2009 in Mainland China	14,896	24,186	51,139
Lower tax rate for specific province or enacted by local authority	(10,101)	(12,358)	(20,888)
Income not subject to tax	(12)	(210)	–
Expenses not deductible for tax	75	372	288
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	–	3,497	1,726
Tax losses not recognized	897	79	1,081
Tax charge at the Group's effective rate	5,755	15,566	33,346
Represented by:			
Tax charge attributable to the discontinued operation *(note 13)*	2,187	253	–
Tax charge attributable to continuing operations reported in the consolidated income statements	3,568	15,313	33,346
	5,755	15,566	33,346

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the Relevant Periods is based on the profit attributable to owners of the Company for each of the Relevant Periods and on the assumption that 600,000,000 shares of HK$0.001 each, representing the number of shares of the Company immediately after the Capitalization Issue as described in the paragraph headed "Statutory and General Information – Further Information about The Company – Written resolutions of all the Shareholders passed on 8 April 2010" as attached as Appendix V to the Prospectus but excluding any shares to be issued pursuant to the public offering, had been in issue throughout the Relevant Periods.

There were no potential dilutive ordinary shares in existence during the Relevant Periods.

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 International Holding Limited ("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 Zhiguo, the controlling shareholder of Bestide Int'l, in cash on the same date. As at 31 December 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	
	2007	**2008**
	RMB'000	*RMB'000*
Revenue	100,481	21,585
Cost of sales	(83,123)	(19,160)
Expenses	(1,916)	(442)
Profit before tax from the discontinued operation	15,442	1,983
Income tax related to pre-tax profit	(2,187)	(253)
Profit for the year from the discontinued operation	13,255	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		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Property, plant and equipment	2,430	–	–
Trade receivables	156	–	–
Inventories	8,038	–	–
Cash and cash equivalents	6,324	–	–
Assets classified as held for sale	16,948	–	–
Liabilities			
Trade and bills payables	(8,812)	–	–
Other payables and accruals	(1,187)	–	–
Tax payable	(273)	–	–
Liabilities directly associated with the assets classified as held for sale	(10,272)	–	–
Net assets directly associated with the disposal group	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:

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Operating activities	19,979	(3,121)	–
Investing activities	(19,654)	(3,203)	–
Net cash inflow/(outflow)	325	(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		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
1 to 30 days	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 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

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
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 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 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 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 December 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	–	15,184	–	416	713	9,786	26,099
Disposals	–	(4,900)	–	(275)	(200)	–	(5,375)
Depreciation provided during the year	(1,214)	(6,837)	(339)	(132)	(379)	–	(8,901)
Transfers	294	6,071	–	10	–	(6,375)	–
At 31 December 2009, net of accumulated depreciation	23,037	45,798	583	762	2,075	6,949	79,204
At 31 December 2009:							
Cost	27,113	68,010	1,018	1,003	2,991	6,949	107,084
Accumulated depreciation	(4,076)	(22,212)	(435)	(241)	(916)	–	(27,880)
Net carrying amount	23,037	45,798	583	762	2,075	6,949	79,204

As at 31 December 2007, 2008 and 2009, certain of the Group's buildings and plant and machinery with aggregate net book values of RMB25,286,000, RMB16,594,000 and RMB25,275,000, respectively, were pledged to secure bank loan facilities granted to the Group (note 24).

At 31 December 2007, 2008 and 2009, certificates of ownership in respect of certain buildings of the Group in the PRC with aggregate net book values of RMB15,623,000, RMB14,883,000 and RMB14,431,000, respectively, 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		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at beginning of year	5,189	5,693	5,595
Additions	606	–	–
Recognized during the year	(102)	(98)	(98)
Carrying amount at end of year	5,693	5,595	5,497
Current portion included in prepayments, deposits and other receivables	(96)	(96)	(96)
Non-current portion	5,597	5,499	5,401

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

As at 31 December 2007, 2008 and 2009, certain of the Group's leasehold land with aggregate carrying values of nil, nil and RMB4,475,000, respectively, were pledged to secure bank loan facilities granted to the Group (note 24).

As at 31 December 2007, 2008 and 2009, certificates of ownership in respect of certain leasehold lands in the PRC with aggregate net book values of RMB1,024,000, RMB1,024,000 and RMB1,024,000, respectively, 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 amortization at 1 January 2007, 31 December 2007 and 1 January 2008	–	–	–
Additions	378	50	428
Amortization provided during the year	(44)	(2)	(46)
At 31 December 2008	334	48	382
At 31 December 2008:			
Cost	378	50	428
Accumulated amortization	(44)	(2)	(46)
Net carrying amount	334	48	382
31 December 2009			
Cost at 1 January 2009, net of accumulated amortization	334	48	382
Amortization provided during the year	(74)	(10)	(84)
At 31 December 2009	260	38	298
At 31 December 2009:			
Cost	378	50	428
Accumulated amortization	(118)	(12)	(130)
Net carrying amount	260	38	298

18. INVENTORIES

	As at 31 December		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	8,952	19,540	13,244
Work in progress	2,360	12,957	3,665
Finished goods	8,584	4,328	12,539
	19,896	36,825	29,448

19. TRADE AND NOTES RECEIVABLES

	As at 31 December		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	30,266	45,462	86,364
Notes receivable	1,400	–	–
	31,666	45,462	86,364

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 minimize 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 end of each reporting period, based on the invoice date, is as follows:

	As at 31 December		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
1 to 30 days	16,816	25,127	44,124
31 to 60 days	8,144	11,263	36,709
61 to 90 days	4,185	1,583	5,445
91 to 360 days	1,906	7,455	86
Over 360 days	615	34	–
	31,666	45,462	86,364

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

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		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Neither past due nor impaired	16,791	25,360	85,132
Less than 30 days past due	8,279	11,601	1,018
31 to 60 days past due	4,185	1,262	214
61 to 90 days past due	1,894	3,533	–
91 to 360 days past due	517	3,672	–
Over 360 days	–	34	–
	31,666	45,462	86,364

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		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables	8,019	10,308	4,671
Prepayments	6,868	3,544	29,013
Prepaid expense	283	145	261
	15,170	13,997	33,945

21. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	30,340	87,612	184,987

At 31 December 2007, 2008 and 2009, the Group's cash and bank balances denominated in RMB were RMB30,210,000, RMB87,601,000 and RMB184,407,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

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		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	10,907	10,457	13,930
Bills payable	33,419	39,645	31,436
	44,326	50,102	45,366

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

	As at 31 December		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	16,225	14,515	19,061
1 to 2 months	11,292	13,579	8,949
2 to 3 months	1,655	7,213	5,821
3 to 6 months	14,842	14,761	11,535
6 to 12 months	290	19	–
12 to 24 months	22	15	–
	44,326	50,102	45,366

The trade and bills payables included in the disposal group (note 13) of RMB2,721,000 were aged within three months as at 31 December 2007 and the remaining balance of RMB6,091,000 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		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Other payables	6,732	610	5,851
Advances from customers	4,546	7,581	2,593
Taxes other than CIT	694	1,833	6,750
Payroll payable	482	982	1,444
Accrued liabilities	193	5	125
	12,647	11,011	16,763

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 2007 RMB'000	2008 RMB'000	2009 RMB'000
Current					
Bank loans – secured *	6.696-8.964	Within 1 year	11,317	19,000	–
Bank loans – secured *	5.045-6.372	Within 1 year	–	–	35,000
Current portion of long term bank loans – secured *	7.83		–	500	500
			11,317	19,500	35,500
Non-current					
Bank loans – secured *	7.83	2017.9.29	4,375	3,875	3,375
			15,692	23,375	38,875
Repayable:					
Within one year or on demand			11,317	19,500	35,500
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	1,375
			15,692	23,375	38,875

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 RMB25,286,000, RMB16,594,000 and RMB25,275,000 as at 31 December 2007, 2008 and 2009, respectively (note 15);

(ii) mortgages over the Group's leasehold lands situated in the PRC with an aggregate carrying value of nil, nil and RMB4,475,000 as at 31 December 2007, 2008 and 2009, respectively (note 16); and

(iii) guarantees by a third party, Fujian Shunfan Financing and Guarantee Co., Ltd. ("Shun Fan") of RMB45,000,000 and RMB45,000,000 as at 31 December 2007 and 2008, 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, which equity interests was held in the name of and in trust for the said independent third party by (i) Mr. Lin Rong Feng (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.

The carrying amounts of the Group's borrowings approximate to their fair values.

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 2007, 31 December 2007, 1 January 2008	–
Deferred tax charged to the consolidated income statements during the year *(note 11)*	1,455
At 31 December 2008 and 1 January 2009	1,455
Deferred tax charged to the consolidated income statements during the year *(note 11)*	1,726
At 31 December 2009	3,181

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 CAPITAL

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 one ordinary share issued and held by Hopeland International. Further details of the Company's share capital are set out in Appendix V to the Prospectus.

For the purpose of this report, the issued capital of the Group as at 31 December 2007, 2008 and 2009 represented the issued capital of the Company.

On 7 October 2009, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorized share capital of HK$380,000 divided into 380,000,000 shares with the par value of HK$0.001. On the same day, one subscriber share with the par value of HK$0.001 was transferred to Hopeland International and 9,999 shares with par value of HK$0.001 were further allotted and issued to Hopeland International.

On 15 December 2009, Hopeland International and the Company 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.

27. RESERVES

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Capital surplus/share premium	–	4,366	40,158
Statutory surplus reserve	7,511	13,930	31,745
Capital reserve	12,972	28,917	28,994
Translation of foreign operations	1,993	2,698	2,721
Retained earnings	68,130	93,897	247,294
	90,606	143,808	350,912

Capital surplus/share premium

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 Kailai Trading, Jutai Trading, Sanfang Trading and YueHui Investment.

On 21 October 2009, Mr. Lin transferred a Shareholder's loan in the principal amount of HK$40,762,714 due and owning by Hong Kong Sijia to China Grandsoo.

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.

Capital Reserve

On 5 March 2007, Xiamen Grandsoo acquired 23% interest in Fujian Sijia from Xiamen Ming Lian Da Trading Co., Ltd. at a consideration of HK$2,300,000. On 8 September 2007, Hong Kong Sijia acquired an additional 47.65% interest in Smile in Rain from Mr. Lam at a consideration of RMB405,000.

On 20 November 2008, Xiamen Grandsoo acquired 24% interest in Fujian Sijia from Kailai Trading, Jutai Trading, Sanfang Trading and YueHui Investment at total consideration of RMB17,650,000.

On 17 December 2007, Xiamen Grandsoo transferred its 5% interest in Fujian Sijia to YueHui Investment without loss of control at a consideration of HK$3,000,000 and the disposal was completed on 1 January 2008.

Translation of foreign operations

The translation of foreign operations is used to record exchange differences arising from the translation of the financial statements of the Company, China Grandsoo and 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 consideration was settled by cash by Bestide Int'l. The payment was used to reduce the amount due to Mr. Lin by the Group. 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 fulfill the requirement of HKFRS 5, and are not related to the Group's continuing Reinforced Material and End Product business. Please refer to pages 106 to 108 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 follow:

	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 material and equipment	6,763
Other payables and accruals	(1,956)
Capital reserve	277
	8,649
Gain on disposal of subsidiaries	2,158
	10,807

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 the end of each reporting period, 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 the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	60	121	224
In the second to fifth years, inclusive	111	76	61
	171	197	285

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitments at the end of each reporting period:

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Plant and machinery	474	–	50,000

33. RELATED PARTY TRANSACTIONS

(a) The Group had no material transactions with related parties during the Relevant Periods.

(b) Outstanding balances with related parties:

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Due from a related party:			
Lin Jinxiang	2,820	–	–
	2,820	–	–
Due to a related party:			
Xiamen Daxiang Protective Sheet Co., Ltd.	(2,300)	–	(4,451)
	(2,300)	–	(4,451)

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

(c) Outstanding balances with directors:

	As at 31 December		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Due from directors:			
Lin Shengxiong	–	500	–
Lin Hongting	1,281	–	–
	1,281	500	–
Due to directors:			
Lin Shengxiong	(18,850)	(35,887)	–
Lin Hongting	–	–	(624)
	(18,850)	(35,887)	(624)

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		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Short term employee benefits	463	589	969
Pension scheme contributions	8	8	22
Total compensation paid to key management personnel	471	597	991

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 the end of each reporting period, including trade and notes receivables, deposits and other receivables, amounts due from directors and related parties and cash and cash equivalents are categorized as loans and receivables.

Financial liabilities

All the Group's financial liabilities as at the end of each reporting period, including trade and bills payables, other payables and accruals, amounts due to directors and a related party and interest-bearing bank borrowings are categorized as financial liabilities at amortized 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 summarized 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 December 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. Approximately 22.7%, 6.9% and 1.4% of the Group's sales for the years ended 31 December 2007, 2008 and 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 the end of each reporting period 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 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 December 2009		
If RMB weakens against United States dollar	5	9
If RMB strengthens against United States dollar	(5)	(9)
If RMB weakens against Hong Kong dollar	5	190
If RMB strengthens against Hong Kong dollar	(5)	(190)
If RMB weakens against Euro dollar	5	–
If RMB strengthens against Euro dollar	(5)	–

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 the 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 the end of each reporting period, based on the contractual undiscounted payments, was as follows:

	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 December 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	3,236	34,958	7,172	–	–	45,366
Other payables and accruals	7,671	9,092	–	–	–	16,763
Interest-bearing bank borrowings	–	1,525	33,975	2,000	1,375	38,875
Due to directors	624	–	–	–	–	624
Due to a related party	4,451	–	–	–	–	4,451
	15,982	45,575	41,147	2,000	1,375	106,079

Capital management

The primary objectives of the Group's capital management are 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 maximize 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 owners of the Company. The gearing ratios as at the end of each reporting period were as follows:

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	44,326	50,102	45,366
Other payables and accruals	12,647	11,011	16,763
Interest-bearing bank borrowings	15,692	23,375	38,875
Due to directors	18,850	35,887	624
Due to a related party	2,300	–	4,451
Less: Cash and cash equivalents	(30,340)	(87,612)	(184,987)
Net debt/(asset)	63,475	32,763	(78,908)
Equity attributable to owners of the Company	90,694	143,896	351,000
Capital and net debt	154,169	176,659	272,092
Gearing ratio	41%	19%	(29%)

36. 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 December 2009.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The information set out in this appendix does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included in this prospectus for information only.

The unaudited pro forma financial information should be read in conjunction with "Financial Information" and "Appendix I – Accountants' Report".

The following unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Listing Rules is for illustrative purposes only, and is set out here to provide the investors with further information about (i) how the proposed listing might have affected the consolidated net tangible assets of the Group as if the Global Offering had occurred on 31 December 2009; and (ii) how the proposed listing might have affected the consolidated earnings per share of the Group for the year ended 31 December 2009 as if the Global Offering had taken place on 1 January 2009. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions of the financial periods concerns.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared to show the effect on the consolidated net tangible assets of the Group as at 31 December 2009 as if the Global Offering had occurred on 31 December 2009.

The unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared for illustrative purposes only and, because of their nature, they may not give a true picture of the financial position of the Group.

The following unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared based on the audited consolidated net assets of the Group as at 31 December 2009 as extracted from "Appendix I – Accountants' Report", and is adjusted as described below.

	Audited consolidated net tangible assets attributable to equity holders of the Company as at 31 December 2009 [(1)]	**Estimated net proceeds from the Global Offering [(2)]**	**Unaudited pro forma adjusted consolidated net tangible assets [(3)]**	**Unaudited pro forma adjusted consolidated net tangible assets per Share [(4)]**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$3.28 per Share	350,702	529,183	879,885	1.10	1.25

(1) The audited consolidated net tangible assets attributable to equity holders of the Company as at 31 December 2009 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the equity holders as at 31 December 2009 of RMB351,000,000 with an adjustment for intangible assets as at 31 December 2009 of RMB298,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$3.28 per Share, after the deduction of the estimated underwriting fees and other related fees and expenses, and do not take into account of any Shares that may be issued pursuant to the Over-allotment Option. If the Over-allotment Option is exercised, the unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders and unaudited pro forma adjusted consolidated net tangible assets per Share will increase. The estimated net proceeds from the Global Offering are translated at the exchange rate of RMB0.882 to HK$1.

(3) Details of valuation of the Group's properties as at 28 February 2010 are set out in Appendix III to this prospectus. With reference to such valuation, there is a revaluation surplus of about RMB30,627,000 compared to the carrying values of the Group's properties as at 28 February 2010. The Group will not incorporate the revaluation surplus in the consolidated financial statements for the year ended 31 December 2009 or the above unaudited pro forma adjusted consolidated net tangible assets because it is the Group's accounting policy to state the property interests, classified under the captions "Property, plant and equipment" and "Prepaid land lease payments" in the Accountants' Report set out in Appendix I to this prospectus, at cost less accumulated depreciation/amortization and impairment rather than at revalued amounts. Had these property interests been stated at such valuation, an additional depreciation/amortization of about RMB1,531,000 per annum would have been incurred.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 800,000,000 Shares are issued and outstanding as set out in the "Share Capital" section of this prospectus, and that the Over-allotment Option has not been exercised. The unaudited pro forma adjusted net tangible assets per Share are translated at the exchange rate of RMB0.882 to HK$1.

UNAUDITED PRO FORMA CONSOLIDATED EARNINGS PER SHARE

The following unaudited pro forma consolidated earnings per Share for the year ended 31 December 2009 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2009.

This unaudited pro forma consolidated earnings per Share has been prepared for illustrative purposes only and, because of its nature, it may not give true and fair picture of the financial results of the Group following the Global Offering.

For the year ended 31 December 2009

Consolidated profit attributable to equity holders of the Company [(1)] RMB171,212,000
(equivalent to about HK$194,118,000)

Unaudited pro forma consolidated earnings per Share[(2)] RMB0.21
(equivalent to about HK$0.24)

(1) The consolidated profit attributable to equity holders for the year ended 31 December 2009 is extracted from the Accountants' Report as set out in Appendix I in this prospectus. The consolidated profit attributable to equity holders of the Company is translated at the exchange rate of RMB0.882 to HK$1.

(2) The unaudited pro forma consolidated earnings per Share is calculated by dividing the consolidated profit attributable to equity holders of the Company for the year ended 31 December 2009, on the basis that 800,000,000 Shares were in issue, assuming that the Shares to be issued pursuant to the Capitalization Issue and the Global Offering had been in issue on 1 January 2009, but does not take into account of any Shares that may be issued upon the exercise of the Over-allotment Option. The unaudited pro forma estimated earnings per Share is translated at the exchange rate of RMB0.882 to HK$1.

COMFORT LETTER ON UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is the text of a letter, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma adjusted net tangible assets.

安永

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

16 April 2010

The Directors
Sijia Group Company Limited
Piper Jaffray Asia Limited

Dear Sirs,

We report on the unaudited pro forma adjusted consolidated net tangible assets and unaudited pro forma estimated earnings per share (the "Unaudited Pro Forma Financial Information") of Sijia Group Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which have been prepared by the directors of the Company (the "Directors") for illustrative purposes only, to provide information about how the public offer and placing of 200,000,000 shares of HK$0.001 each in the capital of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 16 April 2010 (the "Prospectus"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 December 2007, 2008 and 2009 or any future dates; or

- the consolidated earnings per share of the Group for the year ended 31 December 2009 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;

(b) such bases are consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus and received from DTZ Debenham Tie Leung Limited, an independent valuer, in connection with their valuations of the property interests of the Group as at 28 February 2010.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

16 April 2010

The Board of Directors
Sijia Group Company Limited
Suite 1603, 16th Floor,
Office Tower, Convention Plaza,
1 Harbour Road,
Wanchai,
Hong Kong

Dear Sirs,

Instructions, Purpose and Date of Valuation

In accordance with your instructions for us to value the properties in which Sijia Group Company Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") (as more particularly described in the attached valuation certificates), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the values of such properties as at 28 February 2010 (the "date of valuation").

Definition of Market Value

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis and Assumption

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

In the course of our valuation of the properties in the PRC, we have assumed that transferable land use rights in respect of the properties for their respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. We have relied on the information regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted right to use, occupy or assign the property interests for the whole of the respective unexpired terms as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Group and the opinion of the Group's legal adviser, Guantao Law Firm, are set out in the notes in the respective valuation certificate.

Method of Valuation

In valuing Property No. 1 in Group I, which is held by the Group for owner-occupation in the PRC, we have adopted the Depreciated Replacement Costs ("DRC") approach. Due to the specific nature and use of the buildings and structures, we have valued the property by reference to the Depreciated Replacement Cost. DRC is based on an estimate of the market value for the existing use of the land, plus the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization. For the land portion, we have made reference to comparable sales evidence as available in the market. The DRC is subject to adequate potential profitability of the business.

We have ascribed no commercial value to Property No. 2 in Group I since the Group has not yet obtained the State-owned Land Use Rights Certificates and Building Ownership Certificates as at the date of valuation.

The properties in Group II and III which are leased to the Group in the PRC and Hong Kong respectively have no commercial value mainly due to the prohibitions against assignment and subletting or otherwise due to the lack of substantial profit rents.

Source of Information

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its PRC legal adviser, Guantao Law Firm, in respect of the titles to the properties in the PRC. We have also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, completion date of buildings, identification of buildings, particulars of occupancy, development schemes, construction costs, site and gross floor areas and all other relevant matters.

Dimension, measurements and areas included in the attached valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

Site Inspection

We have inspected the exterior and, where possible, the interior of each of the properties. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No test was carried out on any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and gross floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi (RMB), the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K. F. Chan
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 22 years of experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

Group I – Properties held by the Group for owner-occupation in the PRC

	Property	Capital value in existing state as at 28 February 2010 *RMB*	Interest attributable to the Group *%*	Capital value in existing state attributable to the Group as at 28 February 2010 *RMB*
1.	An industrial complex situated at No. 288 Huanxi Street, Huanxi Town, Jinan District, Fuzhou City, Fujian Province, the PRC	59,000,000	100	59,000,000
2.	An industrial complex situated at Block C9, Huli Yuan, Tongan Industry Zone, Tongan District, Xiamen City, Fujian Province, the PRC	No commercial value	–	No commercial value
			Sub-total:	59,000,000

Group II – Properties leased to the Group in the PRC

	Property	Capital value in existing state attributable to the Group as at 28 February 2010 *RMB*
3.	Unit 1517, Level 15, Suoke Shiji Building, No. 197 Hanghai Road, Erqi District, Zhengzhou City, Henan Province, the PRC	No commercial value
4.	Unit 09011, No. 132F Qindao Middle Road, Weihai City, Shandong Province, the PRC	No commercial value
5.	Unit 938, No. 617, Dongfeng East Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	No commercial value
	Sub-total:	No commercial value

Group III – Property leased to the Group in Hong Kong

	Property	Capital value in existing state attributable to the Group as at 28 February 2010 *RMB*
6.	Suite 1603, 16th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai Hong Kong	No commercial value
	Sub-total:	No commercial value
	Grand-Total:	59,000,000

VALUATION CERTIFICATE

Group I – Properties held by the Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2010 *RMB*
1.	An industrial complex situated at No. 288 Huanxi Street, Huanxi Town, Jinan District, Fuzhou City, Fujian Province, the PRC	The property comprises an industrial complex erected on a parcel of land with a site area of approximately 65,107 sq.m.. The industrial complex comprises 3 buildings with Building Ownership Certificates completed in 2008, which has a total gross floor area of approximately 11,586.26 sq.m.. There are 6 buildings with a total gross floor area of approximately 585.61 sq.m. without Building Ownership Certificates. The land use rights of the property have been granted for a term of 50 years due to expire on 30 December 2056 for industrial use.	The property is currently occupied by the Group for production purpose.	59,000,000

Notes:

(1) According to the Certificate for the Use of State-owned Land No. (2007) 31028500086 issued by Fuzhou Municipal People's Government dated 14 March 2007, the land use rights of the property comprising a site area of approximately 65,107 sq.m. have been vested in Fujian Sijia Industrial Material Co., Ltd. (福建思嘉環保材料科技有限公司), due to expire on 30 December 2056 for industrial use.

(2) According to the Building Ownership Certificate No. 0858073 issued by Fuzhou Housing and Administration Bureau dated 24 November 2008, the property with a gross floor area of 11,586.26 sq.m. is owned by Fujian Sijia Industrial Material Co., Ltd..

We noted that there were six buildings with a total gross floor area of approximately 585.61 sq.m. without Building Ownership Certificates. According to the confirmation letter issued by the Fuzhou Property Management Bureau (福州市房地產管理局) dated 20 October 2009, the Group is in the process of applying for the Building Ownership Certificates. In the course of our valuation, we have assigned no commercial value to these buildings. However, on the assumption that the Building Ownership Certificates of the buildings have been obtained, the capital value of the buildings as at 28 February 2010 would be RMB440,000.

We noted that there was a temporary building with a gross floor area of approximately 1,228 sq.m. without Building Ownership Certificate. According to the confirmation issued by the Town Planning Bureau and Development Bureau of Fuzhou City, the Group was permitted to use the temporary building on the subject site, provided that such building will be demolished before the commencement of phase two development's construction of the property scheduled in November 2010. In the course of our valuation, we have assigned no commercial value to the building.

(3) According to Business Licence No. 350000400000737 dated 28 September 2009, Fujian Sijia Industrial Material Co., Ltd. was established as a limited company with a registered capital of HK$65,000,000 and has a valid operation period from 25 September 2002 to 25 September 2052.

(4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:

(i) Fujian Sijia Industrial Material Co., Ltd. is in possession of a proper legal title to the property and has the right to lease, mortgage and dispose of the property with the residual term of its land use right.

(ii) According to the Grant Contract of Land Use Rights, if the company transfers the land use rights of the property, unless Fuzhou Bureau of Land and Resources abandons the right to repurchase or has other agreements with the Fujian Sijia Industrial Material Co., Ltd. , the land use rights of the property shall be repurchased by Fuzhou Bureau of Land and Resources.

(iii) Fujian Sijia Industrial Material Co., Ltd. is in the process of applying for the Building Ownership Certificates of the property with a total gross floor area of approximately 585.61 sq.m.. There is no actual legal obstacle in obtaining such certificates.

(iv) Fujian Sijia Industrial Material Co., Ltd. had obtained the confirmation from the relevant government authority and will not incur penalties in respect of antecedent construction and use of the temporary building with a total gross floor area of approximately 1,228 sq.m. by local planning and property construction Bureau.

(v) The property is subject to a mortgage in favour of the Bank of China, Jinan Branch to the extent of RMB48,026,100.

(5) The status of title and grant of major approvals and licences in accordance with the legal opinion and information provided by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes (Part)
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2010 *RMB*
2.	An industrial complex situated at Block C9, Huli Yuan, Tongan Industry Zone, Tongan District, Xiamen City, Fujian Province, the PRC	The property comprises an industrial complex erected on a parcel of land with a site area of approximately 5,231.62 sq.m.. The industrial complex comprises a building with a gross floor area of approximately 8,735.54 sq.m. completed in 2008. The land use rights of the property have been granted for a term of 50 years from 1 January 2006 to 1 January 2056 for industrial use.	Level 1 of the property with a gross floor area of approximately 1,511 sq.m. is leased to Xiamen Daxiang Protective Sheet Co., Ltd. (廈門達翔環保片材有限公司) for a term of 15 years commencing from 16 March 2009 to 15 March 2024 at a monthly rent of RMB 10 per sq.m. (tax inclusive) while the remaining portion of the property is currently occupied by the Group for production purpose.	No commercial value

Notes:

(1) According to the Compensated Assignment of Rights Contract of Land Use Rights (國有土地使用權有償使用合同) (2006)廈地合(湖裏通)) No. 150 entered into among the Tongan Branch of Xiamen Land and Building Administration Bureau (廈門市國土資源與房產管理局同安分局), Xiamen Hao Yuan Material Technology Co., Ltd. (廈門浩源環保材料科技有限公司) (subsequently changed its name to Xiamen Grandsoo Industry and Trade Co., Ltd.) and Xiamen Tiandi Development Company (廈門天地開發建設公司), the land use rights of property comprising a site area of 5,231.616 sq.m. have been granted to Xiamen Hao Yuan Material Technology Co., Ltd. with the details as follows:

Contract No.	Use	Land Use Term	Gross Floor Area *sq.m.*	Consideration *RMB*
(2006) XDH (HLT) No. 150	Industrial	50 years	8,735.537	1,022,495

(2) According to the Contract of Mandate for Construction No. 150 entered into between Xiamen Tiandi Development Company (廈門天地開發建設公司) and Xiamen Hao Yuan Material Technology Co., Ltd. (廈門浩源環保材料科技有限公司) dated 30 September 2006, the total gross floor area of the property is approximately 8,735.537 sq.m. and the construction cost is RMB7,713,042.

(3) According to the confirmation issued by the Tongan Branch of Xiamen Land and Building Administration Bureau dated 18 September 2009, the Group is in the process of applying for the State-owned Land Use Rights Certificate and Building Ownership Certificate of the property. In the course of our valuation, we have assigned no commercial value to the property. However, on the assumption that the state-owned Land Use Rights Certificate and Building Ownership Certificate of the property have been obtained, the capital value of the buildings as at 28 February 2010 would be RMB12,500,000.

(4) According to Business Licence No. 350200400012392 dated 5 December 2008, Xiamen Grandsoo Industry and Trade Co., Ltd. (廈門浩源工貿有限公司) was established as a limited company with a registered capital of HK$40,000,000, and has a valid operation period from 26 May 2006 to 25 May 2056.

(5) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:

(i) Xiamen Grandsoo Industry and Trade Co., Ltd. is in the process of applying for the State-owned Land Use Rights Certificate and Building Ownership Certificate. There is no actual legal obstacle in obtaining such certificate.

(ii) All land premium and other costs of ancillary utilities services have been settled in full.

(iii) If Xiamen Grandsoo Industry and Trade Co., Ltd. transfers the land use rights of the property, unless the Huli District Government or the department authorized by the government abandon the right to repurchase or has other agreements with Xiamen Grandsoo Industry and Trade Co., Ltd., the Huli District Government or the department authorized by the government has the priority to purchase it.

(iv) The property is subject to a loan in favor of the Agricultural Bank of China, Jiangtou Branch to the extent of RMB5,000,000.

(6) The status of title and grant of major approvals and licences in accordance with the legal opinion and information provided by the Group are as follows:

Compensated Assignment of Rights Contract of Land Use Rights	Yes
Contract of Mandate for Construction	Yes
State-owned Land Use Rights Certificate	No
Building Ownership Certificate	No
Business Licence	Yes

Group II – Properties leased to the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2010 *RMB*
3.	Unit 1517, Level 15, Suoke Shiji Building, No. 197 Hanghai Road, Erqi District, Zhengzhou City, Henan Province, the PRC	The property comprises an office unit of a 15-storey office building completed in 2003. The property has a gross floor area of approximately 35.12 sq.m.. The property is currently leased from an independent third party to Fujian Sijia Industrial Material Co., Ltd (福建思嘉環保材料科技有限公司) for a term of 1 year commencing from 21 October 2009 to 20 October 2010 at an annual rent of RMB7,947. According to the PRC legal opinion, the tenancy agreement is legal, valid and enforceable. The tenancy agreement has been duly registered.	The property is currently occupied by the Group as office.	No commercial value
4.	Unit 09011, No. 132F, Qindao Middle Road, Weihai City, Shandong Province, the PRC	The property comprises an office unit of a 19-storey office building completed in 2008. The property has a gross floor area of approximately 45.35 sq.m.. The property is currently leased from an independent third party to Fujian Sijia Industrial Material Co., Ltd. (福建思嘉環保材料科技有限公司) for a term of 1 year commencing from 22 October 2009 to 21 October 2010 at an annual rent of RMB10,000. According to the PRC legal opinion, the tenancy agreement is legal, valid and enforceable. The tenancy agreement has been duly registered.	The property is currently occupied by the Group as office.	No commercial value

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2010 *RMB*
5.	Unit 938 No. 617, Dongfeng East Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	The property comprises an office unit of an office building completed in 1984. The property has a gross floor area of approximately 33 sq.m.. The property is currently leased from an independent party to Fujian Sijia Industrial Material Co., Ltd. (福建思嘉環保材料科技有限公司) for a term of 1 year commencing from 26 October 2009 to 25 October 2010 at a monthly rent of RMB2,500. According to the PRC legal opinion, the tenancy agreement is legal, valid and enforceable. The tenancy agreement has been duly registered.	The property is currently occupied by the Group as office.	No commercial value

Group III – Property leased to the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2010 *RMB*
6.	Suite 1603, 16th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai Hong Kong	The property comprises an office unit of a 40-storey office tower erected upon an 11-storey commercial podium completed in 1990. The property has a gross floor area of approximately 181.25 sq.m.. The property is currently leased from an independent third party to the Group for a term of 2 years commencing from 11 December 2009 to 10 December 2011 at a monthly rent of HK$64,383 (exclusive of government rent, rates and air-conditioning and management fees).	The property is currently occupied by the Group as office	No commercial value

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 October 2009 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (referred to in this Appendix as the "Companies Law"). The Memorandum and the Articles comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 15 January 2010. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms

as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only

rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(xi) Qualification shares

Directors of the Company are not required under the Bye-laws to hold any qualification shares.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution – majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.5 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.0 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorized by an ordinary

resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 20 October 2009.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation of the Company and registration of the Company under Part XI of the Companies Ordinance

The Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 7 October 2009. The Company has established a principal place of business in Hong Kong at Suite 1603, 16th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong and has been registered as an overseas company in Hong Kong under Part XI of the Companies Ordinance on 28 December 2009. Mr. Chan Wing Hang has been appointed as the authorized representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. As the Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Law and to its constitution which comprises the Memorandum and the Articles of Association. A summary of various provisions of the Company's constitution documents and relevant aspects of the Cayman Companies Law is set out in Appendix IV to this prospectus.

2. Changes in the share capital

As at the date of incorporation, the authorized share capital of the Company was HK$380,000 divided into 380,000,000 Shares with a nominal value of HK$0.001 each. On 7 October 2009, one subscriber's Share was transferred to Hopeland International. On the same day, 9,999 Shares were alloted and issued to Hopeland International at par.

Pursuant to a resolution passed on 15 December 2009, the Company allotted and issued 99,990,000 Shares, credited as fully paid, to Hopeland International in consideration of Hopeland International transferring the entire issued share capital of China Grandsoo to the Company as part of the Corporate Reorganization.

Pursuant to the written resolutions of all the Shareholders passed on 15 January 2010, the authorized share capital of the Company was increased from HK$380,000 to HK$2,000,000 by the creation of an additional 1,620,000,000 Shares.

Assuming that the Global Offering and the Capitalization Issue become unconditional and the issue of Shares pursuant thereto is made but taking no account of any Shares which may be issued upon exercise of the Over-allotment Option, the issued share capital of the Company immediately following the Global Offering and the Capitalization Issue will be HK$800,000 divided into 800,000,000 Shares, fully paid or credited as fully paid, with 1,200,000,000 Shares remaining unissued.

Other than pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme below, the Company does not have any present intention to issue any part of the authorized but unissued share capital of the Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as aforesaid, there has been no alteration in the share capital of the Company since the date of its incorporation.

3. Written resolutions of all the shareholders passed on 15 January 2010

On 15 January 2010, written resolutions of all the Shareholders were passed pursuant to which, among other things:

(a) the increase of the authorized share capital of the Company from HK$380,000 to HK$2,000,000 by the creation of additional 1,620,000,000 Shares to rank *pari passu* in all respects with the then existing issued Shares was approved; and

(b) the Company approved and adopted the Articles of Association.

4. Written resolutions of all the Shareholders passed on 8 April 2010

On 8 April 2010, written resolutions of all the Shareholders were passed pursuant to which, among other things:

(a) conditional on the share premium account of the Company being credited as a result of the Global Offering, the Directors were authorized to capitalize an amount of HK$500,000 from the amount standing to the credit of the share premium account of the Company and that the said sum be applied in paying up in full at par 500,000,000 Shares, such Shares to be allotted and issued, credited as fully paid at par to the Shareholders appearing on the register of members of the Company at the close of business on the date of this prospectus (or as such holders may direct) in proportion (as nearly as possible without fractions) to their then respective shareholdings in the Company and so that such Shares to be allotted and issued shall rank pari passu in all respects with the then existing issued shares;

(b) conditional on (i) the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares which may be issued pursuant to the Capitalization Issue or pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme) and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Global

Coordinator acting for itself and on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

(i) the Global Offering was approved and the Directors were authorized to effect the same and to allot and issue the Offer Shares;

(ii) the Over-allotment Option was granted to the Sole Global Coordinator, on behalf of the International Underwriters and the Directors were authorized to allot and issue any Shares which may be required to be issued if the Over-allotment Option is exercised; and

(iii) the rules of the Share Option Scheme (the principal terms of which are set out in the paragraph headed ''Share Option Scheme'' in this Appendix V) were approved and adopted and the Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares under the Share Option Scheme and to allot, issue and deal with Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme;

(c) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares upon the exercise of options which may be granted under the Share Option Scheme or under any option scheme or similar arrangements for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries or any other person of Shares or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding 20% of the total nominal value of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;

(d) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on the Hong Kong Stock Exchange or on any other stock exchange on which the shares of the Company may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose such number of Shares with a total nominal value not exceeding 10% of the aggregate of the total nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate; and

(e) the general unconditional mandate mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above provided that such extended amount shall not exceed 10% of the total nominal value of the share capital of the Company in issue immediately following the completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme).

5. Corporate Reorganization

The companies comprising the Group underwent the Corporate Reorganization to rationalize the Group's structure in preparation for the Listing. The Corporate Reorganization involved the following:

(a) On 7 September 2009, China Grandsoo was incorporated in the British Virgin Islands and one share of US$1.00 each in China Grandsoo was allotted and issued to Mr. Lin.

(b) On 10 September 2009, Mr. Lin transferred all his interests in China Grandsoo to Hopeland International.

(c) On 7 October 2009, the Company was incorporated in the Cayman Islands and one subscriber's Share was transferred to Hopeland International. On the same date, further 9,999 Shares were allotted and issued to Hopeland International.

(d) On 21 October 2009, Mr. Lin transferred the entire issued share capital in, and the shareholder's loan in the principal amount of HK$40,762,714 due and owing by, Hong Kong Sijia to China Grandsoo in consideration of China Grandsoo allotting and issuing a total of 2 shares of US$1.00 each in China Grandsoo to Hopeland International.

(e) On 15 December 2009, Hopeland International transferred the entire issued share capital in China Grandsoo to the Company in consideration of the Company allotting and issuing 99,990,000 Shares to Hopeland International.

(f) On 15 December 2009, Mr. Lin procured Hopeland International to transfer 15,000,000 Shares, representing 15% of the then issued share capital of the Company to Glory Bright, a company wholly-owned by Mr. Lin Wanpeng as full and final settlement of the loan in the principal amount of HK$45.7 million due and owing by Mr. Lin to Mr. Lin Wanpeng together with interests accrued thereon.

6. Changes in the share capital of subsidiaries of the Company

Subsidiaries of the Company are referred to in the accountants' report, the text of which is set out in Appendix I to this prospectus.

The following alterations in the share capital of the Company's subsidiaries have taken place within the two years preceding the date of this prospectus:

(a) Fujian Sijia

On 4 January 2009, the registered capital of Fujian Sijia was further increased from HK$50 million to HK$65 million.

(b) China Grandsoo

On 7 September 2009, China Grandsoo was incorporated in the British Virgin Islands with limited liability with an authorized share capital of US$50,000 divided into 50,000 shares of US$1.00 each. Upon its incorporation, one share of US$1.00 was allotted and issued as fully paid to Mr. Lin.

On 21 October 2009, China Grandsoo allotted and issued 2 shares of US$1.00 each to Hopeland International as consideration for the acquisition by China Grandsoo from Mr. Lin of the entire issued share capital in, and shareholder's loan in the sum of HK$40,762,714 due and owing to Mr. Lin by, Hong Kong Sijia.

7. Repurchase by the Company of its own securities

This section includes information relating to the repurchase of the Shares, including information required by the Hong Kong Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Relevant Legal and Regulatory Requirements

The Listing Rules permit Shareholders to grant the Directors a general mandate to repurchase the Shares that are listed on the Hong Kong Stock Exchange.

(b) Shareholder's Approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of the Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On 8 April 2010, the Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme) on the Hong Kong Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized

by the SFC and the Hong Kong Stock Exchange for this purpose. This mandate will expire at the earliest of (i) the conclusion of the next annual general meeting of the Company, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association and applicable laws of the Cayman Islands to be held, or (iii) such mandate being revoked, varied or renewed by resolutions of the Shareholders in a general meeting.

(c) Source of Funds

The repurchase of the Shares listed on the Hong Kong Stock Exchange must be funded out of funds legally available for such purpose in accordance with the Memorandum and Articles of Association and the applicable laws of the Cayman Islands and any other laws and regulations applicable to the Company. The Company may not repurchase Shares on the Hong Kong Stock Exchange for consideration other than cash or for the settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

(d) Trading Restrictions

The Company may repurchase up to 10% of the issued share capital immediately after completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme). The Company may not issue or announce a proposed issue of the Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Hong Kong Stock Exchange. The Company is also prohibited from repurchasing the Shares on the Hong Kong Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Hong Kong Stock Exchange. The broker appointed by the Company to effect a repurchase of the Shares is required to disclose to the Hong Kong Stock Exchange any information with respect to a Share repurchase as the Hong Kong Stock Exchange may require.

(e) Status of repurchased securities

All repurchased securities (whether on the Hong Kong Stock Exchange or otherwise) will be automatically cancelled and the certificates for those securities must be cancelled and destroyed.

(f) Suspension of Repurchase

Securities repurchases are prohibited after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In

addition, the Hong Kong Stock Exchange reserves the right to prohibit repurchases of securities on the Hong Kong Stock Exchange if a company has breached the Listing Rules.

(g) Reporting Requirements

Repurchases of securities on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a company's annual report and accounts are required to disclose details regarding repurchases of securities made during the financial year under review, including the number of securities repurchased each month (whether on the Hong Kong Stock Exchange or otherwise) and the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(h) Connected persons

A company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of such company or any of its subsidiaries or any of their associates (as defined in the Listing Rules) and a connected person shall not knowingly sell his securities to the Company on the Hong Kong Stock Exchange.

(i) Reasons for Repurchases

Repurchase will only be made where the Directors believe that such repurchases will benefit the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or earnings per Share.

(j) General

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the memorandum of association of the Company, the Articles of Association and any other applicable laws of the Cayman Islands.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing

positions which in the opinion of the Directors are from time to time appropriate for the Company.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in the Company's voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code) could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates as defined by the Listing Rules, has any present intention to sell any Shares to the Company.

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

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

1. Summary of material contracts

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

(a) a machinery and equipment transfer agreement dated 2 May 2008 entered into between Smile in Rain and Fujian Sijia pursuant to which Fujian Sijia agreed to sell its machinery and equipment for raincoat production to Smile in Rain in consideration of RMB2,146,975.95;

(b) an equity transfer agreement dated 20 November 2008 entered into among Xiamen Kailai Trading, Fuzhou Jutai Trading, Fuzhou Sanfang Trading and YueHui Investment as transferors with Hong Kong Sijia and Xiamen Grandsoo as transferees, pursuant to which Xiamen Kailai Trading, Fuzhou Jutai Trading, Fuzhou Sanfang Trading and YueHui Investment agreed to sell an aggregate of 24% interest in Fujian Sijia to Xiamen Grandsoo in a total consideration of RMB17,650,000;

(c) a sale and purchase agreement dated 21 October 2009 entered into between Mr. Lin and China Grandsoo, pursuant to which Mr. Lin agreed to sell the entire issued share capital in and the shareholder's loan in the sum of HK$40,762,714 due and owing by Hong Kong Sijia to him to China Grandsoo in consideration of China Grandsoo's allotting and issuing two shares at par to Hopeland International;

(d) a deed of reorganization dated 15 December 2009 entered into between the Company, Mr. Lin and Hopeland International, pursuant to which Hopeland International agreed to sell the entire issued share capital in China Grandsoo to the Company in consideration of the Company's allotting and issuing 99,990,000 Shares at par to Hopeland International;

(e) a deed of tax indemnity dated 15 December 2009 entered into between Mr. Lin, Hopeland International and the Company, pursuant to which Mr. Lin and Hopeland International agreed to give certain tax and estate duty indemnities in favour of the Company (for itself and as trustee for and on behalf of its subsidiaries) subject to and in accordance with the terms and conditions set out therein;

(f) the Non-competition Deed;

(g) an underwriting agreement dated 25 January 2010 entered into by, among others, the Company, the Controlling Shareholders, the Sole Global Coordinator and the underwriters as set out therein, in relation to the offer by the Company of initially 20,000,000 Shares for subscription by the public in Hong Kong pursuant to the prospectus dated 26 January 2010 of the Company and the corresponding application forms;

(h) a deed of tax indemnity dated 8 April 2010 entered into between Mr. Lin, Hopeland International and the Company, pursuant to which Mr. Lin and Hopeland International agreed to give certain tax and estate duty indemnities in favour of the Company (for itself and as trustee for and on behalf of its subsidiaries) subject to and in accordance with the terms set out therein; and

(i) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of the Group

(a) Trademarks

As of the Latest Practicable Date, the Group had the following registered trademarks:

Trademark	Class *(Notes)*	Place of registration	Registration Number	Registration Date	Expiry Date
	9	HK	301441331	30 September 2009	29 September 2019
	9	HK	301441368	30 September 2009	29 September 2019

Trademark	Class *(Notes)*	Place of registration	Registration Number	Registration Date	Expiry Date
	9	HK	301441340	30 September 2009	29 September 2019
思嘉 SIJIA	17	PRC	4343587	28 December 2007	27 December 2017
思嘉 SIJIA	17	HK	301297765	5 March 2009	4 March 2019
思嘉 SIJIA	17	Singapore	1007006	16 June 2009	15 June 2019
思嘉 SIJIA	17	United Kingdom	1007006	16 June 2009	15 June 2019
思嘉 SIJIA	17	United States of America	1007006	16 June 2009	15 June 2019
思嘉 SIJIA	17	France	1007006	16 June 2009	15 June 2019
思嘉 SIJIA	17	Germany	1007006	16 June 2009	15 June 2019
	18	HK	301441359	30 September 2009	29 September 2019
	20	HK	301441359	30 September 2009	29 September 2019
	22	HK	301441359	30 September 2009	29 September 2019
	22	HK	301441331	30 September 2009	29 September 2019
	24	HK	301441359	30 September 2009	29 September 2019
思嘉 SIJIA	25	PRC	4343586	21 August 2008	20 August 2018
思嘉 SIJIA	25	HK	301297765	5 March 2009	4 March 2019
思嘉 SIJIA	25	Singapore	1007006	16 June 2009	15 June 2019
思嘉 SIJIA	25	United Kingdom	1007006	16 June 2009	15 June 2019
思嘉 SIJIA	25	United States of America	1007006	16 June 2009	15 June 2019
思嘉 SIJIA	25	France	1007006	16 June 2009	15 June 2019
思嘉 SIJIA	25	Germany	1007006	16 June 2009	15 June 2019

Trademark	Class *(Notes)*	Place of registration	Registration Number	Registration Date	Expiry Date
	25	HK	301441331	30 September 2009	29 September 2019
	28	HK	301441359	30 September 2009	29 September 2019
	28	HK	301441368	30 September 2009	29 September 2019
	28	HK	301441340	30 September 2009	29 September 2019
	28	HK	301441331	30 September 2009	29 September 2019
	41	HK	301441359	30 September 2009	29 September 2019

As of the Latest Practicable Date, the Group has applied for the registration of the following trademarks:

Trademark	Class *(Notes)*	Place of application	Application Number	Application Date
龙仕腾	17	PRC	6771062	10 June 2008
龙仕腾	18	PRC	6771063	10 June 2008
龙仕腾	22	PRC	6771064	10 June 2008
龙仕腾	24	PRC	6771066	10 June 2008
龙仕腾	25	PRC	6770711	10 June 2008
龙仕腾	28	PRC	6771065	10 June 2008
Long Standing	17	PRC	6771336	10 June 2008
Long Standing	18	PRC	6771337	10 June 2008
Long Standing	22	PRC	6771338	10 June 2008
Long Standing	24	PRC	6771339	10 June 2008
Long Standing	25	PRC	6771340	10 June 2008
Long Standing	28	PRC	6771341	10 June 2008

Trademark	Class *(Notes)*	Place of application	Application Number	Application Date
	17	PRC	6771362	10 June 2008
	18	PRC	6771363	10 June 2008
	22	PRC	6771364	10 June 2008
	24	PRC	6771365	10 June 2008
	25	PRC	6771366	10 June 2008
	28	PRC	6771367	10 June 2008
思 嘉 SIJIA	18	PRC	6771328	10 June 2008
思 嘉 SIJIA	20	PRC	6771330	10 June 2008
思 嘉 SIJIA	24	PRC	6771327	10 June 2008
思 嘉 SIJIA	28	PRC	6771329	10 June 2008
思 嘉 SIJIA	41	PRC	6771331	10 June 2008
	17	PRC	6771672	10 June 2008
	18	PRC	6771673	10 June 2008
	22	PRC	6771674	10 June 2008
	24	PRC	6771675	10 June 2008
	25	PRC	6771676	10 June 2008
	28	PRC	6771677	10 June 2008
乐乐泉	17	PRC	6796296	23 June 2008
乐乐泉	18	PRC	6796295	23 June 2008
乐乐泉	22	PRC	6796294	23 June 2008
乐乐泉	24	PRC	6796293	23 June 2008
乐乐泉	28	PRC	6796292	23 June 2008

Trademark	Class *(Notes)*	Place of application	Application Number	Application Date
乐乐泉	41	PRC	6796041	23 June 2008
source of joy	17	PRC	6796311	23 June 2008
source of joy	18	PRC	6796310	23 June 2008
source of joy	22	PRC	6796309	23 June 2008
source of joy	24	PRC	6796308	23 June 2008
source of joy	25	PRC	6796307	23 June 2008
source of joy	28	PRC	6796306	23 June 2008
	17	PRC	6796302	23 June 2008
	18	PRC	6796301	23 June 2008
	22	PRC	6796300	23 June 2008
	24	PRC	6796299	23 June 2008
	25	PRC	6796298	23 June 2008
	28	PRC	6796297	23 June 2008
	17	PRC	6915014	25 August 2008
	18	PRC	6915013	25 August 2008
	22	PRC	6915012	25 August 2008
	24	PRC	6915011	25 August 2008
	25	PRC	6915010	25 August 2008
	28	PRC	6915009	25 August 2008
	41	PRC	6915008	25 August 2008
Grandsoo	9	PRC	7685106	9 September 2009

Trademark	Class *(Notes)*	Place of application	Application Number	Application Date
Grandsoo	22	PRC	7685131	9 September 2009
Grandsoo	25	PRC	7685152	9 September 2009
Grandsoo	28	PRC	7687171	10 September 2009
浩源	9	PRC	7685100	9 September 2009
浩源	22	PRC	7685126	9 September 2009
浩源	25	PRC	7685144	9 September 2009
浩源	28	PRC	7687152	10 September 2009
	9	PRC	7685095	9 September 2009
	22	PRC	7685118	9 September 2009
	25	PRC	7685140	9 September 2009
	28	PRC	7685158	9 September 2009
	9	PRC	7748287	10 October 2009
	25	PRC	7748381	10 October 2009
	9	PRC	7748360	10 October 2009
	25	PRC	7748406	10 October 2009
	9	PRC	7748333	10 October 2009
	25	PRC	7748394	10 October 2009
	9	HK	301486026	27 November 2009
	17	HK	301486026	27 November 2009
	19	HK	301486026	27 November 2009
	20	HK	301486026	27 November 2009

Trademark	Class *(Notes)*	Place of application	Application Number	Application Date
	24	HK	301486026	27 November 2009
	25	HK	301486026	27 November 2009
	27	HK	301486026	27 November 2009
	28	HK	301486026	27 November 2009
	41	HK	301486026	27 November 2009
	9	HK	301517869	8 January 2010
	17	HK	301517869	8 January 2010
	19	HK	301517869	8 January 2010
	20	HK	301517869	8 January 2010
	24	HK	301517869	8 January 2010
	25	HK	301517869	8 January 2010
	27	HK	301517869	8 January 2010
	28	HK	301517869	8 January 2010
	41	HK	301517869	8 January 2010

Notes: Specification of Goods/Services

Class 9: floats for bathing and swimming; swimming belts; swimming jackets; waterproof coats; life nets; swimming buoys; acid resistant coats; dress; acid resistant gloves; clothing for protection against fire; boots for protection against fire; divers' apparatus; material for electricity mains (wires, cables); diving suits; suits especially made for laboratories; breathing apparatus for underwater swimming; eyeglasses; calculating machines; protective masks; eye-protective glasses; gloves for divers;

waterproof protective clothing, for the use of farming, fishing, chemical, medical, construction, fire fighting, leisure and creation, mining, tunneling and underground projects (for application no. 301486026 and 301517869);

Class 17: rubber, raw or partly processed; synthetic rubber; acrylic resins (semi-finished products); rubber sleeves for protecting parts of machines; artificial resins (semi-finished products); synthetic resins (semi-finished products); plastic substances, semi-processed; plastic fibres, not for use in textiles; filtering materials (semi-processed foams or films of plastic); packing (cushioning, stuffing) materials of rubber or plastics;

industrial packaging plastics; plastics, for the production of sled and snowboard (for application no. 301486026 and no. 301517869);

Class 18: leather and imitation of leather; leather, unworked or semi-worked; shopping bags; handbags; pouches, of leather, for packaging; haversacks; net bags for shopping; an artificial leather suitcase; canvas suitcase; travelling bags; boxes of leather or leather board; vanity cases (not fitted); tool bags of leather (empty); beach bags; leather shoulder belts; umbrella; sticks; saddle for horses; clothing for pets;

Class 19: new construction materials for large-scale construction projects such as building sports halls, shopping malls, stadium and transportation facilities etc;

Class 20: hydrostatic (water) beds, not for medical purposes; containers, not of metal (storage, transport); sealing containers, not of metal; bins of wood or plastic; closures, not of metal, for containers; plastics transfer bins; drain traps (valves) of plastic; air cushions, not for medical purposes; bolsters; pillows; air pillows, not for medical purposes; air mattresses, not for medical purposes; inflatable publicity objects; boarding stairs, not of metal, mobile, for passengers; playpens for babies; cushions; display boards; resin art work; sleeping bags for camping;

air bed for domestic, office, hotel and camping use (for application no. 301486026 and 301517869);

Class 22: packing string; network; bags for washing hosiery; vehicle covers (not fitted); tarpaulins; fabroc-coating; ignite-resistant coat; hammocks; awnings of textile; awnings of synthetic materials; yurt; bags (sacks) for the transport and storage of materials in bulk; plastic fibers (fibres) for textile use; stuffing; stuffing, not of rubber or plastic; raw fibrous textile; textile fibers;

Class 24: fabric for boots and shoes; bed clothes of plastic; adhesive fabric for application by heat; resins cloths; plastic materials (substitute for fabrics); table cloths (not of paper); curtains of textile or plastic; fabric, impervious to gases, for aeronautical balloons; furniture coverings of plastic; bath coverings; washing mitts; oilcloth (for use as tablecloths); bed coverings; bath towers; ground towers; silk art work;

tent and closures for train, van, military or leisure use; curtain materials for setting up office, hotel, house, storehouse and automatic gateway; coat materials for the production of inflatable products, boats or pool; coat materials for the production of waterproof protective clothing; coat materials for the production of, for medical purpose, cushion, bed, facilities and others (for application no. 301486026 and 301517869);

Class 25: clothing; stuff jackets (clothing); parkas; dust coats; bathing suits; raincoats; rain cloaks; football shoes; hoods (clothing); shower caps;

professional mountain-climbing ski-boots (for application no. 301486026 and 301517869);

clothing; smocks; clothing of imitations of leather; vests; beach clothes; bath robes; dust coats; bibs, not of paper; wet suits for water-skiing; bathing suits; waterproof clothing; raincoats; rain cloaks; rain shoes; aprons (clothing); hoods (clothing); gloves (clothing); shower caps; girdles; overcoats (for application no. 301441331);

Class 27: sport halls flooring for sports halls, sports stadiums, schools and other large-scale athletic games;

Class 28: swimming pools (play articles); plastic runway; slide; surfing boat; waving boat; building blocks (toys); mobiles (toys); toys; doll's room; play balloon; fairground ride; toy car; model plane materials; cricket bags; bags especially designed for balls and bats; gym ball; snow ball; protective paddings (parts of sports suits); fishing tackle;

large-scale inflatable toys used in outdoor entertainment parks, shopping malls, schools, sports stadiums, parks, sports centres, celebration ceremony, advertisement or media; inflatable aquatic leisure products used in aquatic parks, recreational sports, leisure and recreation; pool for domestic, camping or outdoor use (for application no. 301486026 and 301517869);

Class 41: amusements; amusement parks; providing recreational activities; recreational information; providing sports facilities; photography; sports camp service; rental of sports equipments (except for vehicles); rental of stadium facilities; publication of books; design for printed pages (except for advertisement); production of programs; providing on-line electronic publications (not downloadable); teaching; organization of competitions (education or entertainment); arranging and conducting of symposiums; organization of sports competitions; organization of shows (impresario services);

setting up special zone for different kinds of inflatable products in various shopping malls, parks or sights as requested by the customer, providing small-scale playground facilities (for application no. 301486026 and 301517869);

(b) Patents

As of the Latest Practicable Date, the Group had the following registered patents:

Title of patents		Place of registration	Patent No.	Application Date	Expiry Date
(1)	*Invention*				
	Mesh cloth (網格布)	PRC	ZL 2008 1 0070556.2	29 January 2008	28 January 2028
(2)	*Utility Model*				
	Plastic fabric (塑料布)	PRC	ZL 2004 2 0150766.X	15 November 2004	14 November 2014
	Inflatable toy (充氣玩具)	PRC	ZL 2007 2 0009003.7	7 December 2007	6 December 2017
	Inflatable toy arena (充氣玩具競技台)	PRC	ZL 2008 2 0102331.6	19 May 2008	18 May 2018
	Inflatable toy trampoline (充氣玩具蹦床)	PRC	ZL 2008 2 0102323.1	19 May 2008	18 May 2018
	Multi-sided sectional pool (正多邊型組合式游泳池)	PRC	ZL 2008 2 0102329.9	19 May 2008	18 May 2018
	Inflatable tent (充氣式帳篷)	PRC	ZL 2008 2 0102328.4	19 May 2008	18 May 2018

Title of patents	Place of registration	Patent No.	Application Date	Expiry Date
Inflatable pool (充氣水池)	PRC	ZL 2008 2 0102326.5	19 May 2008	18 May 2018
Inflatable rock-climbing equipment (充氣攀岩健身器具)	PRC	ZL 2008 2 0102325.0	19 May 2008	18 May 2018
Air bed (充氣床)	PRC	ZL 2008 2 0102324.6	19 May 2008	18 May 2018
Inflatable spiral toy slide (旋轉滑梯充氣玩具)	PRC	ZL 2008 2 0102332.0	19 May 2008	18 May 2018
Inflatable double-runway toy (雙跑道充氣玩具)	PRC	ZL 2008 2 0102330.1	19 May 2008	18 May 2018
Inflatable toy train (充氣玩具火車)	PRC	ZL 2008 2 0102327.X	19 May 2008	18 May 2018
Large inflatable play pan (大型充氣玩具台)	PRC	ZL 2008 2 0102982.5	11 July 2008	10 July 2018
Inflatable double slide – toy (雙梯式充氣滑梯玩具)	PRC	ZL 2008 2 0102975.5	11 July 2008	10 July 2018
Inflatable animal slide (動物狀充氣滑梯)	PRC	ZL 2008 2 0102991.4	11 July 2008	10 July 2018
Inflatable play pan (充氣玩具台)	PRC	ZL 2008 2 0102990.X	11 July 2008	10 July 2018
Inflatable toy slide (充氣滑梯玩具)	PRC	ZL 2008 2 0102989.7	11 July 2008	10 July 2018
Inflatable toy base ball (充氣投球玩具)	PRC	ZL 2008 2 0102988.2	11 July 2008	10 July 2018
Inflatable mattress (充氣墊)	PRC	ZL 2008 2 0102986.3	11 July 2008	10 July 2018
Inflatable play slide (娛樂充氣滑梯)	PRC	ZL 2008 2 0102985.9	11 July 2008	10 July 2018
Symmetrical inflatable slide (對稱式充氣滑梯玩具)	PRC	ZL 2008 2 0102981.0	11 July 2008	10 July 2018
Swimming pool for home use (家用游泳池裝置)	PRC	ZL 2008 2 0102987.8	11 July 2008	10 July 2018
Complete calender production line (壓延生產線成套裝置)	PRC	ZL 2008 2 0103192.9	29 July 2008	28 July 2018
Inflatable multi-purpose playground (充氣綜合娛樂球場)	PRC	ZL 2008 2 0103233.4	1 August 2008	31 July 2018
Production facilities for fabric coating (布料塗層生產設備)	PRC	ZL 2008 2 0103300.2	7 August 2008	6 August 2018
Inflatable fun slide (趣味充氣滑梯)	PRC	ZL 2008 2 0103364.2	12 August 2008	11 August 2018

Title of patents	Place of registration	Patent No.	Application Date	Expiry Date
Facilities for lining machine production (貼合機生產設備)	PRC	ZL 2008 2 0103396.2	15 August 2008	14 August 2018
New type inflatable slide (新型充氣滑梯)	PRC	ZL 2008 2 0145325.9	26 August 2008	25 August 2018
Red mud composite coiled materials for biogas project (沼氣工程用紅泥複合卷材)	PRC	ZL 2009 2 0137662.8	16 April 2009	15 April 2019
Sports floor material with high-elasticity and wear-resistant (高彈耐磨運動地板面材)	PRC	ZL2009 2 0137780.9	23 April 2009	22 April 2019
(3) Design				
High strength industrial polyester tarpaulin (1) (高強工業聚酯夾網布(1))	PRC	ZL 2007 3 0141409.6	7 December 2007	6 December 2017
High strength industrial polyester tarpaulin (2) (高強工業聚酯夾網布(2))	PRC	ZL 2007 3 0141408.1	7 December 2007	6 December 2017
High strength industrial polyester tarpaulin (3) (高強工業聚酯夾網布(3))	PRC	ZL 2007 3 0141417.0	7 December 2007	6 December 2017
High strength industrial polyester tarpaulin (4) (高強工業聚酯夾網布(4))	PRC	ZL 2007 3 0141416.6	7 December 2007	6 December 2017
Industrial polyester mesh cloth (High strength 1) (工業聚酯網格布(高強1))	PRC	ZL 2007 3 0141415.1	7 December 2007	6 December 2017
Industrial polyester mesh cloth (2) (工業聚酯網格布(2))	PRC	ZL 2007 3 0141414.7	7 December 2007	6 December 2017
Mesh cloth (high strength industrial polyester 4) (網格布(高強工業聚酯4))	PRC	ZL 2007 3 0141421.7	7 December 2007	6 December 2017
Polyester tarpaulin (marble pattern 1) (聚酯夾網布(大理石紋1))	PRC	ZL 2007 3 0141412.8	7 December 2007	6 December 2017
Tarpaulin (marble pattern polyester 2) (夾網布(大理石紋聚酯2))	PRC	ZL 2007 3 0141411.3	7 December 2007	6 December 2017

Title of patents	Place of registration	Patent No.	Application Date	Expiry Date
Thermoplastic elastic tarpaulin (3) (熱可塑彈性體夾網布(3))	PRC	ZL 2007 3 0141418.5	7 December 2007	6 December 2017
Thermoplastic elastic tarpaulin (2) (熱可塑彈性體夾網布(2))	PRC	ZL 2007 3 0141419.X	7 December 2007	6 December 2017
High strength industrial polyester mesh cloth (3) (高強工業聚酯網格布(3))	PRC	ZL 2007 3 0141413.2	7 December 2007	6 December 2017
Polyester net cloth (military camouflage) (聚酯網布(軍用迷彩))	PRC	ZL 2007 3 0141410.9	7 December 2007	6 December 2017
Tarpaulin (thermoplastic elastomer 1) (夾網布(熱可塑彈性體1))	PRC	ZL 2007 3 0141420.2	7 December 2007	6 December 2017
Inflatable toy (labyrinth) (充氣玩具(迷宮))	PRC	ZL 2008 3 0157819.4	13 November 2008	12 November 2018
Inflatable toy (tiger slide) (充氣玩具(老虎滑梯))	PRC	ZL 2008 3 0157821.1	13 November 2008	12 November 2018
Inflatable toy (shark slide) (充氣玩具(鯊魚滑梯))	PRC	ZL 2008 3 0157822.6	13 November 2008	12 November 2018
Inflatable toy (Titanic) (充氣玩具(特坦克尼號))	PRC	ZL 2008 3 0157820.7	13 November 2008	12 November 2018

As of the Latest Practicable Date, the Group has applied for the registration of the following patents:

Title of patents	Place of application	Patent No.	Application Date
(1) Invention			
Knitted camouflage water-proof fabric (針織迷彩防水布料)	PRC	2008 1 0070554.3	29 January 2008
Polyester camouflage water-proof fabric (滌綸迷彩防水布料)	PRC	2008 1 0070553.9	29 January 2008
TPU tarpaulin (TPU夾網)	PRC	2008 1 0070552.4	29 January 2008
EVA tarpaulin (EVA夾網布)	PRC	2008 1 0070551.X	29 January 2008
Inflatable fabric (充氣布)	PRC	2008 1 0070555.8	29 January 2008
Production facilities for fabric-coating (布料塗層生產設備)	PRC	2008 1 0071585.0	15 August 2008

Title of patents	Place of application	Patent No.	Application Date
Complete calender production line (壓延生產線成套裝置)	PRC	2008 1 0071586.5	15 August 2008
Lamination production facilities (貼合機生產設備)	PRC	2008 1 0071587.X	15 August 2008
Production technique of composite materials for water leisure and entertainment equipment (水上休閒娛樂器材複合材料生產工藝)	PRC	2008 1 0072510.4	30 December 2008
Production technique of calender membrane with high elasticity and wear-resistant (高彈耐磨壓延薄膜生產工藝)	PRC	2008 1 0072503.4	30 December 2008
Lamination and finishing techniques of tarpaulin (一種夾網布貼合及表面處理工藝)	PRC	2008 1 0072511.9	30 December 2008
Production technique of coated net cloth (塗層網布生產工藝)	PRC	2008 1 0072509.1	30 December 2008
Production technique of PVC water enclosure coating materials (PVC水上圍隔塗層材料製備工藝)	PRC	2008 1 0072504.9	30 December 2008
Production technique of curtain materials (門簾材料生產工藝)	PRC	2008 1 0072506.8	30 December 2008
Production technique of high strength polyester fibre dimensional lamination materials (高強聚酯纖維層壓膜結構材料生產工藝)	PRC	2008 1 0072507.2	30 December 2008
Production technique of composite materials for swimming pool (泳池複合材料生產工藝)	PRC	2008 1 0072512.3	30 December 2008

Title of patents	Place of application	Patent No.	Application Date
Production technique of running machine belt (跑步機用輸送帶生產工藝)	PRC	2008 1 0072508.7	30 December 2008
Production technique of base materials of high visibility clothing (高可視警示服基底材料生產工藝)	PRC	2008 1 0072505.3	30 December 2008
Red mud composite coiled material for biogas project and its preparation method (沼氣工程用紅泥複合卷材及其製備方法)	PRC	2009 1 0111483.1	16 April 2009
High elasticity and wear-resistant sports floor material and its preparation method (高彈耐磨運動地板面材及其製備方法)	PRC	2009 1 0111538.9	23 April 2009

(c) Domain names

As at the Latest Practicable Date, the Group had registered the following domain name(s):

Domain name	Registrant	Expiry Date
www.sijia.cn	Fujian Sijia	22 December 2015
www.sijiagroup.com	the Company	24 November 2011
www.sijia.hk	the Company	27 November 2014

C. DISCLOSURE OF INTERESTS

1. Directors

(a) Interest and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations

Immediately following completion of the Global Offering and the Capitalization Issue (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may

be granted under the Share Option Scheme), the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO) once the Shares are listed, or which will be required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which, once the Shares are listed, will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules are as follows:

(i) Interest in Shares

Name of Director	Capacity/Nature of Interest	Long/Short position	Number of Shares held	Approximate percentage of shareholding in the Company
Mr. Lin	Interests in controlled corporation	Long position	510,000,000	63.75%

Note: These Shares are held by Hopeland International, which is wholly-owned by Mr. Lin. Therefore, Mr. Lin is deemed to be interested in these Shares under the SFO.

(ii) Interest in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/Nature of Interest	Number of securities held	Approximate percentage of shareholding
Mr. Lin	Hopeland International	Beneficial owner	1 share	100%

(b) Particulars of service contracts

Each of the executive Directors has entered into a service contract with the Company for a term of 3 years commencing from the Listing Date which may be terminated by either party giving not less than 3 months' prior notice in writing and is subject to termination provisions therein and provisions on retirement by rotation of the Directors as set out in the Articles of Association. Particulars of the service contracts of the executive Directors are in all material respects the same. Each of the executive Directors shall be entitled to the annual fee as follows:

Name of Director	Annual director's remuneration
Mr. Lin	HK$600,000
Mr. Zhang Hongwang	HK$360,000
Mr. Huang Wanneng	HK$240,000

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of 2 years commencing from the Listing Date which may be terminated by either party by giving not less than 3 months' prior notice in writing. Pursuant to the letters of appointment between the Company and each of Mr. Chan Tsz Fu Jacky, Mr. Cai Weican and Mr. Choi Tze Kit Sammy (all of whom are independent non-executive Directors), each of them is entitled to receive director's fee of HK$18,000 per month.

Save as disclosed above, none of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(c) Remuneration of Directors

(i) About RMB184,000, RMB260,000 and RMB364,000 were paid to the Directors by the Group as remuneration for each of the three financial years ended 31 December 2007, 2008 and 2009 respectively.

(ii) Save as disclosed in the accountant's report in Appendix I to this prospectus, no Directors received any remuneration or benefits in kind from the Group for each of the three financial years ended 31 December 2007, 2008 and 2009 respectively.

(iii) None of the Company's Directors or any past directors of any member of the Group has been paid any sum of money for each of the three years ended 31 December 2009 as (i) an inducement to join or upon joining the Company; or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

(iv) Under the arrangement currently in force, conditional upon the Listing, the estimated aggregate remuneration (excluding discretionary bonus, if any) payable by the Group to the Directors for the financial year ending 31 December 2010 is expected to be about HK$1,848,000.

2. Substantial Shareholders

(a) Interests in the Company

So far as the Directors are aware, immediately following completion of the Global Offering and the Capitalization Issue (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of the Company) are expected to have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Long/ short position	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding
Hopeland International *(Note 1)*	Long position	Beneficial owner	510,000,000	63.75%
Mrs. Lin *(Note 2)*	Long position	Interests of spouse	510,000,000	63.75%
Glory Bright *(Note 3)*	Long position	Beneficial owner	90,000,000	11.25%
Mr. Lin Wanpeng *(Note 3)*	Long position	Interests in controlled corporation	90,000,000	11.25%
Ms. Wang Huiqing *(Note 4)*	Long position	Interests of spouse	90,000,000	11.25%

Notes:

1. The entire issued share capital of Hopeland International is beneficially owned by Mr. Lin who is deemed to be interested in the Shares held by Hopeland International pursuant to the SFO.

2. Mrs. Lin is the spouse of Mr. Lin. Therefore, Mrs. Lin is deemed to be interested in the Shares in which Mr. Lin is interested for the purposes of the SFO.

3. The entire issued share capital of Glory Bright is beneficially owned by Mr. Lin Wanpeng who is deemed to be interested in the Shares held by Glory Bright pursuant to the SFO.

4. Ms. Wang Huiqing is the spouse of Mr. Lin Wanpeng. Therefore, Ms. Wang Huiqing is deemed to be interested in the Shares in which Mr. Lin Wanpeng is interested for the purposes of the SFO.

(b) Interest in other members of the Group

So far as the Directors are aware, immediately following completion of the Global Offering and the Capitalization Issue, there will not be any persons (not being a Director or chief executive of the Company) who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. Related party transactions

Save as disclosed in this prospectus and in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, the Company had not engaged in any other material connected transactions or related party transactions.

4. Agency fees and commissions received

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

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme approved by the resolution of the Shareholders passed on 8 April 2010:

(a) Purpose

The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented participants (as defined in paragraph (c) below), to strive for future developments and expansion of the Group. The Share Option Scheme shall be an incentive to encourage the Participants to perform their best in achieving the

goals of the Group and allow the Participants to enjoy the results of the Company attained through their efforts and contributions.

(b) Conditions

The Share Option Scheme is conditional upon:

(i) the Listing Committee granting approval (whether subject to conditions or not) of the Share Option Scheme and any right to subscribe for Shares pursuant to the Share Option Scheme ("Options") which may be granted thereunder, and the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the Options; and

(ii) the obligations of the Underwriters under the Underwriting Agreements referred to in the paragraph headed "Underwriting Arrangements, Commissions and Expenses" in the section titled "Underwriting" of the prospectus becoming unconditional (including, if relevant, as a result of the waiver of any such conditions) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise.

(c) Scope of Participants and eligibility of Participants

The Board may, at its discretion, invite:

(i) any executive or non-executive Director including any independent non-executive Director or any employee (whether full-time or part-time) of any member of the Group;

(ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of the Group;

(iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to the Group;

(iv) any provider of goods and/or services to the Group; or

(v) any other person who the Board considers, in its sole discretion, has contributed to the Group to take up Options.

In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(d) Acceptance of offer

Offer of an Option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the Option duly signed by the grantee together with a remittance in favour of the Company of HK$1.0 by way of consideration for the grant thereof, is received by the Company within 28 days from the date of the offer.

(e) Subscription price

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Participant and shall be no less than the highest of (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date on which an Option is granted, (ii) the average closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date on which an Option is granted; and (iii) the nominal value of a Share.

(f) Maximum number of Shares available for subscription

(i) Subject to (iv) below, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of the Shares in issue immediately upon completion of the Global Offering and the Capitalization Issue (excluding any Shares that may be issued upon exercise of the Over-allotment Option (if any)), unless the Company obtains an approval from its shareholders pursuant to (ii) below.

(ii) Subject to (iv) below, the Company may seek approval of its shareholders in general meeting for refreshing the 10% limit set out in (i) above such that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of the Shares in issue as at the date of approval to refresh such limit.

(iii) Subject to (iv) below, the Company may seek separate approval from its shareholders in general meeting for granting Options beyond the 10% limit provided the Options granted in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought. In such case, the Company shall send a circular to its shareholders containing the information required under the Listing Rules.

(iv) Notwithstanding any other provisions of the Share Option Scheme, the maximum number of Shares in respect of which Options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time. No Option may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such limit being exceeded.

(g) Conditions, restrictions or limitations on offers of Options

Unless otherwise determined by the Board and specified in the offer letter at the time of the offer of the Option, there are neither any performance targets that need to be achieved by the grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised. Subject to the provisions of the Share Option Scheme and the Listing Rules, the Board may when making the offer of Options impose any conditions, restrictions or limitations in relation to the Option as it may at its absolute discretion think fit.

(h) Maximum entitlement of Shares of each Participant

(i) Subject to paragraph (ii) below, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

(ii) Notwithstanding (i) above, any further grant of Options to a Participant in excess of the 1% limit shall be subject to approval by the Shareholders in general meeting with such Participant and his or her Associates abstaining from voting. The number and the terms of the Options to be granted to such Participant shall be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date for grant for the purpose of calculating the subscription price.

(i) Grant of Options to connected persons

(i) Any grant of Options to a Participant who is a director, chief executive or substantial shareholder (as defined under the Listing Rules) of the Company or their respective associates must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the Participant).

(ii) Where the Board proposes to grant any Option to a Participant who is a substantial Shareholder or an independent non-executive Director, or any of their respective associates and such Option which if exercised in full, would result in such Participant becoming entitled to subscribe for such number of Shares, when aggregated with the total number of Shares already issued and issuable to him or her pursuant to all Options granted and to be granted (including Options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the date of such grant:

(1) representing in aggregate more than 0.1% of the relevant class of securities of the Company in issue on the date of such grant; and

(2) having an aggregate value, based on the closing price of the Shares at the date of such grant, in excess of HK$5,000,000,

such proposed grant of Options must be approved by the Shareholders in general meeting. In such a case, the Company shall send a circular to its shareholders containing all those terms as required under the Listing Rules. The Participant concerned and all connected persons of the Company must abstain from voting at such general meeting (except where any connected person intends to vote against the relevant resolution provided that such intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

(j) Exercise of Options

An Option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which an Option was granted, at any time during the option period after the Option has been granted by the Board but in any event, not longer than 10 years from the date of grant. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

(k) Transferability of Options

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any Option.

(l) If a grantee ceased to be a Participant by reason other than death or misconduct

If the grantee ceases to be a Participant for any reason other than on the grantee's death or the termination of the grantee's employment or directorship on one or more of the grounds specified in paragraph (n) below, the grantee may exercise the Option up to his entitlement at the date of cessation (to the extent which

has become exercisable and not already exercised) within the period of 9 months (or such longer period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with the relevant company whether salary is paid in lieu of notice or not, or the last date of appointment as director of the relevant company, as the case may be, failing which it will lapse.

(m) On the death of a grantee

If the grantee dies before exercising the Option in full and none of the events which would be a ground for termination of the grantee's employment or directorship under paragraph (n) below arises, the personal representative(s) of the grantee shall be entitled to exercise the Option up to the entitlement of such grantee at the date of death (to the extent which has become exercisable and not already exercised) within a period of 12 months or such longer period as the Board may determine from the date of death, failing which it will lapse.

(n) Termination of employment of a grantee by reason of misconduct

An Option shall lapse automatically (to the extent not already exercised) on the date on which the grantee ceased to be a Participant by reason of the termination of his employment or directorship on the grounds that he or she has been guilty of misconduct, or appears either to be unable to pay or have no reasonable prospect to pay debts, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty.

(o) Voluntary winding-up of the Company

In the event a notice is given by the Company to its shareholders to convene a Shareholders' meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees. Each grantee (or his or her legal personal representative(s)) may by notice in writing to the Company (such notice to be received by the Company not later than 4 business days prior to the proposed general meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and, in any event, no later than the day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of shares to the grantee which falls to be issued on such exercise. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(p) General offer by way of take-over

If a general offer by way of take-over is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) with the terms of the offer

having been approved by the holders of not less than nine-tenths in value of the Shares comprised in the offer within four months from the date of the offer and the offeror thereafter gives a notice to acquire the remaining Shares, the grantee (or where appropriate, his or her legal personal representatives) shall be entitled to exercise the Options in full (to the extent not already exercised) even though the option period has not come into effect during the occurrence of the general offer within 21 days after the date of such notice by the offeror. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(q) Rights on a compromise or arrangement

lf a compromise or arrangement between the Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the grantee on the same date as it despatches the notice which is sent to each shareholder or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the Court provided that the relevant Options are not subject to a term or condition precedent to them exercisable which has not been fulfilled, exercise any of his or her Options whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme.

(r) Rank pari passu

The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu with the fully paid Shares in issue as from the date of allotment and in particular will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the date of allotment.

(s) Alteration in capital structure

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, open offer, consolidation, sub-division, or reduction of share capital of the Company in accordance with legal requirements and requirements of the Hong Kong Stock Exchange, excluding any alteration in the capital structure of the Company as a result of an issue of Shares pursuant to, or in connection with, any share option scheme, share appreciation rights scheme or any arrangement for remunerating or incentivising any employee, consultant or adviser to the Company

or any employee, consultant or adviser to the Group or in the event of any distribution of the Company's legal assets to its shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to its shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to:

(i) the number or nominal amount of Shares subject to the Option so far as unexercised; or

(ii) the subscription price

or any combination thereof, as an independent financial adviser or the auditors of the Company shall certify in writing, either generally or as regards any particular grantee, to have, in their opinion, fairly and reasonably satisfied the requirement that any such adjustment shall be in compliance with the relevant provisions of the Listing Rules or such other guidelines or supplementary guidance as may be issued by the Hong Kong Stock Exchange from time to time, but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value.

(t) Duration of the Share Option Scheme

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which period no further Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(u) Cancellation of Options granted

The Board may at any time at its absolute discretion cancel any Option previously granted to, but not exercised by the grantee. Where the Company cancels Options and offers Options to the same grantee, the offer of the grant of such new Options may only be made with available Options to the extent not yet granted (excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph (f) above. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date on which the Option is cancelled by the Board as provided above.

(v) Termination of the Share Option Scheme

The Company may by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect.

(w) Alteration of provisions of the Share Option Scheme

The provisions of the Share Option Scheme may be altered in any respect by resolution of the Board except that provisions relating to the class of persons eligible for the grant of Options, the option period and all such other matters set out in Rule 17.03 or the Listing Rules cannot be altered to the advantage of the Participants without the prior approval of the Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Options granted must be approved by the Hong Kong Stock Exchange and the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms of the Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules. Any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(x) Restrictions on the time of grant of Options

No offer shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of the Listing Rules in particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Board for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish announcement for its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no Option may be granted.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme. On the assumption that 800,000,000 Shares are in issue on the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange (without taking into consideration of the Shares that may be issued upon exercise of the Over-allotment Option), the application to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in the Shares on the Hong Kong Stock Exchange includes the 80,000,000 Shares which may be issued upon the exercise of the Options which may be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Estate duty and tax indemnity

Mr. Lin and Hopeland International (the "Indemnifiers") have pursuant to a deed of tax indemnity referred to in the paragraph headed "Summary of material contracts" under the section headed "Further Information about the Business of the Group" in this Appendix V, given indemnities in favour of the Group in connection with, among other things, any taxation which might be payable by any member of the Group in respect of any incomes, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which the Global Offering becomes unconditional (the "Effective Date").

The Indemnifiers have also pursuant to the deed of tax indemnity referred to above, given indemnities in favour of the Group in connection with, among other things, any estate duty which is or becomes payable by any member of the Group by virtue of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) by reason of the death of any person and by reason of the assets of the Group or any of such assets being deemed for the purpose of estate duty to be included in the property passing on his death by reason of that person making or having made a relevant transfer to the Group or any member of the Group at any time prior to 11 February 2006 (i.e. being the date on which The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect).

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation where:

(a) to the extent that provision or allowance has been made for such taxation in the audited consolidated accounts of the Group for the 3 years ended 31 December 2009 (the "Accounts");

(b) the taxation falling on any member of the Group in respect of any accounting period commencing on or after 1 January 2010 unless liability for such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, the Indemnifiers, members of the Group or any of them (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than (i) in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Effective Date or (ii) pursuant to a legally binding commitment created on or before the Effective Date or (iii) pursuant to any statement of intention made in this prospectus;

(c) to the extent of any provision or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or

(d) to the extent that such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the Effective Date or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries under the laws of the Cayman Islands, the BVI or the PRC, being jurisdictions in which one or more of the companies comprising the Group are incorporated.

2. Litigation

As at the Latest Practicable Date, neither the Company nor any other member of the Group is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of the Group.

3. Sponsor

The Sole Sponsor has made an application on behalf of the Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares falling to be issued pursuant to the Capitalization Issue or pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

4. Preliminary expenses

The preliminary expenses of the Company are estimated to be about HK$33,000 and are payable by the Company.

5. Promoters

The promoter of the Company is Mr. Lin. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the promoter in connection with the Global Offering or the related transactions described in this prospectus.

6. Qualifications of experts

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

Name	Qualification
Piper Jaffray Asia Limited	a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Guantao Law Firm	Legal advisors to the Company as to PRC laws
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Ernst & Young	Certified public accountants
DTZ Debenham Tie Leung Limited	Property valuers

7. Consents of experts

Each of Piper Jaffray Asia Limited, Guantao Law Firm, Conyers Dill & Pearman, Ernst & Young and DTZ Debenham Tie Leung Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

8. Binding effect

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

9. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors nor any of the parties whose names are listed in the paragraph headed "Consents of experts" under section E headed "Other Information" in this Appendix V is interested in the promotion of the Company, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(b) none of the Directors nor any of the parties whose names are listed in the paragraph headed "Consents of experts" under section E headed "Other Information" in this Appendix V is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;

(c) none of the experts named in paragraph 6 of this Appendix has any shareholding in any member in the Group or the right (whether legal enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in the Group; and

(d) none of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

10. Miscellaneous

(a) Save as disclosed in this prospectus:

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

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued; and

(iv) the Directors confirm that since 31 December 2009 (being the date to which the latest audited financial statements of the Group were made up), there has been no material adverse change in the financial or trading position or prospects of the Group.

There has not been any interruption in the business of the Group which may have or has had a material adverse effect on the financial position of the Group in the last 12 months.

(b) None of Piper Jaffray Asia Limited, Guantao Law Firm, Conyers Dill & Pearman, Ernst & Young and DTZ Debenham Tie Leung Limited:

(i) is interested beneficially or non-beneficially in any shares in any member of the Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

11. BILINGUAL PROSPECTUS

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

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the WHITE, YELLOW and GREEN Application Forms, the written consents referred to in the paragraph headed "Consents of experts" under the section headed "Other Information" in Appendix V to this prospectus and copies of the material contracts referred to in the paragraph headed "Summary of material contracts" under the section headed "Further Information about the Business of the Group" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Tung & Co at 19th Floor, 8 Wyndham Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(1) the Memorandum and the Articles;

(2) the Accountant's Report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(3) the letter prepared by Ernst & Young relating to the unaudited proforma financial information, the text of which is set out in Appendix II to this prospectus;

(4) the letters, summary of values and valuation certificates relating to the property interests of the Group prepared by DTZ Debenham Tie Leung Limited, the texts of which are set out in Appendix III to this prospectus;

(5) the material contracts referred to in the paragraph headed "Summary of material contracts" under the section headed "Further Information about the Business of the Group" in Appendix V to this prospectus;

(6) the service contracts with the executive Directors and the appointment letters with independent non-executive Directors, referred to in the paragraph headed "Particulars of service contracts" under the section headed "Disclosure of Interests" in Appendix V to this prospectus;

(7) the written consents referred to in the paragraph headed "Consents of experts" under the section headed "Other Information" in Appendix V to this prospectus;

(8) the legal opinions issued by Guantao Law Firm, the legal advisers to the Company as to PRC law;

(9) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;

(10) the Cayman Companies Law;

(11) the rules of Share Option Scheme; and

(12) the audited financial statements of Fujian Sijia and Xiamen Grandsoo for each of the three financial years ended 31 December 2007, 2008 and 2009.



思嘉集團有限公司

SIJIA GROUP COMPANY LIMITED