This summary aims to give you an overview of the information contained in this Prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read this Prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" of this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a manufacturer of polyester yarns, polyester-cotton blended yarns and cotton yarns in Jiangxi Province.

We offer a comprehensive range of pure yarn and blended yarn products in the PRC, mainly producing fine-count and medium-count yarns, to meet the various product specifications of our customers. We offer more than 15 combinations of blended yarn products, some of which have advanced features, such as combed cotton fibres and knotless, to provide our yarns with additional functional properties. According to the classification of industrial enterprises in the industry by the *National Bureau of Statistics of China*, cotton textile companies of over 100,000 spindles are considered as large-scaled businesses. As at 30 June 2011, our production capacity was approximately 321,000 spindles, which could be allocated to produce any of our yarn products according to our production plan from time to time. According to the *China Textile Industry Development Reports*, Jiangxi Province is ranked ninth in the PRC for the year ended 31 December 2010 in terms of aggregate yarn production volume, which accounted for 2.7% of national yarn production volume in 2010. Our yarn production volume was 58,443 tonnes for the year ended 31 December 2010. Our Directors estimate that our market share in terms of yarn production volume in 2010 was approximately 7.8% of Jiangxi Province and approximately 0.2% of China.

Our Expansion Plan

We plan to further diversify our product portfolio to include the production of coloured polyester-cotton blended yarns and open-end spun yarns. We plan to construct two workshops with an aggregate production capacity of approximately 60,000 spindles for the production of coloured polyester-cotton blended yarns and 20,000 spindles for the production of open-end spun yarns. We expect to implement our production capacity expansion plan in two phases. The first phase is expected to be completed by the second quarter of 2012 to increase our production capacity by approximately 20,000 spindles for open-end spun yarns, and the second phase is expected to be completed by the end of the first quarter of 2013 to increase our production capacity by approximately 60,000 spindles for colour polyester-cotton blended yarns. We expect to generate additional revenue from the introduction of new products to our portfolio.

Our Location

We are strategically located in Fengtian Economic Development Zone of Fengxin County, Yichun City, Jiangxi Province, allowing us to enjoy a steady supply and low cost of labour, electricity and water, which are crucial to our production process. We also benefit from developed infrastructure and convenient access to roadway, railway and waterway transportation, thereby reducing our logistics and transportation costs, and enabling us to offer our customers timely delivery at competitive prices.

Our Suppliers

We engage in the manufacture and sale of yarn products. Our main raw materials are polyester staple fibre and raw cotton. We source our polyester staple fibres mainly from Jiangsu Province and Fujian Province for the production of our polyester yarns and polyester-cotton blended yarns. We use both domestic and overseas raw cotton in our polyester-cotton blended yarns and cotton yarns production. We generally do not enter into any long-term supply agreement with our raw material suppliers, except for certain framework supply agreements with a few suppliers. As such, we are free to source raw materials from a number of suppliers. We believe that this enables us to source raw materials that are available to us at the highest quality and the most competitive pricing.

Our Procurement and Pricing Strategy

We believe our procurement strategy allows us to maintain flexibility in terms of product choice and pricing and effectively manage our cost of sales. Our yarn products are produced through the process of ring spinning, it is then packaged, sold and transported to end customers. Our pricing strategy is based on a variety of factors, including raw material prices, production costs and market conditions, our inventory level and the quality of the yarn products required by our customers. The prices of our raw materials fluctuated during the Track Record Period. We could generally pass on a certain degree of fluctuation in the cost of raw materials to our customers during the three years ended 31 December 2008, 2009 and 2010 as shown by the significant increases in our gross profit margins from 5.5% to 13.1% and further to 16.1%, respectively. During the six months ended 30 June 2011, we did not fully pass on such increase for certain sales of our yarn products due to market conditions such as the rapid increase in the market price of raw cotton, and our effort to maintain good relationship with our customers and our competitiveness, especially in the polyester-cotton blended yarn market.

In the event of anticipated significant decrease in the market price of our yarn products, we may reduce our level of finished goods inventory to reduce our exposure to adverse movement in market price of our yarn products, and therefore we may not be able to fully pass on the cost of raw materials to our customer. Our management monitors market prices of our raw materials and our level of finished goods inventory to keep itself abreast of the latest development in outlook of market conditions in respect of such prices. Depending on the outlook of market conditions, we would increase or decrease our purchase of raw materials and the level of our raw material inventory from time to time in anticipation of increases or decreases in raw material prices, respectively, to mitigate the impact of such price fluctuations. We typically deliver our yarn products within one to two days after we enter into sales orders, as we implement inventory policies to maintain at least the required level of raw material inventory and the required level of finished goods inventory, respectively, at our storage facilities. Our customers typically pay our selling price before we deliver our yarn products, although we may grant credit periods of up to 90 days on a case-by-case basis. We outsource the transportation of our yarn products within China to third-party logistics service providers.

Our Equipment, Machinery and Production Facility

We use advanced equipment and machinery to produce our products. We import automatic winding machines, which are key to our production process, from Italian textile machinery manufacturers. We have invested in our plant and machinery to enhance our production capabilities. As at 30 June 2011, the original cost of all our plant and machinery in production was approximately RMB291.0 million, of which approximately RMB108.1 million, or 37.1%, was spent on equipment and machinery imported from Italy. Our production facilities operate 24 hours a day with three shifts and for 358 days per year. Our production facilities operated at an average utilisation rate of 95.2%, 98.1%, 93.6% and 91.2% for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively. We will continue to further expand our product offerings, improve our product quality and increase our production efficiency, and all of which contribute to our overall profitability.

Our Customers

Our customers are primarily fabric and textile manufacturers who use our yarn products to produce and supply fabrics and textiles to manufacturers of apparel and other consumer products, such as fabrics and textiles used in home furnishing and clothing. We have a large and diversified customer base. All of our customers are based in the PRC and mainly situated in Zhejiang Province, Guangdong Province, Jiangxi Province and Jiangsu Province, from where over 46%, 26%, 6% and 1% of our revenue, respectively, for each year/period during our Track Record Period were generated. For the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, we had approximately 1,360, 1,490, 1,700 and 1,190 customers, respectively. During the Track Record Period, all of our sales were conducted by our sales department directly with our customers. We enter into individual sales orders with our customers for sales of our products. We believe our sales strategy allows us to tailor our product features and meet the specifications of our customers.

Our Management Team

We are led by an experienced management team, which possesses extensive industry knowledge and has been instrumental to our development. Our management team has won recognitions and awards in the textile industry. The dedication of our senior management team has contributed to the stability of our senior management. Most of our senior management members have an established track record in the textile industry, enabling us to build our production facilities and ramp up our production capacities in a short period of time to become the leading enterprise in the textile industry in Jiangxi Province in terms of revenue.

Our Competitive Environment

We mainly compete with domestic and international polyester yarn and polyester-cotton blended yarn manufacturers based on product quality, product differentiation, brand recognition, production capacity, production technology and proximity to customers. We believe that substantial capital commitments are normally required in order to stay competitive in the yarn industry. In particular, construction of yarn production facilities require substantial capital commitments to achieve production volumes that provide a reasonable economic return, and new market entrants without a track record face obstacles in obtaining customer acceptance.

COMPETITIVE STRENGTHS

We believe that our growth is largely attributable to the following competitive strengths:

- We benefit from our strategic location and enjoy competitive operating cost;
- Our advanced equipment and machinery and high utilisation rate of our production facilities enable us to produce quality products efficiently and cost-effectively;
- We are a leading enterprise in the textile industry in Jiangxi Province capable of producing significant quantities of yarn products and achieving economies of scale;
- We have a diverse product portfolio that enables us to adapt quickly to changing market demands; and
- We are led by an experienced management team with extensive industry knowledge and experience, and a proven track record.

BUSINESS STRATEGIES

Our goal is to maintain our leading position in the textile industry in Jiangxi Province in terms of revenues and to continue to increase our market presence in China. We will continue to seek opportunities for further business growth and prospect. We plan to achieve our goal through the following strategies:

- Further diversify our product portfolio to include the production of coloured polyester-cotton blended yarns and open-end spun yarns, which contribute to an environmentally friendly and energy-efficient textile industry;
- Expand our production capacities through further expansion and selective acquisitions;
- Further expand production capacity and improve our production efficiency and product quality; and
- Further enhance our marketing network and strengthen our relationships with suppliers and customers to enhance our brand awareness and reputation.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The selected financial information from our combined statement of comprehensive income and combined statement of cash flows for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, as well as our combined statement of financial position as at 31 December 2008, 2009 and 2010 and 30 June 2011, set forth below are derived from our Accountants' Report included in Appendix I to this Prospectus, and should be read in conjunction with the Accountants' Report and the "Financial Information" section.

Summary Combined Statement of Comprehensive Income

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	545,292	663,438	930,666	411,161	526,559
Cost of sales	(515,119)	(576,205)	(781,294)	(350,465)	(453,737)
Gross profit	30,173	87,233	149,372	60,696	72,822
Investment and other income	6,018	10,927	7,027	2,141	1,939
Fair value change on held-for-trading investment	(3,451)	—	—	—	—
Distribution and selling expenses	(10,129)	(12,041)	(12,902)	(6,695)	(5,368)
Administrative expenses	(7,076)	(9,020)	(9,932)	(4,465)	(9,725)
Other expenses	—	—	—	—	(5,973)
Finance costs	(14,417)	(10,907)	(16,009)	(7,434)	(8,432)
Profit and total comprehensive income for the year/period attributable to owners of the Company	1,118	66,192	117,556	44,243	45,263
	RMB (cents)	RMB (cents)	RMB (cents)	RMB (cents) (Unaudited)	RMB (cents)
Earnings per share — Basic	0.15	8.83	15.67	5.90	6.04

The increase in our revenue from the year ended 31 December 2008 to the year ended 31 December 2009 was primarily due to the increase in sales volume of our yarn products. The increase in our revenue from the year ended 31 December 2009 to the year ended 31 December 2010 was mainly due to the increase in the average unit selling price of our yarn products, primarily due to the increases in the average unit purchase prices of our raw materials, as well as the increase in our sales volume following the recovery of market demand after the economic downturn in 2009. The increases in sales volume between 2008 and 2010 was primarily attributable to our enlarged customer base as a result of our business development efforts as well as our production capacity expansion during the relevant periods. The increase in our revenue from the six months ended 30 June 2010 to the six months ended 30 June 2011 was generally attributable to the increases in the average unit selling prices of our yarn products, primarily driven by the strong demand for polyester-related yarns stimulated by the substantial increase in the price of raw cotton, which is the raw material for cotton yarns and may be partially substituted by polyester-related yarns in the production of textiles and fabrics.

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	%	%	%	% (Unaudited)	%
Gross profit margin	5.5	13.1	16.1	14.8	13.8

The substantial increase in our gross profit margin from 5.5% for the year ended 31 December 2008 to 13.1% for the year ended 31 December 2009 was mainly due to the decrease in cost of polyester staple fibre by 18.1% from 2008 to 2009 as a result of lower crude oil price. Our gross profit margin further increased to 16.1% for the year ended 31 December 2010, mainly due to the increase in the average unit selling prices of our polyester yarns and polyester-cotton blended yarns driven by the strong demand in the domestic market for polyester and polyester-blended yarns and the reduction in the number of our production staff as a result of automation of our equipment and machinery. Our gross profit margin decreased from 14.8% for the six months ended 30 June 2010 to 13.8% for the six months ended 30 June 2011. This was mainly due to the increase in our cost of cotton and polyester staple fibre as a result of the increase in their market prices and our decision to refrain from passing on all raw material cost increase to our customers in order to maintain good relationship with our customers and our competitiveness in the polyester-cotton blended yarn market. For details of our gross profit margins during the Track Record Period, please refer to paragraph headed "Financial Information — Principal Components Of Combined Statement Of Comprehensive Income — Gross Profit and Gross Profit Margin".

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	%	%	%	% (Unaudited)	%
Net profit margin	0.2	10.0	12.6	10.8	8.6

The significant increase in our net profit margin from 0.2% for the year ended 31 December 2008 to 10.0% for the year ended 31 December 2009 was primarily due to the significant increase in our gross profit as a result of reasons set out above, our investment and other income and decrease in our finance costs, and partially offset by the increase in our distribution and selling expenses, mainly due to the increase in transportation expense as a result of the increase in our sales volume, and the increase in administrative expenses, mainly due to the increase in other taxation related to use of land due to our expansion of operations. The increase in our net profit margin from 10.0% for the year ended 31 December 2009 to 12.6% for the year ended 31 December 2010 was primarily due to the significant increase in our gross profit due to reasons set out above, and partially offset by the increase in our distribution and selling expenses, mainly due to the increase in transportation expenses as a result of the increase in our sales volume, administrative expenses, mainly due to the increase in business development and entertainment expenses and bank charges and other handling fees and finance costs, mainly due to the increase in our interest expense as a result of the increase in our bank borrowings and finance lease obligation. The decrease in our net profit margin from 10.8% for the six months ended 30 June 2010 to 8.6% for the six months ended 30 June 2011 was primarily due to the decrease in our gross profit as a result of the reasons set out above, and also an increase in administrative expenses and other expenses, which comprise expenses in relation to the Listing.

Summary Combined Statement of Financial Position

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	395,052	406,045	425,768	432,601
Current assets	236,174	229,655	299,432	186,721
Current liabilities	465,901	409,818	480,554	341,206
Net current liabilities	(229,727)	(180,163)	(181,122)	(154,485)
Total assets less current liabilities	165,325	225,882	244,646	278,116
Non-current liabilities	7,014	44,279	31,287	19,493
Net assets	158,311	181,603	213,359	258,623
Total equity attributable to owners of the Company	158,311	181,603	213,359	258,623

As at 31 December 2008, 2009 and 2010 and 30 June 2011, we recorded net current liabilities of RMB229.7 million, RMB180.2 million, RMB181.1 million and RMB154.5 million, respectively. We had continuous net current liabilities during the Track Record Period, mainly due to our historical use of note payables and the drawdown of short-term bank borrowings to finance the capital expenditures for the expansion of production capacity and to fund the working capital as a result of the expansion of production capacity since 2008, in particular, for the construction of our production facilities and purchase of equipment and machinery. Starting from 2009 onwards, we increased the use of short-term bank borrowings and reduced the use of note payables to finance our working capital and capital expenditures.

As at 31 October 2011, we had cash and bank balances of RMB101.1 million. As at the Latest Practicable Date, we had unutilised bank facilities of RMB180.0 million, which consisted of long-term bank facilities of RMB140.0 million, expiring in November 2014, and short-term bank borrowings of RMB40.0 million, expiring in April 2012. Our Directors confirm that we were in compliance with all loan covenants throughout the Track Record Period and up to the Latest Practicable Date. We expect to service our indebtedness and capital commitments and to meet our other presently known and foreseeable funding requirements through cash generated from our operations, net proceeds from the Global Offering and short-term bank borrowings and long-term bank facilities from commercial banks. If we cannot service our indebtedness and capital commitments and to meet our other funding requirements, we will delay the implementation of the second phase of our expansion plan by suspending the construction of workshops, infrastructure, equipment and machinery allocated towards the production of coloured polyester-cotton blended yarns until we secure sufficient financing. In such event, we may be required to scale back our planned capital expenditures, which may adversely affect our ability to achieve economies of scale and implement our planned growth strategy. As at the Latest Practicable Date, we had capital commitment of RMB53.3 million for our production capacity expansion plan, including for the acquisition of land use rights of RMB18.7 million and purchase of equipment and machinery of RMB34.6 million.

As at the Latest Practicable Date, we had obtained: (i) long-term bank facilities in the aggregate principal amount of RMB140.0 million in November 2011, the entire amount of which remained unutilised; and (ii) written confirmations from our banks, which had agreed to renew certain of our short-term bank borrowings expiring within one year in the aggregate principal amount of RMB202.0 million, at interest rates from 6.3100% to 7.2565%, upon their maturity. As advised by our PRC legal adviser, Commerce & Finance, the confirmations signed by certain banks to renew the short-term bank borrowings upon expiry are legal and valid letters of intent under the PRC laws. The proposed renewal of short-term bank borrowings are subject to agreement by the parties on the relevant interest rates at the time when the relevant loan agreements are entered into and provision of the relevant security interest as requested by the relevant banks. There is no unusual condition or feature specifically imposed on us for the proposed renewal of such short-term bank borrowings. The relevant banks do not have any obligation to renew the relevant short-term bank borrowings before their respective definitive agreements are entered into.

We had not experienced any material obstacle in obtaining financing and renewing our bank facilities during the Track Record Period and up to the Latest Practicable Date, despite our net current liability positions as we have maintained good credit history and relationship with our banks, from which we have been able to obtain bank facilities on competitive terms, and that we have been able to meet our repayment obligations in respect of our bank facilities. Our Directors believe that after taking into account our operating cash flows, the net proceeds from the Global Offering, proceeds from our short-term bank borrowings and long-term bank facilities, we will have sufficient working capital for our operations in the next 12 months from the date of this Prospectus.

Summary Combined Statements of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net cash generated from/(used in) operating activities	106,482	(15,585)	87,961	13,465	68,825
Net cash (used in)/generated from investing activities	(180,272)	2,040	(5,557)	16,832	(36,292)
Net cash generated from/(used in) financing activities	95,040	33,488	(15,054)	(731)	(112,850)
Net increase/(decrease) in cash and cash equivalents	21,250	19,943	67,350	29,566	(80,317)
Cash and cash equivalents at the beginning of year/period	4,971	26,221	46,164	46,164	113,514
Cash and cash equivalents at the end of year/period	26,221	46,164	113,514	75,730	33,197

Our operating cash flows fluctuated significantly during the Track Record Period. We generated net cash inflow of RMB106.5 million from our operating activities in 2008 mainly due to our efforts to strengthen our cash position during the financial crisis in 2008 by increasing the use of note payables for our purchases and reducing our inventory level. We recorded net cash outflow of RMB15.6 million from our operating activities in 2009, mainly due to an increase in inventory level to meet customers' demand

and significant cash outflow of RMB7.4 million from our operating activities for the settlement of note payables. In 2010, our operating cash flows improved and we generated net cash inflow of RMB88.0 million from our operating activities, primarily as a result of an increase in cash generated from our operating profit. Our operating cash flows increased during the six months ended 30 June 2011 compared with the same period in 2010, primarily as a result of a reduction in our inventory level and partially offset by the settlement of our note payables with our suppliers.

Our cash flow generated from/used in operating activities are generally impacted by the movement in our working capital. With respect to purchase of raw materials, we are usually required to make advance payments or issue note payables to our suppliers as payment for our purchases before raw materials are received. For some of our purchases, our suppliers may allow a credit period on a case-by-case basis with an average credit period on purchase of goods of 30 days, and on note payables of up to 180 days. With respect to sale of goods, our customers typically pay our selling price one or two days before we deliver our yarn products, although we may grant credit periods of up to 90 days on a case-by-case basis. We operate a continuous procurement and production cycle such that we maintain raw material inventory and finished goods inventory to ensure that the raw materials and finished goods are sufficient to satisfy our production and sales, respectively, for at least a certain number days which our management determines to be optimal for our operations. In addition to funds generated from our operations, we also use note payables and short-term bank borrowings to finance our working capital needs. Therefore, any tightening of the monetary policy in the PRC may adversely affect the availability and cost of note payables and short-term bank borrowings and thereby negatively impact our liquidity or increase our finance cost.

Despite our net cash outflow from operating activities for the year ended 31 December 2009, we are of the view that our cash flows will be sustainable after the Listing. As discussed above, our net cash outflow for the year ended 31 December 2009 was mainly due to the increase in our inventory level in anticipation of a price increase in the average purchase price of raw cotton and the settlement of note payables. These factors are not expected to recur on a regular basis. Taking into account that: (i) except the net cash outflow in 2009, we recorded net cash inflows throughout the Track Record Period; (ii) the proceeds from the Global Offering will further strengthen our financial position; and (iii) the flexibility of our production capacity expansion plan.

Projected Capital Expenditure

For the years ending 31 December 2011, 2012 and 2013, our capital expenditures are expected to primarily consist of expenditures related to construction of workshops and facilities, acquisition of new equipment and machinery. We plan to construct new workshops for the production of colour polyester-cotton blended yarns and open-end spun yarns.

Based on our current plan, we estimate that an aggregate expected future capital expenditure of approximately RMB401.4 million, comprising RMB29.4 million, RMB272.3 million and RMB99.7 million, respectively, for the years ending 31 December 2011, 2012 and 2013, will be required to fund the construction of our new workshops. We expect to finance the aggregate projected capital expenditure through cash generated from our operations, net proceeds from the Global Offering and short-term bank borrowings and long-term bank facilities and to utilise the aggregate projected capital expenditure over a period of approximately 16 months depending on market conditions. For details of our production capacity expansion plan and expected future capital expenditure, see "Business — Production Process, Facilities and Capacities — Production Facilities and Capacities" and "Financial Information — Capital Expenditures".

Summary of Revenue, Gross Profit, Sales Volume and Average Unit Selling Price by Product Category

	Year ended 31 December												Six months ended 30 June							
	2008				2009				2010				2010				2011			
	Revenue	Gross Profit	Sales Volume	Average Unit Selling Price	Revenue	Gross Profit	Sales Volume	Average Unit Selling Price	Revenue	Gross Profit	Sales Volume	Average Unit Selling Price	Revenue	Gross Profit	Sales Volume	Average Unit Selling Price	Revenue	Gross Profit	Sales Volume	Average Unit Selling Price
	RMB'000	RMB'000	tonnes	RMB/ tonnes	RMB'000	RMB'000	tonnes	RMB/ tonnes	RMB'000	RMB'000	tonnes	RMB/ tonnes	RMB'000	RMB'000	tonnes	RMB/ tonnes	RMB'000	RMB'000	tonnes	RMB/ tonnes
Polyester yarn	319,967	(6,947)[1]	26,198	12,213	380,921	17,897	34,511	11,038	527,978	35,323	39,160	13,483	251,855	18,303	19,751	12,752	260,329	37,295	15,539	16,753
Polyester-cotton blended yarn	217,211	34,766	14,658	14,819	253,400	58,897	18,517	13,685	350,849	89,966	20,289	17,293	136,433	38,007	8,438	16,169	240,494	33,468	10,403	23,118
Cotton yarn	8,114	2,354	494	16,425	29,117	10,439	1,795	16,221	51,839	24,083[2]	2,324	22,306	22,873	4,386[2]	1,087	21,042	25,736	2,059	779	33,037
Total	**545,292**	**30,173**	**41,350**	**N/A**	**663,438**	**87,233**	**54,823**	**N/A**	**930,666**	**149,372**	**61,773**	**N/A**	**411,161**	**60,696**	**29,276**	**N/A**	**526,559**	**72,822**	**26,721**	**N/A**

Notes:

(1) We recorded a gross loss of RMB6.9 million for our polyester yarns for the year ended 31 December 2008, mainly due to our decision to reduce the level of our inventories by reducing the selling prices of our products to ensure sufficiency of liquidity in view of the financial crisis and market downturn in 2008 and early 2009 by selling at a price lower than its cost of sales.

(2) Our gross profit for cotton yarns increased significantly from RMB4.4 million for the six months ended 30 June 2010 to RMB24.1 million for the year ended 31 December 2010, mainly due to the increasing trends of the prices of raw cotton and cotton yarns during 2010, especially during the second half of 2010, and our production and sales processes where the cotton yarns sold consumed raw materials we had purchased at an earlier time. The average unit selling price of cotton yarns was significantly higher in the second half of 2010 while the average unit purchase price of raw cotton was lower in the second half of 2010 compared to the first half of 2010. As the prices of raw cotton and cotton yarns were generally decreasing during second half of 2011, our Directors believed that such increase of gross profit for cotton yarns during the second half of 2010 would not recur in 2011.

NON-COMPLIANT BILL FINANCING

From May 2008 to August 2009, we obtained additional funding for our business operations through issuing bank acceptance notes that were within the credit limits stipulated by the endorsing banks and supported by the initial deposits by us, but were used for purposes other than the payment for the purchases from relevant suppliers as stipulated in the relevant credit agreements. Such bill financing arrangement did not comply with the terms of the credit agreements and Article 10 of the *PRC Negotiable Instruments Law* and were made without the prior written approval from the relevant Endorsing Banks. As the discount rates of bank acceptance notes are normally lower than the prevailing interest rates for short-term bank loans, to take advantage of these lower interest rates, we used bill financing arrangements to fund a portion of our business operations.

The funding for our business operations obtained from the banks through such bill financing arrangements for the year ended 31 December 2008 and 2009 was estimated to be approximately RMB124.4 million and RMB26.0 million, respectively. Based on relevant prevailing interest rates of short-term bank loans, and for illustrative purposes only, we estimated that our savings in interest payments from the non-compliant bill financing arrangements were approximately RMB1.1 million and RMB1.3 million for the year ended 31 December 2008 and 2009, respectively. We ceased engaging in bill financing arrangements in August 2009 and all bank acceptance notes involved in such bill financing arrangements were fully settled by February 2010.

Our PRC legal adviser, Commerce & Finance, advised us that: (i) due to the fact that the relevant banks and third parties have not incurred any loss, we will not have any liability under any civil claim arising from such bill financing arrangements; (ii) our Directors and senior management will not be personally liable for any civil claim; and (iii) there are no relevant PRC laws or regulations, nor are there any relevant rule promulgated by the *People's Bank of China* or the *China Banking Regulatory Commission* imposing administrative or criminal liability in respect of bill financing arrangements. We have formulated and implemented a series of measures to ensure that our bill financing arrangements will not occur in the future. We have also engaged independent internal control advisers who assisted us to strengthen our internal control system and implement various rectifying measures. For further details, see "Business — Non-Compliant Bill Financing — Strengthening Our Internal Control System and Corporate Governance Measures".

GLOBAL AND CHINA ECONOMIC OUTLOOK

In 2009, the United States, Europe and certain countries in Asia, including China, experienced economic slowdowns. In 2011, the credit rating of the United States was downgraded by Standard & Poor from AAA to AA-plus rating and certain European countries continue to suffer from an ongoing sovereign debt crisis. The global economic slowdown and financial crisis will affect global economic activity and potentially affect economic growth in China, such as the potential credit crisis in China arising from the liquidity issues for corporations in Wenzhou of Zhejiang Province. Growth in demand for our yarn products is largely driven by the growth in fabric and textile industries in China. The potential slowdown of economic growth in China may ultimately affect the demand for yarn products in China, which may adversely affect our sales volumes, average unit selling prices of our yarn products, business prospects, financial condition and results of operations. In addition, a continuation of the global financial crisis may also result in a low level of liquidity in many financial markets, including China, and increased volatility in credit and equity markets, which may adversely affect our ability to secure financing to fund our production capacity expansion plan.

As at the Latest Practicable Date, our Directors were not aware of any material cancellation of the confirmed purchase orders or default in payment by our customers, slowing down of sales or difficulty in obtaining or withdrawal of the bank facilities resulting from recent economic downturn in the United States and some European countries as well as the Wenzhou debt crisis. In addition, we did not experience any increase in interest rates and our existing loans were not recalled as at the Latest Practicable Date. The average selling prices of our yarn products between 31 October 2011 and the Latest Practicable Date remained in line with our assumptions in respect of such prices for the purpose of our profit forecast. Despite these global and China economic volatility, our Directors believe that such prices will not significantly deviate from our assumptions in respect of such prices for the purpose of our profit forecast for the period between the Latest Practicable Date and 31 December 2011.

PROFIT FORECAST

Our Directors believe that, in the absence of unforeseen circumstances and on the basis and assumption as set out in "Appendix III — Profit Forecast" to this Prospectus, our forecast consolidated profit after taxation but before extraordinary items for the year ending 31 December 2011 is unlikely to be less than RMB59.0 million (equivalent to HK$73.8 million).

The forecast consolidated net profit of our Company for the year ending 31 December 2011 is lower than our audited consolidated net profit for the year ended 31 December 2010, while the revenue of our Company for the year ending 31 December 2011 is expected to be generally in line with that of the previous year, mainly because of a decrease in our gross profit margin primarily due to the increase in the price of our raw materials for the year ending 31 December 2011, especially for raw cotton, and the increase in our administrative expenses in connection with the Global Offering, which we expect for the year ending 31 December 2011. As at the Latest Practicable Date, our Directors were not aware of any extraordinary item which have arisen or are likely to arise in respect of the year ending 31 December 2011 that would affect the prospective financial information presented.

On a pro forma fully diluted basis and on the assumption that we had been listed since 1 January 2011 and a total of 1,000,000,000 Shares were issued and outstanding following the completion of the Global Offering (taking no account of any Shares which may be issued upon exercise of the Over-allotment Option), the forecast earnings per Share for the year ending 31 December 2011 is unlikely to be less than RMB0.059 (equivalent to HK$0.074), representing a price-earnings multiple of 8.1 times and 9.9 times if the Offer Price is HK$0.60 per Share and HK$0.73 per Share, respectively.

The texts of letters from our reporting accountants, and from the Sole Sponsor in respect of the profit forecast are set out in "Appendix III — Profit Forecast" to this Prospectus.

SENSITIVITY ANALYSIS

The average selling prices of our yarn products and the average unit purchase prices of our raw materials fluctuated during the Track Record Period. For details of the fluctuation of the average unit selling prices of our yarn products during the Track Record Period, please see the table in the section headed "Financial Information — Factors Affecting Our Financial Condition and Results of Operations — Pricing of Our Products and Product Mix" in this Prospectus. For details of the fluctuation of our average unit purchase prices of our raw materials during the Track Record Period, please see the table in the section headed "Financial Information — Factors Affecting Our Financial Condition and Results of Operations — Cost of Raw Materials" in this Prospectus. The changes in the average unit selling prices of our yarn products and the average unit purchase prices of our raw materials have affected our results of operation in the past and may have an impact on our profit in the future. For details of such historical effects, see the section headed "Financial Information" in this Prospectus.

The sensitivity analysis below illustrates the impact of hypothetical changes in: (i) the average unit selling price of our yarn products, with reference to the historical volatility of our average unit selling prices during the Track Record Period; and (ii) the average unit purchase price of our raw materials, with reference to the historical volatility of our average unit purchase prices during the Track Record Period, on our forecast profit before and after tax and the resulting forecast profit after tax for the year ending 31 December 2011:

Percentage change in the average unit selling price of our yarn products[1]	**+50%**	**+25%**	**+10%**	**+5%**	**0%**	**–5%**	**–10%**	**–25%**	**–50%**
Impact on our forecast profit before tax for the year ending 31 December 2011 (RMB million)	98.1	49.1	19.6	9.8	—	(9.8)	(19.6)	(49.1)	(98.1)
Impact on our forecast profit after tax for the year ending 31 December 2011 (RMB million)	73.6	36.8	14.7	7.4	—	(7.4)	(14.7)	(43.8)	(92.9)
(Percentage)	124.7%	62.4%	24.9%	12.5%	—	(12.5%)	(24.9%)	(74.2%)	(157.5%)
Resulting forecast profit after tax for the year ending 31 December 2011 (RMB million)	132.6	95.8	73.7	66.4	59.0	51.6	44.3	15.2	(33.9)

Percentage change in the average unit purchase price of our raw materials[2]	**+50%**	**+25%**	**+10%**	**+5%**	**0%**	**–5%**	**–10%**	**–25%**	**–50%**
Impact on our forecast profit before tax for the year ending 31 December 2011 (RMB million)	(68.9)	(34.5)	(13.8)	(6.9)	—	6.9	13.8	34.5	68.9
Impact on our forecast profit after tax for the year ending 31 December 2011 (RMB million)	(63.7)	(29.3)	(10.3)	(5.2)	—	5.2	10.3	25.9	51.7
(Percentage)	(108.1%)	(49.7%)	(17.5%)	(8.8%)	—	8.8%	17.5%	43.9%	87.6%
Resulting forecast profit after tax for the year ending 31 December 2011 (RMB million)	(4.7)	29.8	48.7	53.9	59.0	64.2	69.3	84.9	110.7

Notes:

(1) Compared to the average unit selling price of our yarn products for the two months ending 31 December 2011.

(2) Compared to our average unit purchase price of our of raw materials for the two months ending 31 December 2011.

The table above includes forward-looking information and is for illustrative purposes only. For details see "Forward-looking Statements" in this Prospectus. For risks relating to the average selling prices of our products and the average unit purchase prices of our raw materials, see "Risk Factors — Risks Relating to Our Business — Our Financial Performance May Be Affected by Fluctuations in Raw Material Prices as We May Not Be Able to Pass on the Increase in Raw Material Costs to Our Customers" and "Risk Factors — Risks Relating to our Business — We May Not Be Able to Maintain the Increasing Trend of Our Gross Profit Margins or to Maintain Our Net Profit Margins at the Levels We Recorded During the Track Record Period."

OFFER STATISTICS

	Based on an Offer Price of HK$0.60 per Share	Based on an Offer Price of HK$0.73 per Share
Market capitalisation of our Shares(1)	HK$600.0 million	HK$730.0 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share(2)	HK$0.44	HK$0.48

Notes:

(1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised, no share is issued/repurchased according to the Issuing Mandate and the Repurchase Mandate, and any option which may be granted under the Share Option Scheme is not exercised. The calculation of market capitalisation is based on 1,000,000,000 Shares expected to be in issue and outstanding following the Global Offering.

(2) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II and based on 1,000,000,000 Shares expected to be in issue and outstanding following the Global Offering.

DIVIDEND AND DIVIDEND POLICY

Jinyuan declared to its shareholders dividends of RMB42.9 million and RMB85.8 million for the years ended 31 December 2009 and 2010, respectively. Jinyuan did not declare any dividend for the year ended 31 December 2008 and the six months ended 30 June 2011. Jinyuan paid these declared dividends of RMB42.9 million and RMB85.8 million in January 2010 and January 2011, respectively. Our Company was incorporated in the Cayman Islands on 4 May 2011. As at 30 June 2011, no distributable reserves were available in cash for distribution to our Shareholders.

The payment and the amount of any dividend, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends *pro rata* according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our discretion.

Our PRC subsidiary may pay dividends only out of its accumulated distributable profits, if any, determined in accordance with its articles of association, and the accounting standards and regulations in China. Furthermore, pursuant to the relevant PRC laws and regulations applicable to our subsidiary in the PRC, our PRC subsidiary is required to set aside a certain amount of its accumulated after-tax profits each year, if any, to fund statutory reserves. These reserves may not be distributed as cash dividends.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Subject to the factors described above, the Board of Directors currently intends to recommend at the relevant shareholders meetings an annual dividend of not less than 20% of the net profit available for distribution to the Shareholders in the foreseeable future.

FUTURE PLANS AND USE OF PROCEEDS

See the section headed "Business — Business Strategies" in this Prospectus for a detailed description of our future plans.

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses payable by our Company in connection thereto, are estimated to be approximately HK$135.0 million, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK$0.665 per Share, being the mid-point of the proposed Offer Price range of HK$0.60 to HK$0.73 per Share. We intend to use such net proceeds as follows:

- Approximately RMB44.2 million, equivalent to HK$55.2 million or 40.9% towards equipment and machinery for production of coloured polyester-cotton blended yarns with a production capacity of approximately 60,000 spindles;

- Approximately RMB31.0 million, equivalent to HK$38.7 million or 28.7% towards equipment and machinery for production of open-end spun yarns with a production capacity of approximately 20,000 spindles;

- Approximately RMB21.0 million, equivalent to HK$26.2 million or 19.4% towards payment for construction of new production facility, not including the cost of land use rights;

- Approximately RMB1.1 million, equivalent to HK$1.4 million or 1.0% towards further enhance our marketing network, brand awareness and reputation; and

- Approximately RMB10.8 million, equivalent to HK$13.5 million or 10.0% towards working capital and general corporate purposes.

If the Offer Price is set at the high-end or low-end of the proposed offer price range, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will increase or decrease by approximately HK$15.8 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a *pro rata* basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK$159.2 million, assuming an Offer Price of HK$0.665 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK$18.1 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong or in the PRC.

RISK FACTORS

Our Directors believe that there are certain risks involved in our business operations and the investment in the Global Offering. A detailed discussion of the risk factors is set out in the section headed "Risk Factors" in this Prospectus. These risks can be categorised as follows:

Risks Relating to our Business

- We may not be successful in effectively and efficiently implementing our business plans and we may not achieve our desired results from the implementation of such plans.
- Our financial performance may be affected by fluctuations in raw material prices as we may not be able to pass on the increase in raw material costs to our customers.
- We rely on a small number of suppliers for a significant portion of our raw material purchases.
- We may be unable to secure enough capital to implement our expansion plans in full and to finance our increased working capital requirements.
- We may not be able to maintain the increasing trend of our gross profit margins or to maintain our net profit margins at the levels we recorded during the Track Record Period.
- We recorded net current liabilities positions during the Track Record Period.
- We were previously involved in bill financing transactions through issuance of note payables and endorsement of note receivables that were not fully in compliance with the relevant credit agreements and *PRC Negotiable Instrument Law*.
- We are exposed to credit risks of our customers and do not have access to all credit information of our customers to determine their credit worthiness.
- We generally do not enter into long-term contracts with our customers and are thus subject to uncertainty and potential volatility with respect to our revenue from period to period.
- Our sales are geographically concentrated in Guangdong Province and Zhejiang Province.
- Our success and continued growth are dependent on our key management team.
- We rely on a stable supply of labour at reasonable cost.
- We may face disruptions in our production.
- We rely on external supplies of electricity and water for our production processes.
- Failure to maintain an effective quality control system may result in loss.
- The preferential EIT rate we have enjoyed may not recur.
- We complied with regulations and policies of social insurance funds and housing funds only to the extent required by the local authority during the Track Record Period, which have different interpretation and implementation of the national laws and policies on the same matter.

- Our operations are subject to uncertainties and we may not have sufficient insurance coverage for all the risks related to our operations.

- We may not be able to adequately protect our intellectual property rights or may inadvertently infringe upon third party intellectual property rights.

- Our policies in respect of management of financial risks may not be sufficient or effective.

Risks Relating to the Industry

- Our business depends on China's economic and the global economic growth.

- We operate in a highly competitive industry and we may lose our business opportunity in the market if we do not compete successfully.

- Import quotas, higher tariffs or other trade barriers imposed by the United States, the European Union or other WTO member nations on the textile industry may have a material adverse impact on our results of operations.

- Anti-dumping investigations and trade protection measures conducted by other countries on cotton or polyester yarns may have an adverse effect on our operations.

Risks Relating to the PRC

- Fluctuations in consumer spending in the PRC may significantly affect our business and financial performance.

- Adverse changes in the PRC economic, political and social conditions as well as laws and government policies, may materially and adversely affect our business, financial condition, results of operations and growth prospects.

- PRC foreign exchange control may limit our ability to utilise our revenue effectively and affect our ability to receive dividends and other payments from our PRC subsidiaries.

- The value of Renminbi and foreign currencies we trade in may fluctuate and may affect our results of operations.

- The PRC economy may experience inflationary pressure and the potential inflation may affect our business.

- We may be deemed as a PRC resident enterprise under the EIT Law and be subject to the PRC taxation on our worldwide income, which may significantly increase our income tax expenses and materially decrease our profitability.

- Gains on the sales of our Shares by foreign investors and dividends on our Shares payable to foreign investors may become subject to PRC income taxes.

- We will be required to record a deferred PRC withholding tax liability if we intend to distribute dividends from our PRC subsidiary to our offshore holding company, which will adversely impact our financial results.

- Negative publicity on PRC products may adversely affect our business and reputation.

- The PRC environmental laws and regulations may change and our environmental compliance liabilities and costs may increase.

- Any outbreak of severe communicable diseases in the PRC may cause suspension of our operations and affect the economic condition of the PRC which may, in turn, affect our operations.

- Changes and uncertainties in the PRC legal system may have an adverse effect on our operations.

Risks Relating to the Global Offering

- There has been no prior public market for our Shares and an active trading market may not develop.

- The liquidity, trading volume and trading price of our Shares may be volatile, which could result in substantial losses for Shareholders.

- Prior dividend distributions are not an indication of our future dividend policy.

- Our Controlling Shareholders may exert substantial influence over our Group and may not act in the best interest of the other Shareholders.

- Shareholders' interests may be diluted as a result of additional equity fund-raising.

- Future sales of a substantial number of our Shares in the public market could materially adversely affect the prevailing market price of our Shares.

- The costs of share options to be granted under the Share Option Scheme may adversely affect our results of operations and any exercise of the options granted will result in dilution to our Shareholders.

- You may face difficulties in protecting your interests under Cayman Islands law.

- The current market conditions may not be reflected in the statistical information provided in this Prospectus.

- Investors should not place undue reliance on industry and market information and statistics from official government publications contained in this Prospectus.

- Investors should not place undue reliance on information derived from research reports contained in this Prospectus.