

FURTHER INFORMATION ABOUT THE COMPANY**Incorporation**

The Company was incorporated as an exempted company in Bermuda under the Companies Act on 2 July 2010 with an authorised share capital of HK\$300,000 divided into 3,000,000 Shares, 100 Shares of which were issued nil paid on 26 July 2010.

Changes in share capital

By written resolutions of the sole shareholder of the Company dated 21 June 2011:

- (a) the Directors were authorised to allot and issue an aggregate of 999,900 Shares, credited as fully paid, to the Major Shareholder, Hai Xin, Wealth Lake and Mr. Li (the “Vendors”) as consideration for the acquisition of the entire issued share capital of Jade Goal from the Vendors; and
- (b) the Directors were authorised to apply a sum of HK\$10 being part of the amount credited to the contributed surplus account of the Company arising from the issue by the Company of the Shares referred to in paragraph (a) above to pay up in full at par the 100 Shares issued nil paid on 26 July 2010.

Save as aforesaid and as mentioned in the paragraph headed “Written resolutions of the shareholders of the Company dated 24 June 2011” below, there has been no alteration in the share capital of the Company since its incorporation.

Written resolutions of the shareholders of the Company dated 24 June 2011

By written resolutions of the shareholders of the Company dated 24 June 2011:

- (a) the Company confirmed the adoption of the existing Bye-laws;
- (b) conditional on the same conditions as stated in the section headed “Conditions of the Share Offer” herein:
 - (i) the authorised share capital of the Company was increased from HK\$300,000 to HK\$200,000,000 by the creation of an additional 1,997,000,000 Shares; and
 - (ii) the New Issue was approved and the Directors were authorised to allot and issue the New Shares pursuant thereto;
- (c) conditional on the share premium account of the Company being credited as a result of the New Issue, HK\$75,252,000 of such amount was directed to be capitalised and applied in paying up in full at par 752,520,000 Shares for allotment and issue to holders of Shares on the register of members at the close of business on 24 June 2011 (or as they may direct) in proportion as nearly as may be to their then existing holdings;

- (d) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights or a scrip dividend scheme or similar arrangement of the Company, Shares with an aggregate nominal value not exceeding (i) 20 per cent. of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue and (ii) the aggregate nominal amount of shares repurchased under the authority granted to the Directors referred to in paragraph (e) below, until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable law to be held, or the revocation or variation by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earlier; and
- (e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase Shares with an aggregate nominal value not exceeding 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue, until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable law to be held, or the revocation or variation by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earlier.

Immediately following the Share Offer becoming unconditional and the issues of Shares as mentioned herein being made, the authorised share capital of the Company will be HK\$200,000,000 divided into 2,000,000,000 Shares and the issued share capital will be HK\$94,190,000 divided into 941,900,000 Shares, all fully paid or credited as fully paid. 1,058,100,000 Shares will remain unissued. Other than the issue of Shares mentioned herein, there is no present intention to issue any of the authorised but unissued share capital of the Company and no issue of Shares which would effectively alter the control of the Company will be made without the prior approval of members in general meeting.

Corporate reorganisation

The companies in the Group underwent a reorganisation in preparation for the listing on the Stock Exchange which involved the following:

- (a) on 26 March 2010, Mr. Qiu, Hai Xin, Wealth Lake and Mr. Li subscribed for a total of 100 shares of US\$1 each of Jade Goal for cash at par;
- (b) Jade Goal acquired 1 share of HK\$1 of HKGSL for cash at par on 2 September 2010;
- (c) HKGSL acquired all equity interests in Jing Yang Golden Shield from Mr. Qiu trading as Hong Kong Golden Shield International Investment Company, Mr. Kung, Mr. Cheung and Mr. Li (the “JY Vendors”) at US\$7,370,000 (the “Consideration”) on 19 October 2010;
- (d) The JY Vendors assigned the benefit of the Consideration to Jade Goal in consideration of Jade Goal issuing 70 shares, 13 shares, 10 shares and 7 shares, all of US\$1 each, to Mr. Qiu, Hai Xin (as directed by Mr. Kung), Wealth Lake (as directed by Mr. Cheung) and Mr. Li respectively on 1 November 2010;

- (e) on 3 November 2010, Mr. Qiu transferred his 140 shares in Jade Goal to the Major Shareholder, in consideration of the issue of 100 shares in the Major Shareholder. In recognition of Mr. Chen's past contributions to the Group and to align his interest with the Group's future success, Mr. Qiu assigned 21 shares in the Major Shareholder as gift to Mr. Chen. Upon completion of the said transfer, the Major Shareholder is owned by Mr. Qiu and Mr. Chen as to 79% and 21% respectively; and
- (f) on 21 June 2011, the Company acquired the entire issued share capital of Jade Goal from the Vendors and issued an aggregate of 999,900 Shares, credited as fully paid, to the Vendors as consideration thereof.

Changes in share capital of subsidiaries

The Company has the subsidiaries referred to in Appendix I.

On 26 March 2010, Jade Goal issued a total of 100 shares of US\$1 each to Mr. Qiu, Hai Xin, Wealth Lake and Mr. Li for cash at par.

On 23 August 2010, HKGSL issued 1 share of HK\$1 for cash at par.

On 1 November 2010, Jade Goal issued a total of 100 shares of US\$1 each to Mr. Qiu, Hai Xin, Wealth Lake and Mr. Li as consideration for the acquisition of the benefit of the Consideration.

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

Repurchase by the Company of its own shares

(a) Shareholders' approval

All proposed repurchase of shares by a company with a primary listing on the Stock Exchange must be approved by an ordinary resolution, either by way of general mandate or by special approval of a particular transaction. The Company's sole listing will be on the Stock Exchange.

As mentioned in the paragraph headed "Written resolutions of the shareholders of the Company dated 24 June 2011" in this appendix, the shareholders of the Company have granted to the Directors a general mandate to repurchase issued and fully paid shares of the Company. Exercise in full of such repurchase mandate, on the basis of 941,900,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue, could result in up to 94,190,000 Shares being repurchased by the Company during the course of the period prior to the annual general meeting in 2011.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of the Company and its shareholders to have general authority from shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the

time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

(c) *Funding of repurchases*

In repurchasing shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Bye-laws and the laws of Bermuda. Bermuda law provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or funds of the Company that would otherwise be available for dividend or distribution or the proceeds of a new issue of shares made for such purpose. The amount of premium payable on repurchase may only be paid out of either the funds of the Company that would otherwise be available for dividend or distribution or out of the share premium or contributed surplus accounts of the Company.

Based on the financial position of the Group as at 31 December 2010, the Directors consider that there would be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed repurchases were to be carried out in full during the proposed repurchase period. The Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

(d) *General*

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell Shares to the Company or its subsidiaries.

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

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

If as a result of a share repurchase a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Codes on Takeovers and Mergers and Share Repurchases. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with rule 26 of the Codes on Takeovers and Mergers and Share Repurchases and the provision may apply as a result of any such increase.

FURTHER INFORMATION ABOUT THE BUSINESS**Summary of material contracts**



The following contracts (not being contracts in the ordinary course of business) 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) an agreement dated 20 June 2010 between (1) Shaanxi Golden Shield; and (2) Jing Yang Golden Shield whereby Shaanxi Golden Shield agreed to lease various buildings at No. 11 Dongxin Street, Dali County, Shaanxi Province, the PRC and Xuzhuang Town, Dali County, Shaanxi Province, the PRC to Jing Yang Golden Shield for a term of 20 years from 5 August 2009 at nil consideration;
- (b) an agreement dated 8 October 2010 between (1) the JY Vendors; and (2) HKGSL whereby the JY Vendors agreed to sell all equity interests in Jing Yang Golden Shield to HKGSL at the consideration of US\$7,370,000;
- (c) an agreement dated 8 October 2010 between (1) Hong Kong Golden Shield International Investment Company; and (2) HKGSL whereby HKGSL agreed to acquire all equity interests in Jing Yang Golden Shield at the consideration of US\$7,370,000;
- (d) a deed of assignment dated 1 November 2010 between (1) Mr. Qiu, Mr. Kung, Mr. Cheung and Mr. Li; and (2) Jade Goal whereby Mr. Qiu, Mr. Kung, Mr. Cheung and Mr. Li assigned the benefit of the Consideration to Jade Goal in consideration of the issue of a total of 100 shares of US\$1 each of Jade Goal to Mr. Qiu, Hai Xin, Wealth Lake and Mr. Li;
- (e) an agreement dated 21 June 2011 between (1) the Vendors; and (2) the Company whereby the Company acquired the entire issued share capital of Jade Goal in consideration of the issue of a total of 999,900 Shares to the Vendors;
- (f) a deed of indemnity dated 27 June 2011 given by the Covenantors in favour of the Company and its subsidiaries being the deed of indemnity containing indemnities in respect of, inter alia, Hong Kong estate duty and taxation referred to in the paragraph headed “Estate duty and tax indemnity” in this appendix;
- (g) a deed of indemnity dated 27 June 2011 given by the Controlling Shareholders in favour of the Group to jointly and severally indemnify the Group, among other things, (1) for all costs, losses of profits and businesses, penalties and fines and expenses which may be suffered by the Group as a result of or in connection with the 15 buildings in the Jing Yang Production Plant being used for workshop, office, warehouse, dormitory and ancillary purposes without building ownership certificates; (2) for all costs, expenses, penalties, losses and damages which any Group company may suffer from the Group companies’ and/or Jing Yang Golden Shield’s failure to register and/or to contribute towards social insurance; and (3) for all costs, expenses, losses and damages which may be suffered by the Group as a result of or in connection with the redundancy payment payable to the staff of Jing Yang Spinning Mill in relation to the transfer agreement for Jing Yang Spinning Mill in excess of the reserve; and



(h) the Public Offer Underwriting Agreement.

Intellectual property

Jing Yang Golden Shield has registered the following trademarks in the PRC:

Trademark	Registration no.	Products	Period
	203376	cotton yarn and cotton cloth	from 15th January, 2004 to 14th January, 2014
	203604	cotton yarn and cotton cloth	from 30th January, 2004 to 29th January, 2014

The Company has applied to register the following trademarks in Hong Kong:

Trademark	Class	Products
	23	<i>Note 1</i>
	24	<i>Note 2</i>
金盾控股 GOLDEN SHIELD 	23	<i>Note 1</i>
	24	<i>Note 2</i>
	35	<i>Note 3</i>
GOLDEN SHIELD Holdings Industrial Limited 金盾控股 GOLDEN SHIELD	23	<i>Note 1</i>
	24	<i>Note 2</i>

Notes:

- artificial wool, cotton yarn, cotton thread, worsted cotton, elastic textile yarn and thread, textile yarn, spun yarn, and fine thread and sewing yarn
- textile for bedding, mattress covers, bed covers, bed tents, bed valances, bedspreads, sheets, quilt covers, quilts, cotton quilts, space cotton quilts, quilt wadding articles, quilt sheets, quilt cores, quilt bags, coverlets and mattresses, quilt surface, pillowcases, pillow cases, pillow towels, bed sheets (cloth), sheets not included in other classes, wraps (baby), baby bedding, crib rail guards, mosquito nets, mosquito net fabrics, textiles for domestic use, drop cloths for domestic use, cushions (not made of paper), cushion covers, furniture covers, furniture coverings, furniture covers made of textile, tablecloths not included in other classes, canopies of cloth, curtains of cloth, curtains, curtain fabrics, fabrics for shoes and boots, shoes lining fabrics, underwear fabrics, handkerchiefs, textile handkerchiefs, textile towels, textile face towels, bunting, banners (non made of paper), fabrics, calico, chintz, fine plain cloths embossed with fine stripe, traced cloths for embroidery, denim, white cloths, gauze, textile elastic fabrics, gossamer, health flannel, cotton fabrics, cotton, textile fabrics, textile fiber fabrics, jersey (fiber), artificial textile, and fabrics and textiles not included in other classes

3. textile yarn, thread and fabrics not included in other classes, textiles, bed sheets, tablecloths wholesale, retail, import and export, trading, procurement, sale, distribution, agency, product show, sample distribution, advertising, and marketing and research

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

Disclosure of interests

Mr. Qiu is the sole director of the Major Shareholder.

Particulars of service contracts

Each of Mr. Chen, Mr. Chen Zhifeng and Mr. Wu Shoumin, the executive Directors, has entered into a service contract with the Company for a term of 3 years from the Listing Date with annual remuneration for Mr. Chen at HK\$1,000,000 and monthly remuneration for Mr. Chen Zhifeng and Mr. Wu Shoumin both at the rate of HK\$25,000 respectively. Under the service contracts, after each completed year of service, their remuneration shall be increased by not more than 3 per cent. for Mr. Chen and 2 per cent. for Mr. Chen Zhifeng and Mr. Wu Shoumin at the discretion of the Directors.

Each of Mr. Yang Guohao, Mr. Kwong Kwan Tong and Ms. Xue Fang, the independent non-executive Directors, has entered into a service contract with the Company for a term of 3 years from the Listing Date with annual remuneration at the rate of HK\$100,000, HK\$240,000 and HK\$100,000 respectively.

Directors' remuneration

The total remuneration paid to the Directors for the year ended 31 December 2010 was RMB0.67 million.

The Directors will be entitled to receive remuneration which, for the year ending 31 December 2011, is expected to be not more than HK\$2.04 million.

Interests of Directors

Immediately following the Share Offer and the Capitalisation Issue, the interests of the Directors in the share capital of the Company which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange, once the Shares are listed, will be as follows:

<u>Name</u>	<u>Number of Shares</u>	<u>Nature of interest</u>	<u>Percentage of shareholding</u>
Mr. Qiu	527,464,000	Corporate (<i>Note</i>)	56.0

Note: These Shares will be held by the Major Shareholder, which is owned by Mr. Qiu and Mr. Chen as to 79% and 21% respectively. Mr. Qiu is the sole director of the Major Shareholder.

Interests of other persons in the share capital of the Company

Taking no account of Shares which may be taken up under the Share Offer, so far as is known to the Directors, no persons (other than a Director or chief executive of the Company or persons mentioned in the section headed “Substantial and Controlling Shareholders” in this prospectus) will have an interest or short position in the shares and underlying shares of the Company which will fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the Shares are listed.

Interests in other members of the Group

So far as is known to the Directors, there is no person (other than a Director or chief executive of the Company) who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any subsidiary of the Company.

Agency fees or commissions received

None of the Directors or the promoters of the Company has received any agency fees or commissions from any member of the Group within the two years immediately preceding the date of this prospectus.

Related party transactions

The Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 32 of section II of the Accountants’ Report set out in Appendix I and the paragraph headed “Summary of material contracts” in this appendix (except items (f), (g) and (h) thereof).

Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors has any direct or indirect interest in the promotion of the Company or in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group within the two years immediately preceding the date of this prospectus;
- (b) none of the Directors or any chief executive of the Company has an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) once the Shares are listed or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange, once the Shares are listed;

- (c) no Director is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole; and
- (d) there are no existing or proposed service contracts between any member of the Group and the Directors, excluding contracts expiring or terminable by the Group within one year without payment of compensation, other than statutory compensation.

INFORMATION ABOUT THE SELLING SHAREHOLDERS

<u>Name</u>	<u>Description</u>	<u>Address/Registered Office</u>	<u>Number of Sale Shares</u>
Hai Xin	Corporation	Unit 22–23, 9th Floor Nan Fung Commercial Centre No. 19 Lam Lok Street Kowloon Bay, Kowloon Hong Kong	24,489,600
Wealth Lake	Corporation	OMC Chambers, P.O. Box 3152 Road Town, Tortola British Virgin Islands	18,840,000
Mr. Li	Individual	Flat G, 30th Floor, Block T5 Metro Town 8 King Ling Road Tseung Kwan O New Territories Hong Kong	13,186,400

OTHER INFORMATION

Estate duty and tax indemnity

The Covenantors have given joint and several indemnities to the Group in respect of any liability for Hong Kong estate duty and any taxation on the Company or any of its subsidiaries up to the date the Share Offer becomes unconditional except in certain circumstances, including where provisions have been made in the audited accounts of the Group.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in Bermuda.

Litigation

Neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

Sponsor

The Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned herein.

Preliminary expenses

The estimated preliminary expenses of the Company are approximately US\$6,000 and are payable by the Company.

Promoters

The promoters of the Company are Mr. Qiu, Hai Xin, Wealth Lake and Mr. Li. Save as disclosed in this prospectus and within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any of these promoters in connection with the Share Offer or the related transactions described in this prospectus.

Qualification of experts

The qualifications of the experts who have given opinion in this prospectus are as follows:

<u>Name</u>	<u>Qualification</u>
The Sponsor	a licensed corporation under the SFO to conduct type 6 regulated activities under the SFO
BDO Limited	Certified public accountants
Martin C. K. Pong & Company	Certified public accountants
Vigers Appraisal & Consulting Limited	Professional property valuer
Conyers Dill & Pearman	Bermuda barristers and attorneys
Dacheng Law offices	PRC legal advisers

Consents

The experts named in the paragraph headed “Qualification of experts” above have given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, valuation or letters (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Binding effect

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

Miscellaneous

The Company has established its principal place of business at Unit 1003, 10th Floor, No. 69 Jervois Street, Hong Kong and has registered as a non-Hong Kong company under Part XI of the Companies Ordinance. Ms. Cheung Wing Yin, Winnie has been appointed as the agent of the Company for the acceptance of service of process in Hong Kong.

The Company has no founders shares, management shares or deferred shares.

Save as disclosed herein, since the date two years immediately prior to the date of this prospectus:

- (a) no share or loan capital of the Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
- (b) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and
- (c) 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.

Codan Services Limited, the Company’s Bermuda resident representative, is a company affiliated with Conyers Dill & Pearman, legal advisers on Bermuda law to the Company. Conyers Dill & Pearman will receive usual professional fees in connection with the incorporation of the Company and the Share Offer.

Save as disclosed herein, none of the experts named in the paragraph headed “Qualification of experts” in this appendix has:

- (a) any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group;

- (b) any direct or indirect interest in the promotion of the Company or in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group within the two years immediately preceding the date of this prospectus; or
- (c) has received any agency fees or commissions from any member of the Group within the two years immediately preceding the date of this prospectus.