
SUMMARY

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 our 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” in this prospectus. You should read that section carefully before you decide to invest in our Shares.

BUSINESS OVERVIEW

We are principally engaged in the design, manufacturing and sale of high-end¹ Fabric Products. Our principal products can be broadly divided, by their weaving constructions, into two categories, namely, jacquard fabrics and dobby fabrics. Our Fabric Products are mainly made with high-end yarns, Tencel and/or new materials and fibers, and are manufactured by advanced air-jet looms and rapier looms, some of which are equipped with electronic jacquard machines. Our dobby fabrics are suitable for manufacturing a broad range of quality home textile products such as bed-linen as well as apparel textile products such as garment, whereas our jacquard fabrics are primarily used for manufacturing high-end home textile products such as high-end bed-linen for hotel guest rooms, as far as our Directors are aware. Further, we are committed to product innovations and developments to expand our product offerings and improve our product quality with a view to catering to the ever changing market demand and customers’ preference. For the year ended 31 December 2011, the Fabric Products that we have designed and/or produced for our customers were over 7,000 varieties as classified in terms of woven designs, raw materials used and fabric specifications.

Our principal products

As at the Latest Practicable Date, in terms of revenue, the production and sale of dobby fabrics represented the core of our business. For the years ended 31 December 2009, 2010 and 2011, sales of our dobby fabrics amounted to approximately RMB420.49 million, RMB574.65 million and RMB641.16 million respectively, representing approximately 79.38%, 74.27% and 69.11% respectively of our total revenue during the same period and a CAGR of approximately 23.48%. Based on our belief that the demand for high-end home textile fabrics and home textile products in the PRC will continue to grow in the long run due to the rapid and sustained economic development in China and that the expected gross margins from their sale are relatively higher, since 2008, we have increased our focus on the manufacturing and sale of jacquard fabrics. For the years ended 31 December 2009, 2010 and 2011, sales of our jacquard fabrics amounted to approximately RMB97.42 million,

¹ According to the Euromonitor Report, high-end grey fabrics generally refer to a class of grey fabrics made with combed yarns which are made from high grade cotton (e.g. first-grade and second-grade local produced cotton or the imported cotton of equivalent grade, organic cotton and pima cotton) and/or new fibers (e.g. Tencel, silk, milk fiber, soybean fiber, linen, etc). Yarns used to produce high-end grey fabrics shall be high count yarns (with yarn count over 40S), and high-end grey fabrics usually have high thread density (i.e. total number of weft and wrap is above 180 in one square inch (equivalent to approximately 709 thread/10cm)). For further information, please refer to the section headed “Industry Overview — High-End Grey Fabrics in Cotton Textile Industry Segment” in this prospectus.

SUMMARY

RMB132.93 million and RMB233.87 million respectively, representing a CAGR of approximately 54.94%. With complex designs, stringent production requirements and rich colour and raw material combinations, our jacquard fabrics are featured by their high quality, high added value and differentiated properties, which enable us to command higher selling price for them and make them appealing to high-end finished home textile manufacturers. Our Directors believe that the sustained development of this line of business will play an increasingly important role in the continuing success and growth of our business.

Our customers

During the Track Record Period, we have manufactured Fabric Products for, and/or provided processing services to, over 1,200 customers. Of our about 320 customers comprising over 270 domestic customers and 50 export sale customers for the year ended 31 December 2011, a majority of them had business relationship of more than three years with us. Apart from the direct sale of Fabric Products, we also undertake to provide processing services for certain customers who would like to capitalise on our advanced weaving facilities and our capability of offering high quality Fabric Products to fulfil their production requirements. As a result of our dedication to offering high-end, functional and differentiated Fabric Products over the years, we have established close and stable business relationship with our customers, some of whom are well-known home and apparel textile manufacturers in the PRC such as Jiangsu Golden Sun Textile Co., Ltd. (江蘇金太陽紡織科技有限公司), Nantong Zhan Qun Textile Co., Ltd. (南通展群紡織有限公司), Jiangyin Hong Liu Bedsheet Co., Ltd. (江陰市紅柳被單廠有限公司), Lu Thai Textile Co., Limited (魯泰紡織股份有限公司) (a company listed on Shenzhen Stock Exchange), Fuanna Bedding and Furnishing Company Limited (深圳市富安娜家居用品股份有限公司) (a company listed on Shenzhen Stock Exchange), Shanghai Shuixing Home Textile Limited (上海水星家用紡織品有限公司) and Luolai Home Textile Co., Ltd. (羅萊家紡股份有限公司) (a company listed on Shenzhen Stock Exchange). These customers in aggregate accounted for approximately 10.83%, 18.56% and 17.92%, respectively, of our total revenue during the Track Record Period. Save as Jiangyin Hong Liu Bedsheet Co., Ltd. (江陰市紅柳被單廠有限公司) who was our customer for the years ended 31 December 2009 and 2010, all these customers were our Group's customers throughout the Track Record Period.

Our machines and equipment

As at the Latest Practicable Date, we were equipped with over 900 sets of advanced air-jet looms, rapier looms, electronic jacquard machines, sizing machines and automatic drawing-in machines, most of which were imported from overseas countries such as Japan, Italy, France and Belgium, and have high performance, automatic controls and highly adaptable features. As at the Latest Practicable Date, we operated over 250 sets of advanced electronic jacquard looms comprising Tsudakoma air-jet looms and Itema rapier looms which had been equipped with Stäubli electronic jacquard machines or Bonas electronic jacquard machines. According to the Euromonitor Report, as of June 2011, we were one of the few fabric manufacturers in the cotton textile industry in the PRC equipped with more than 100 sets jacquard machines. We have also installed advanced spinning machines to support our fabric productions. We believe that our investments in advanced

SUMMARY

production facilities over the years have strengthened our leading position in the high-end home textile fabric market especially in the jacquard fabric and dobby fabric segments. We also believe that high capital intensive requirement of our production facilities poses remarkable barriers to entry for new competitors.

Vertical integration of yarn and fabric productions

To complement the increasing scale of our fabric manufacturing business and secure reliable and quality yarn supplies, on 31 December 2010, we purchased from Yinlong Industrial, a company controlled by Mr. LIU Dong until 29 October 2010 and by his associate until 21 April 2011, approximately 90,000 spindles and other spinning machineries and supporting equipment. For further details, please see “Our Relationship with Controlling Shareholders — Relationship with Yinlong Industrial — Yinlong Assets Acquisition” in this prospectus. The Yinlong Assets Acquisition has enabled us to achieve economies of scale from the vertical integration of yarn and fabric productions. It has also allowed us to leverage our own production facilities to satisfy different production requirements and reduced our reliance on external yarn suppliers.

Our production base and production capacities

We have established an integrated production base in Boshan Economic Development Zone, Zibo City, Shandong Province with a site area of approximately 76,614.9 sq.m. For the years ended 31 December 2009, 2010 and 2011, our production capacity for Fabric Products was approximately 77.70 million meters, 78.25 million meters and 86.74 million meters, respectively, and the average utilization rate of such production facilities achieved approximately 82.75%, 91.37% and 93.15%, respectively, during the same period. For the year ended 31 December 2011, our production capacity for yarns was approximately 9,933 tonnes, and the utilization rate of such production facilities achieved approximately 97.56%. For further details of the annual production capacities of our production facilities, utilization rate and the basis of calculation, please see “Business — Production — Production capacities and utilization rates” in this prospectus.

SUMMARY

Our industry and market position

The high-end home textile fabric market in the PRC in which we carry on business is a niche market and a segment of high-end grey fabric market¹. The entire grey fabric market of the PRC is substantial. According to the Euromonitor Report, in 2010, approximately 65.5 billion meters of grey fabrics were produced by the PRC manufacturers above the designated size² in the cotton textile industry in the PRC in which high-end grey fabrics as well as the aggregate of high-end home textile jacquard fabrics and high-end home textile dobby fabrics accounted for approximately 4.1% and 0.67%, respectively, of the total grey fabrics produced. In terms of the manufacturer sales value, in 2010, high-end grey fabrics produced by the PRC manufacturers above the designated size reached approximately RMB40,834.8 million in which high-end home textile jacquard fabrics and high-end home textile dobby fabrics in aggregate accounted for approximately 19.59% of the manufacturer sales value of high-end grey fabrics, according to the Euromonitor Report.

We are one of the leading fabric manufacturers in the high-end home textile fabric industry of the PRC. According to the Euromonitor Report, we were ranked as the largest high-end home textile jacquard fabric manufacturer and the second largest high-end home textile dobby fabric manufacturer in the PRC with approximately 18.9% and 9.4% respectively of the share in the respective market in 2010 in terms of the manufacturer sales value of such products produced by the PRC manufacturers above the designated size.

Our financial performance

We enjoyed rapid growth in both revenue and profitability in recent years. Our revenue increased from approximately RMB529.71 million for the year ended 31 December 2009 to approximately RMB927.77 million for the year ended 31 December 2011, representing a CAGR of approximately 32.34%. Our profit attributable to equity shareholders of the Company was approximately RMB162.13 million for the year ended 31 December 2011, approximately RMB100.29 million for the year ended 31 December 2010 and approximately RMB30.41 million for the year ended 31 December 2009, representing a CAGR of approximately 130.91%.

¹ For further details of the categorisation of the high-end grey fabric market and high-end home textile fabric market in which we carry on business and the market size thereof in the PRC, please refer to the section headed “Industry Overview — High-end Jacquard and Dobby Grey Fabric Market in the PRC” in this prospectus.

² The phrase “PRC manufacturers above the designated size” refers to the PRC manufacturers with core business revenue over RMB5 million, according to the Euromonitor Report. Given the immense size of the textile industry and the business scale of the PRC manufacturers below the designated size is usually very small, the phrase “PRC manufacturers above the designated size” is commonly adopted in the fabric manufacturing industry as a benchmark for measuring market size and industry output, according to the Euromonitor Report.

SUMMARY

The following table sets out our revenue by product and service category and the percentage contribution by each category to our total revenue for the periods indicated:

	For the year ended 31 December					
	2009		2010		2011	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Fabric Products						
Dobby fabrics	420,491	79.38	574,649	74.27	641,160	69.11
Jacquard fabrics	97,415	18.39	132,925	17.18	233,868	25.21
Sub-total	517,906	97.77	707,574	91.45	875,028	94.32
Others (Note 1)	450	0.09	35,144	4.54	25,010	2.69
Processing service	11,352	2.14	31,049	4.01	27,736	2.99
Total revenue	<u>529,708</u>	<u>100.00</u>	<u>773,767</u>	<u>100.00</u>	<u>927,774</u>	<u>100.00</u>

The following tables set forth, for the periods indicated, sales volume, average selling prices, gross profit and gross profit margins of the Group's principal products, namely, jacquard fabrics and doobby fabrics:

	For the year ended 31 December					
	2009		2010		2011	
	Sales volume ('000 meters)	Average selling price (RMB/m)	Sales volume ('000 meters)	Average selling price (RMB/m)	Sales volume ('000 meters)	Average selling price (RMB/m)
Dobby fabrics (Note 2)	45,497	9.24	38,758	14.83	38,118	16.82
Jacquard fabrics	5,251	18.55	5,532	24.03	9,663	24.20

	For the year ended 31 December					
	2009		2010		2011	
	Gross profit (RMB'000)	margin (%)	Gross profit (RMB'000)	margin (%)	Gross profit (RMB'000)	margin (%)
Dobby fabrics	48,079	11.43	124,223	21.62	155,230	24.21
Jacquard fabrics	23,116	23.73	43,650	32.84	67,136	28.71
Total	<u>71,195</u>		<u>167,873</u>		<u>222,366</u>	

Notes:

- (1) "Others" comprises sale of other fabric products such as finished home textile products and ancillary items, to Yinlong Industrial, Tianhao (a company controlled by Mr. LIU Dong), and other customers. For further details of our sale of goods to related parties during the Track Record Period, please refer to Note 27 to the Accountants' Report set out in Appendix I to this prospectus.
- (2) Selling prices and gross profit margins of our Group's Fabric Products are subject to a number of factors, such as fabric materials, functional properties, woven pattern designs, yarn counts and density. The average selling prices of our Fabric Products have generally increased during the Track Record Period. Such increase was mainly attributable to the increase in market demand, the costs of raw materials and changing product categories with enhanced features and properties.

SUMMARY

For further details of our financial performance, please refer to the section headed “Financial Information” in this prospectus.

COMPETITIVE STRENGTHS

- We are one of the leading high-end home textile fabric manufacturers in the PRC.
- We are well positioned to benefit from the steady increase in the consumers’ expenditure in the home textile fabric market in China.
- We offer high-end, functional and differentiated Fabric Products.
- Our strong research and development capabilities allow us to continuously expand our product offerings and increase our competitiveness.
- Our advanced production facilities and technical expertise enable us to enjoy a leading position in a niche fabric market.
- A scaled and integrated business brings us synergies from economies of scale.
- We have an experienced, stable and energetic management team.

BUSINESS STRATEGIES

- Expanding our product mix by enhancing our research and development capabilities.
- Expanding and upgrading our production facilities to capture growth opportunities and enhance our market share.
- Strengthening our brand building efforts for our products.
- Seeking for strategic investments and/or cooperative alliances with a view to securing our raw material supplies and capturing other potential market opportunities.

RISK FACTORS — HIGHLIGHTS

There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should carefully read the entire section before you decide to invest in our Offer Shares. Set out below are some of the major risks relating to our business.

Price fluctuation of our products may adversely affect our turnover. During the Track Record Period, the average selling price per meter of our jacquard fabrics was approximately RMB18.55, RMB24.03 and RMB24.20, respectively, whereas the average selling price per meter of our dobby fabrics was approximately RMB9.24, RMB14.83 and RMB16.82, respectively. As such, the significant increase in our total revenue and profit before taxation for the year ended 31 December 2010 when compared to those for the year ended 31 December 2009 was partly a result of the increase in the selling price of our Fabric

SUMMARY

Products during that period. Please see “Year ended 31 December 2010 compared to year ended 31 December 2009 — Turnover” under the “Financial Information” section in this prospectus for further analysis of the fluctuation.

Our operating results may be adversely affected by fluctuations in prices and supplies of our raw materials. Our average purchase cost of yarns was approximately RMB19,410, RMB36,180 and RMB35,831 per tonne for the years ended 31 December 2009, 2010 and 2011 respectively. Our average purchase cost of cotton was approximately RMB10,736, RMB16,163, and RMB21,748 per tonne for the years ended 31 December 2009, 2010 and 2011 respectively. If there is any significant increase in the prices of raw materials in the future, our business and results of operations would be materially adversely affected if we are unable to pass on the increased cost of raw materials to customers. Please see the section headed “Risk factors — Risks relating to our business — Our operating results may be adversely affected by fluctuations in prices and supplies of our raw materials.” in this prospectus.

During the Track Record Period, a significant proportion of our sales were derived from domestic sales. For the years ended 31 December 2009, 2010 and 2011, our domestic sales amounted to approximately RMB453.70 million, RMB601.68 million and RMB818.90 million, representing approximately 85.65%, 77.76% and 88.27%, respectively, of our total revenue. If there is any economic downturn or adverse change in the political, social or economic conditions in China, our business, financial condition, results of operations and prospects could be materially adversely affected. Please see the section headed “Risk factors — Risks relating to our business — Decrease in our domestic sales, together with insufficient overseas sales, could adversely affect our financial condition and operating results.” in this prospectus.

A significant proportion of our revenue was derived from the manufacturing and sale of dobby fabrics during the Track Record Period. Sales of dobby fabrics accounted for approximately 79.38%, 74.27% and 69.11%, respectively, of our total revenue for the years ended 31 December 2009, 2010 and 2011, respectively. If there is any material adverse change in the market demand for and/or price of our dobby fabrics, our business, financial condition, results of operations and prospects could be materially adversely affected. Please see the section headed “Risk factors — Risks relating to our business — We derive a significant proportion of our revenue from the sales of dobby fabrics.” in this prospectus.

USE OF PROCEEDS

Use of Proceeds from the Global Offering

We estimate that the aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering) will be approximately HK\$154 million (or approximately HK\$182 million assuming the Over-allotment Option is exercised in full), assuming an Offer Price of HK\$1.21 per Share, which is the mid-point of the indicative Offer Price range of HK\$1.10 to HK\$1.32 per Share.

SUMMARY

We currently intend to apply the net proceeds from the Global Offering as follows:

- as to approximately 66% of the estimated net proceeds or approximately HK\$102 million for expansion and upgrade of our production facilities of wide width shuttleless loom and supporting equipment, which are planned for increasing our aggregate annual production capacity of dobby fabrics products by approximately 7.7 million meters, and other ancillary facilities, to enhance our Fabric Products weaving capacity;
- as to approximately 19% of the estimated net proceeds or approximately HK\$30 million for financing the acquisition of land use right to house the above additional production facilities to be acquired by our Company;
- as to approximately 5% of the estimated net proceeds or approximately HK\$7 million for enhancing our research and development capabilities which support the expansion of our product mix and development, including the use of new raw materials and the relevant production technique;
- as to approximately 3% of the estimated net proceeds or approximately HK\$5 million for upgrading our information management system; and
- as to approximately 7% of the estimated net proceeds or approximately HK\$10 million for general working capital purposes.

If the Offer Price is set at the 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 decrease by approximately HK\$17 million. In this event, we will decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Offer Price is set at the high-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 by approximately HK\$17 million. In this event, we will increase 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 by approximately HK\$28 million, assuming an Offer Price of HK\$1.21 per Share, being the mid-point of the proposed Offer Price range. In such event, we intend to apply the additional net proceeds to the above uses in the proportion stated above.

To the extent that the net proceeds from the Global Offering are not sufficient to fund the uses set forth above, we intend to fund the balance through a variety of means, including cash generated from our operations and external sources of financing. We currently believe that the net proceeds from the Global Offering, when combined with such external sources of financing, are sufficient for the uses set forth above. To the extent that the net proceeds from the Global Offering are not immediately applied for the above

SUMMARY

purposes, we intend to deposit the net proceeds from the Global Offering into interest-bearing accounts with banks or other financial institutions. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

SUMMARY OF SELECTED HISTORICAL FINANCIAL INFORMATION

The following tables summarises the consolidated statements of comprehensive income data and consolidated statements of financial position from our consolidated financial information during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with IFRS. Investors should read these selected consolidated financial data together with Appendix I to this prospectus and the discussion under the section headed "Financial Information" in this prospectus.

Summary consolidated statements of comprehensive income

	<u>For the year ended 31 December</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	529,708	773,767	927,774
Cost of sales	<u>(456,669)</u>	<u>(595,949)</u>	<u>(697,670)</u>
Gross profit	73,039	177,818	230,104
Other revenue	2,524	2,524	—
Other net (losses)/gains	(2,648)	(147)	5,338
Distribution costs	(10,124)	(10,957)	(11,795)
Administrative expenses	(12,750)	(16,070)	(30,665)
Finance income	9,958	5,097	20,007
Finance costs	<u>(17,649)</u>	<u>(26,509)</u>	<u>(25,103)</u>
Profit before taxation	42,350	131,756	187,886
Income tax	<u>(1,555)</u>	<u>(26,197)</u>	<u>(25,760)</u>
Profit and total comprehensive income for the year	<u><u>40,795</u></u>	<u><u>105,559</u></u>	<u><u>162,126</u></u>
Profit and total comprehensive income attributable to:			
Equity shareholders of the Company	30,406	100,291	162,126
Non-controlling interests	<u>10,389</u>	<u>5,268</u>	<u>—</u>
	<u><u>40,795</u></u>	<u><u>105,559</u></u>	<u><u>162,126</u></u>

SUMMARY

Summary consolidated statements of financial position

	As at 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Fixed assets	343,212	414,203	411,010
Intangible assets	60	119	130
Goodwill	6,394	6,394	6,394
Investments in equity securities	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
	<u>350,666</u>	<u>421,716</u>	<u>418,534</u>
Current assets			
Inventories	101,272	170,504	100,789
Trade and other receivables	98,627	117,469	121,838
Pledged bank deposits	245,899	256,568	188,380
Cash and cash equivalents	<u>55,343</u>	<u>68,265</u>	<u>130,228</u>
	<u>501,141</u>	<u>612,806</u>	<u>541,235</u>
Current liabilities			
Trade and other payables	153,126	492,347	270,068
Bank loans	302,741	345,889	373,189
Obligations under finance leases	—	28,782	31,394
Current taxation	<u>1,183</u>	<u>5,691</u>	<u>8,261</u>
	<u>457,050</u>	<u>872,709</u>	<u>682,912</u>
Net current assets/(liabilities)	<u>44,091</u>	<u>(259,903)</u>	<u>(141,677)</u>
Total assets less current liabilities	<u>394,757</u>	<u>161,813</u>	<u>276,857</u>

SUMMARY

	As at 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities			
Bank loans	20,000	10,000	—
Obligations under finance leases	—	45,880	14,730
Deferred tax liabilities	—	10,024	4,024
	<u>20,000</u>	<u>65,904</u>	<u>18,754</u>
Net assets	<u>374,757</u>	<u>95,909</u>	<u>258,103</u>
Capital and reserves			
Capital	138,046	—	68
Reserves	<u>140,710</u>	<u>95,909</u>	<u>258,035</u>
Total equity attributable to equity shareholders of the Company	278,756	95,909	258,103
Non-controlling interests	<u>96,001</u>	—	—
Total equity	<u>374,757</u>	<u>95,909</u>	<u>258,103</u>

We recorded net current assets of approximately RMB44.09 million as at 31 December 2009, and net current liabilities of approximately RMB259.90 million and RMB141.68 million as at 31 December 2010 and 31 December 2011, respectively. Our Group had net current liability position as at 31 December 2010 and 31 December 2011 primarily because we financed the Reorganization and the acquisition of non-controlling interests of Yinshilai Textile and Huiyin Textile, the major operating subsidiaries of our Group, during the Track Record Period, from amounts due to related party. Our Group has repaid approximately RMB30 million in cash to the related party by internal resources of our Group subsequent to 31 December 2011, and the repayment obligation of the balance of the amounts due to related party of approximately RMB146.63 million have been waived by such related party, being Excel Orient, and such amounts were credited as capital contribution prior to the Listing. After netting off the amounts due to the related party of approximately RMB146.63 million waived by Excel Orient, we would record net current assets of approximately RMB4.95 million as at 31 December 2011.

TRADING POSITION AFTER 31 DECEMBER 2011

On the basis of the management accounts and unaudited financial information of our Group for the five months ended 31 May 2012, the total sales of our products were close to the level for the same period in 2011. Volume sales for our principal products, namely jacquard fabrics and dobby fabrics in terms of meters sold in total represented an increase of approximately 11.64% for the five months ended 31 May 2012 as compared to the same period in 2011. However, the gross profit margin of our products for this five month period dropped to approximately 21.70% from that of approximately 24.30% for the

SUMMARY

corresponding period in 2011. This was principally due to the increase in production costs including depreciation and electricity charges as well as the decrease in selling prices of our products generally for the five months ended 31 May 2012.

Average selling prices of our principal products dropped approximately 10.4% during the five month period ended 31 May 2012 as compared to those in 2011. Such decrease was partly due to the reduction in the purchase cost of cotton as a principal raw material (which enabled lower selling prices), the different mix of product categories and more competitive market condition during the period.

Our Directors consider that the textile industry in China is in a more competitive market condition for the five month period ended 31 May 2012, as compared to that in 2011 generally. However, our Directors believe that the focus of our Group in high-end Fabric Products has enabled us to remain relatively more competitive as compared to some other textile companies in more generic products, and that we would strike to maintain our profit margins by further enhancing our product structure and mix, and production efficiency.

STATISTICS OF THE GLOBAL OFFERING

	Based on an Offer Price of HK\$1.10	Based on an Offer Price of HK\$1.32
Market capitalisation of the Shares ⁽¹⁾	HK\$880 million	HK\$1,056 million
Historical price/earnings multiple on a pro forma basis ⁽²⁾	4.40 times	5.28 times
Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	HK\$0.56	HK\$0.60

Notes:

- (1) The calculation of market capitalisation is based on each indicative Offer Price and 800,000,000 Shares in issue immediately after completion of the Global Offering but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the paragraph headed “Further Information about our Company — 3. Resolutions in writing of our Shareholders passed on 26 June 2012” in the section headed “Statutory and General Information” in Appendix VI to this prospectus.
- (2) Our historical price/earnings multiple on a pro forma basis in the above table is based on each indicative Offer Price and the profit attributable to equity shareholders for the year ended 31 December 2011 and on the basis of 800,000,000 Shares in issue immediately after completion of the Global Offering but takes no account of any Shares which may fall to be issued under the Over-allotment Option or any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the paragraph headed “Further Information about our Company — 3. Resolutions in writing of our Shareholders passed on 26 June 2012” in the section headed “Statutory and General Information” in Appendix VI to this prospectus.

SUMMARY

- (3) The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments referred to in the paragraph headed “Unaudited pro forma adjusted net tangible assets” under the section headed “Financial Information” of this prospectus and on the basis of 800,000,000 Shares in issue immediately after completion of the Global Offering but takes no account of any Shares which may fall to be issued under the Over-allotment Option or any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the paragraph headed “3. Resolutions in writing of our Shareholders passed on 26 June 2012” in the section headed “Statutory and General Information” in Appendix VI to this prospectus.

DIVIDENDS AND DIVIDEND POLICY

Each of Yinshilai Textile and Huiyin Textile declared a dividend of approximately RMB120.92 million and RMB27.18 million respectively on 4 January 2010 to their then eligible shareholders. Save for the above, no dividend had been paid or declared by our Group to any Shareholders during the Track Record Period and up to the Latest Practicable Date.

Subject to below, it is our Company’s dividend policy that approximately 25% to 35% of the Group’s profits available for distribution will be recommended for distribution in each financial year, commencing from the financial year ending 31 December 2012, in the form of interim dividend and final dividend. Our Directors consider that, in general, the amount of any future dividends to be declared by our Company will depend on our Group’s results, working capital, cash position, capital requirements, the provisions of the relevant laws and other factors as may be considered relevant at such time by our Directors. Our Directors consider that our Company’s dividend policy mentioned above will not materially affect our Group’s working capital position in the coming years.